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UNIVERSITY OF CALIFORNIA SAN DIEGO

Political Accountability at the Local Level in Tanzania

A Dissertation submitted in partial satisfaction of the requirements for the degree

Doctor of Philosophy

in

Political Science

by

Barak Daniel Hoffman

Committee in charge:

Professor Clark C. Gibson, Co-Chair
Professor Stephan M. Haggard, Co-Chair
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2006

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University of California, San Diego

2006

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FIELDS OF STUDY

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ABSTRACT OF THE DISSERTATION

Political Accountability at the Local Level in Tanzania

by

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Doctor of Philosophy in Political Science

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In this dissertation, I analyze political accountability at the local level in Tanzania. I argue that two factors, (1) political and party institutions, and (2) sources of finance strongly influence the ability and incentive of locally elected officials to act in the interests of their constituents. I show that the country's political and party institutions allocate minimal power to local representatives and that they encounter strong motivations to undertake projects which reflect the priorities of the central government as well as those of their own electorate. I further find that the principal factor that determines variation in the ability and incentive of locally elected officials to act in the interests of their voters are the sources of local government revenue. Employing an empirical analysis of detailed data on taxes, expenditures, transfers, and projects at the local level in Tanzania, I observe that local governments with a sizable tax base enjoy greater autonomy from the central government, produce more services for their constituents from local revenue, and tax residents of their jurisdiction more benevolently than their less financially autonomous counterparts.

Chapter I: Introduction to Local Government in Tanzania

I. Introduction

In this dissertation I examine political accountability at the local level in Tanzania.¹ The broad question I ask is under what circumstances elected local officials in that country act in the interests of voters.² To address this issue, I analyze three fundamental functions that all local government in Tanzania must perform: the raising of taxes, the allocation of government spending, and the design of the policies and projects they undertake. I argue that the institutional allocation of authority and sources of revenue are the primary determinants of the accountability of elected officials to their constituents.

I was fortunate to be able to build on the work of a number of scholars who have examined local government in Tanzania. Kent (1962), Lee (1965), and Penner (1970) provide extensive detail concerning local government finance at the time of the country's independence. Similarly, Dryden (1968), Max (1991), Therkildsen and Semboja (1991), and Tordoff (1967) present comprehensive descriptions of the structure of institutions at the local level as well as the links between local and central government. Researchers have not yet analyzed systematically the factors that motivate the behavior of elected local officials, however.

¹ My analysis is almost exclusively limited to mainland Tanzania, as opposed to the United Republic of Tanzania, which includes the mainland and the islands of Pemba and Zanzibar. I exclude the latter because they are politically autonomous and contain only approximately three percent of the country's population.

² I focus most of my attention on local-level elected officials but at times expand my analysis to include Members of Parliament.

The question of accountability has motivated many researchers to examine sub-national government in developing countries over the past two decades and I review research on this subject in the relevant parts of my dissertation. Studies in this area tend to articulate the circumstances necessary for local governments to be effective in reducing poverty and/or improving governance (e.g., Crook and Manor 1999, Crook and Sverrisson 2001, Johnson 2001, Weingast, et al. 1995). In my dissertation, by contrast, I attempt to explain how elected local officials behave with the power they actually hold, not what institutional changes the central government might implement in order to make them more responsive. However, a focus on the incentives these officials face, the authority they currently enjoy and the limits of their capabilities given the constraints they encounter provides me with substantial insight into the likely effects of greater decentralization, as I discuss in Chapters IV and VI.

Broadly speaking, my results strongly support the position that the consequence of enhanced sub-national autonomy on the effectiveness of local government is contingent on how local governments raise revenue and that the incentives political institutions at the local level create for elected local officials are not likely to be able to overcome motivations that derive from local fiscal constraints. Specifically, I contend that greater local autonomy in Tanzania will only lead to a more accountable local government when the local government presides over a significant revenue base and mobile economic activities. Since the majority of Tanzanians do not live in areas that meet these conditions, I argue that greater decentralization in that country, in general, will lead to less effective local government.

There are advantages and disadvantages to examining local government in Tanzania. The primary benefit, as I demonstrate in Chapter II, is that for most Tanzanians, local government is a far more tangible presence than the central government and also is a level of government that the average citizen has some ability to hold accountable. The central government, by contrast, is a distant entity, and, as I reveal throughout my dissertation, most Tanzanians possess little capacity to influence it. There are a number of methodological gains to analyzing local government in this country as well. First, there exists no internal variation in political institutions at the local level as all district governments enjoy equivalent powers. Second, in almost all jurisdictions, one political party, the Chama Cha Mapinduzi (CCM), or Party of the Revolution, dominates the local government. Third, the country is largely free of ethnic and religious conflict, and does not possess a high degree of income inequality. The lack of variation in these factors enables me to isolate the variables I am interested in examining, primarily those related to institutional allocation of authority and sources of local government revenue, from broader internal societal variations that might exist in countries with a more heterogeneous social structure.

One drawback from examining Tanzania is that the country is a very poor nation largely composed of subsistence farmers with uniform sub-national political institutions and little ethnic/religious tension. These factors limit my ability to generalize my findings to a broader context. On balance, however, the benefits permit me to gain considerable insight into how local government operates from the perspective of the average elected local official in Tanzania.

In the rest of this chapter, I present background information on Tanzania and briefly discuss the substance of my dissertation. The next section addresses the broad set of theories I address, those on institutions and sources of finance. The subsequent section summarizes the arguments in each of the substantive chapters. The succeeding two sections provide a short history of Tanzania at the national and local levels.

II. Theoretical Foundations

In my analysis of local government in Tanzania, I rely on two broad sets of theories, those relating to institutions and those addressing sources of revenue. I provide a brief review of each below.

A. Political and Party Institutions

Accountability, the ability of a principal to sanction an agent, is a central topic in political science. The vast majority of studies in this area explore how political and party institutions affect the responsiveness of elected officials. Many of these examinations are cross-national and center around how differences among types of democratic institutions, such as political systems (e.g., presidential versus parliamentary), electoral rules (e.g., first-past-the-post versus run-offs), electoral systems (e.g., single-member districts versus multimember districts), party systems (e.g., candidate-centered versus party-centered

political parties, number of parties)¹, the degree of separation of powers, and the relationship between local governments and central governments affect public policy outcomes (e.g., Bardhan 2001, Bardhan and Mookherjee 2005b, Carey and Shugart 1995, Cox 1997, Linz 1990 and 1994, Lijphart 1999, McIntyre 2003, Persson and Tabellini 2003, Perrson et al. 2003, Perrson et al. 2005, Shugart and Carey 1992, Shugart and Carey 1995, Tsebelis 2002).

At the sub-national level, scholars have focused a significant amount of attention on examining the consequences of decentralization for political accountability. These studies typically explore how changes in the political power of local governments change the relationship between sub-national authorities and their constituents (e.g., Ferejohn and Weingast 1997, Inman and Rubinfeld 1996, Rondinelli, et al. 1989). Analyses on this topic generally seek to adjudicate between two hypotheses. Proponents of decentralization argue it should increase accountability because local governments are more accountable than distant central ones. Opponents contend that decentralization may reduce government responsiveness because local elites can divert public funds more easily through a decentralized system than a centralized one.² Evidence exists to support

¹ Candidate-centered versus party-centered systems refer to the relationship between the voter and the party (Cox and McCubbins 2001). If an individual votes based on his or her relationship with a specific candidate, the system is candidate-centered. Alternatively, if voters decide how to cast their ballot based on the party reputation, the system is party-centered. The U.S. system of electing members of the House of Representatives in single member districts and weak party discipline is an example of a candidate-centered system. The Israeli and South African systems for electing parliament using nation-wide closed lists where individuals vote for only a party, not a candidate, and members of parliament lack a geographic constituency, by contrast, is an example of a party-centered one.

² Bardhan (2001), Bardhan and Mookherjee (2005a), and Bardhan and Mookherjee (2005b) for a comprehensive review this debate and I discuss this more extensively in Chapter V.

both hypotheses, even within the same village (e.g., Bardhan and Mookherjee 2004, Galasso and Ravallion 2005, Galiani, et al. 2005, Reinikka and Svensson 2004).³

Despite these contrasting results, qualitative analyses report suggestive findings regarding the conditions necessary for decentralization to promote accountability.

Johnson (2001), for example, identifies three conditions that are crucial for decentralization to lead to improved government performance. First, elected officials must be accountable to voters. Second, civil servants must be accountable to elected officials. Third, external groups, such as civil society organizations, the central government, and/or foreign donors can play a catalytic role if they are committed to strengthening decentralization. Similarly, Crook and Manor (1999) find that political accountability from civil servants to voters must be effective in order for decentralization to succeed at facilitating development. These studies demonstrate that decentralization alone is not able to solve problems of poor governance; political accountability is the necessary condition. In Chapters II and III I examine the institutional distribution of political power in Tanzania and how these affect the poverty reduction programs of local governments.

³ While Galasso and Ravallion (2005) find that the larger the proportion of poor people in the village the greater the share given to the poor, they also find that as village inequality rises, the proportion going to the poor falls. Along the same lines, Bardhan and Mookherjee (2004) found that while village governments in West Bengal, India were far better at targeting the poor than were higher levels of government but also encountered evidence of elite capture.

B. Fiscal Theories of Governance

Political institutions are not the only mechanisms that scholars have employed to explain variation in government accountability. A different set of studies explores how the fiscal relationship between the government and the governed affects the responsiveness of the former to its citizens. Fiscal theories of governance argue two central points. First, the shape of political institutions reflects a government's need for revenue (e.g., Bates and Lien 1985, Levi 1988, Moore 1995). This line of thinking is found most prominently in the work of scholars seeking to explain the evolution of state structures. In general, these works argue that a government that depends on its citizens for revenue has an incentive to defer to their policy preferences. Alternatively, a government that does not rely on its constituents for financial support has few compelling reasons to consider its citizens' policy preferences seriously (Moore 1998). Second, taxpayers benefit from government policies roughly in proportion to the share of government revenue they provide (e.g. Bates and Lien 1985, Lindert 2004, Timmons forthcoming).

Fiscal theories of governance have demonstrated considerable power in explaining political outcomes. Levi (1988), for example, observes that since paying taxes is to a certain extent voluntary, governments may have to induce compliance or cede policy making power in order to generate revenue. Additionally, a number of scholars have employed fiscal theories of governance to develop compelling arguments to account for the rise of democratic political institutions in Europe (e.g., Bates 2001, Downing 1992, North and Weingast 1989, Root 1992, Tilly 1992). According to Tilly (1992), as

wars in Europe grew more expensive during the Middle Ages, raising revenue and troops through coercion became an increasingly inefficient strategy. As a result, monarchs sought to raise the funds they needed through policy concessions and policies that facilitated economic development. Bates and Lien (1985) use a formal model to predict a similar outcome and develop the crucial insight that as capital becomes more mobile, the government must cede greater policy making power in order to generate revenue. Finally, Fearon and Laitin (2004) employ the logic of fiscal governance to conjecture that financing international peacekeeping in states emerging from civil war in part through local taxes may have a strong catalytic effect in constructing stable political systems in post-conflict situations.

A number of scholars have extended the logic of fiscal governance to examine politics in rentier economics. In general, these studies assert that external funds (i.e., funds not raised from the domestic population) should impede the development of democracy since valuable external resources, such as oil, reduce the dependence of the government on the governed (e.g., Karl 1997; Ross 2001; Tornell and Lane 1998). Researchers also have employed this insight to suggest that foreign aid may generate the same political incentives as rentier commodities, especially if donors only weakly enforce conditions on aid (Brautigam 2000, Coolidge and Rose-Ackerman 1997, Gibson et al. 2005, Knack 2000, Moore 1995, Svensson 2000). Moore (1995), for example, argues that foreign aid, like easily exploitable natural resources, reduces the need for the government to collect taxes and as a result, reduces fiscal accountability. Brautigam (2000) similarly contends that long-term dependence on foreign aid undermines the quality of governance, diminishes pressure for reform and accountability, and decreases

efforts to collect taxes. Triesman (2000) expands this logic to include transfers from the central government to local governments.

The majority of empirical studies that address the above issues are cross-national. These analyses suffer from the drawback that it is quite difficult to isolate the effects of revenue on accountability from those of institutions at the national level since these factors often are highly correlated across countries. Ideally, testing fiscal approaches to governance requires examining the consequence of sources of revenue under the conditions of identical political institutions, such as at the sub-national level in countries where local governments operate under the same political structure. I utilize this design in Chapters IV and V of my dissertation.

A somewhat different set of fiscal governance studies explore how competition between sub-national governments for revenue affects the accountability of local governments towards their citizens (e.g., Brennan and Buchanan 1980, Oates 1972, Tiebout 1956, Weingast, et al. 1995, Weingast 2006). In general, these researchers contend that forcing sub-national governments to compete for taxes provides them with a strong incentive to act in the interests of their constituents. Tiebout (1956), for example, maintains that the capacity of citizens to move between jurisdictions necessitates that local governments attract taxpayers through offering different combinations of public services and taxation to meet the preferences of various types of individuals. Along the same lines, Weingast (2006) and Weingast, et al. (1995) argue that competition for scarce revenue provides sub-national governments with the motivation to pursue policies that encourage local economic development because rent-seeking and corrupt behavior discourages individuals from living in those jurisdictions and firms from investing in

them. One crucial assumption these theories embody is that individuals must be mobile across jurisdictions. In chapter IV, I examine the consequences of imperfect mobility on taxation at the local level in Tanzania.

I analyze how institutions and sources of revenue both affect the responsiveness of elected officials to their constituents. In Chapter II I articulate patterns of accountability in Tanzania and in Chapter III I demonstrate how these affect the projects that local governments implement. In Chapters IV and V I demonstrate how variations in sources of revenue affect the expenditure and taxation decisions of local governments. However, before discussing these issues in greater detail, I would like to summarize my main argument and hypotheses, and to present a brief background on the economic and political history of Tanzania in order to provide a context for analyzing the current system of local government.

III. Dissertation Plan

This dissertation contains four substantive chapters and a conclusion. In Chapter II, I describe the patterns of accountability in Tanzania, identify the factors that I expect to affect the responsiveness local councilors to their constituents in that country, and derive the hypotheses that I test in Chapters III, IV, and V. Below, I summarize my general argument as well as the hypotheses I will test.

A. General Argument

I argue that two variables affect the accountability of elected officials at the local level in Tanzania to their constituents, (1) political and party institutions and (2) sources of finance. Through examining the institutional allocation of authority, I demonstrate that elected local officials hold highly circumscribed power. Specifically, since these representatives are not able to sanction directly senior civil servants working in their jurisdiction, they often lack the capacity to satisfy the demands of their constituents. I also show that the structure of the party system further reduces councilors' incentive and ability to act in the interests of their voters. On the one hand, CCM's rigid hierarchy requires that all CCM elected officials who aspire to future positions in the party or in the government support the party's policies. On the other hand, CCM's electoral dominance and the ability of CCM leaders in their capacity as government ministers to appoint senior district civil servants obstructs the capability of representatives of opposition parties from improving the quality of life of their constituents unless they cooperate with CCM.

Since councilors and MPs possess limited institutional power, I demonstrate that their primary method of demonstrating accountability to their constituents is through providing tangible and visible local public services, such as schools, health clinics, and local irrigation projects. Consequently, I contend that how they obtain the sources of revenue they need to finance these services (i.e., local taxes versus central government/donor transfers) should be the primary factor that determines within-country

variation in councilors' capabilities and incentives to act in the interests of their electorate.

Sources of revenue, however, have a complex effect on the behavior of local elected officials because councils face a series of tradeoffs when determining how to raise funds. On the one hand, councilors benefit from funding projects through external resources since they can provide services without taxing voters and/or since this method of finance may facilitate diverting taxpayer funds to advance their personal interests. However, when councilors finance local projects through transfers from the central government and/or donors, they must accept the conditions these entities place on the use of their funds. Alternatively, councilors can mobilize local revenue to finance projects. The primary benefit of utilizing this method of obtaining revenue is that officials enjoy discretion over expenditures of these resources. At the same time, raising taxpayer funds to underwrite local projects leads to a different set of problems. First, taxes tend to be unpopular and may encourage citizens to monitor their government more closely. Second, councilors encounter a variety of constraints in raising taxes according to the characteristics of the local economy that they are attempting to tax. On the one hand, due to the country's poverty, many districts lack a tax base that is feasible for undertaking a wide range of public works or citizens who can afford to pay for local government-provided services.⁴ Councilors in these districts possess neither the incentives nor the resources to provide services and thus must rely on external entities to supply them. On the other hand, districts with an economy that can yield substantial local revenue tend to

⁴ According to the 2001 Household Budget Survey, per capita GDP is approximately \$213 and median income is about \$210 in rural areas, about half the levels of incomes in urban areas.

be populated by citizens and firms that are mobile and can afford the services local governments can provide. Since residents of these districts can leave if the local government is not responsive to their concerns, local governments in these districts encounter strong motivations to act in the interests of their constituents.⁵ In Table 1.1, I summarize the tradeoffs that councilors confront when deciding where to generate resources.

Table 1.1: Benefits and Drawbacks from Sources of Revenue

Source of Revenue	Benefit	Drawback
External	No need to raise local taxes	Must comply with external conditions
Internal (small tax base)	Autonomy over expenditure	Small revenue base leads to inability to fund projects from local taxes
Internal (large tax base)	Autonomy over expenditure	Mobile workforce mandates greater concern for citizen preferences

B. Empirical Hypotheses

From the argument above, I develop three general hypotheses concerning the accountability of local elected officials to their constituents that I test in Chapters III, IV, and V. Chapter III examines the policies and projects these officials implement, Chapter IV investigates the methods they employ to raise local taxes, and Chapter V analyzes how they allocate local sources of revenue. I have chosen to examine these three outcomes because they comprise the central functions elected officials undertake and because all districts must address them. I summarize the general hypotheses below.

⁵ Mobility and income are not perfectly correlated as I show and discuss more thoroughly in Chapter IV.

Implementing External Policies and Projects (Chapter III): Most districts in Tanzania lack the economic capacity to be financially self-sufficient and thus rely heavily on central government transfers to finance their local budgets. That councilors need to represent the interests of their constituents to remain popular on the one hand and that they must adhere to the conditions the central government sets in return for its transfers on the other has the potential to create an acute accountability dilemma for those local councilors. I conjecture that CCM's rigid hierarchy and dominance, the motivations of CCM's leaders to maintain the party's popularity, and the centralization of power within the executive branch provides the president and senior government/party officials with the incentive and ability to solve this problem. Specifically, I expect that the executive branch will reduce this tension by centralizing policy decisions in such a manner that satisfies the concerns of CCM councilors.

Types of Taxes Local Governments Collect (Chapter IV): The mobility of the labor force and the size of the tax base should determine the method that local governments employ in collecting local taxes.⁶ Specifically, I anticipate that the willingness of the government to collect taxes through committing to provide public services should occur where the labor force is mobile and citizens have sufficient income to afford government-provided services. In all other situations, I expect local governments to offer few services up-front in return for taxes and in many cases resort to employing coercion to collect revenue.

⁶ These two variables are correlated highly and in Chapter IV I clarify the empirical and theoretical distinction between the two.

*Taxation and Expenditure (Chapter V):*⁷ Districts that rely more on their constituents for taxation should allocate a greater share of local revenue to public services than those that are less financially autonomous. By contrast, local governments that obtain more taxes from the central government and/or donors should devote fewer of their own taxes to services than those governments who receive less from these entities.

Before I examine these patterns more closely, I would like to create a context for analyzing the accountability relationship between elected local government officials and their constituents through providing a brief history of Tanzania. I present this information at the national and local level in the subsequent two sections, respectively.

IV. A Brief History of Tanzania

The United Republic of Tanzania is a wholly European creation. Prior to British and German colonization of the area in the late nineteenth century, the territory that comprises the modern nation functioned roughly as two separate entities. The coastal area, including the islands of Pemba and Zanzibar, was a fairly prosperous and politically united region under the control of the Omani Empire. This area linked the trade routes of the interior of the continent with the Middle East. Ivory, slaves, and spices were the primary exports from the region. Due to the value of these commodities, in 1840, Sultan Sayyid Said bin Sultan al-Busaid of Oman moved the capital of the Omani empire from Muscat, Oman to Zanzibar in order to solidify imperial control over these trade routes (Clayton 1981, Depelchin 1991, Iliffe 1979, Jerman 1997). The interior of the region, by

⁷ I also examine local government in Zambia as well in this chapter that I co-wrote with Clark Gibson.

contrast, contained a multitude of economically and politically heterogeneous societies whose internal organizations ranged from highly structured to loosely cooperative (Iliffe 1979).

Zanzibar became a British protectorate in 1890 and a formal colony in 1896 while the German government took possession of the interior in 1886. Following Germany's defeat in World War I, the British acquired German East Africa and renamed it Tanganyika (Iliffe 1979). The colony attained independence in 1961 and the British relinquished control of Zanzibar to Sultan Jamshid ibn Abd Allah in 1963. In 1964, the native citizens of Zanzibar overthrew the Omani-descended Sultan and in the same year, Tanganyika and Zanzibar formed a political union, the United Republic of Tanzania (Babu 1991, Clayton 1981).

Politically, since independence, Tanzania has been a one-party state, *de jure* until 1992 and *de facto* subsequently. The current ruling party, Chama Cha Mapinduzi (CCM), is an amalgamation of the mainland Tanganyika African National Union (TANU) and the Zanzibar-based Afro Shirazi Party. The parties merged in 1977 to form CCM as a result of a successful attempt by President Nyerere to reduce the autonomy of the islands (Morck 2005). Although Tanzania became an official multiparty democracy in 1992, CCM remains by far the dominant political organization. Moreover, CCM, rather than losing dominance in the multi-party era appears to have gained strength.⁸ In the 2005 third multi-party election, the CCM presidential candidate, Jakawaya Kikwete, obtained 80 percent of the vote and CCM candidates won 89 percent of the seats in parliament, each providing the party's largest margin of victory since the country's

⁸ Freedom House observes that Tanzania's mainland elections since 1995 have been free and fair.

democratization. The table below shows the vote share for the CCM presidential candidate and percent of seats CCM won in the parliament for the country's three multi-party elections.

Table 1.2: CCM Electoral Results since Multi-Party Elections

	1995	2000	2005
President (percent vote)	62	71	80
Seats in Parliament (percent)	80	87	89

Source: Africa Elections Database

Currently, scholars consider Tanzania's political system to be semi-democratic. Freedom House, for example, rates the country as Partly-Free (Freedom House 2006). Although opposition parties are free to organize as I demonstrate in Chapter II, they encounter significant financial and organizational challenges to winning elections. Nevertheless, the country is substantially more democratic now than in the past. In particular, elections for MPs and councilors have become highly competitive over the past decade. Therefore even though the CCM district branch controls who may stand for the party in local elections, lack of restrictions for opposition parties to campaign at the local level has forced local CCM leaders to take into serious consideration the popularity of individuals seeking the party's nomination.⁹ Furthermore, while CCM candidates emerge victorious in most local elections, they nonetheless spend significant sums of

⁹ For example, in Karatu District in 1995, the CCM district branch chose not to re-nominate a highly popular MP because of his criticism of the party. After losing the nomination, he founded his own party, Chadema (short for Chama Cha Democrasia Na Mandeleo or Party of Democracy and Development), and in the subsequent election Chadema candidates defeated the CCM MP candidate and many CCM councilor candidates (Personal interview, February 25, 2005).

money on their campaigns.¹⁰ Thus, since candidates must be acceptable to their constituency to win elections, as I explain in Chapter II, multi-party local elections have placed significant pressure on local representatives to provide tangible benefits to their electorate. In Chapters II and III, I discuss the country's political and party institutions in greater detail.

Economically, scholars tend to divide the history of Tanzania into three phases. The first period lasted from independence until 1967. Government policies in this era generally supported a market economy. During the second phase, between 1967 and 1991, the government organized the economy around socialist principals. In 1991, government authorities terminated socialism and returned to a market economy (Tripp 1997). Real per capita GDP grew at a rate of 2.7 percent per year from independence to 1967. In the latter two phases, by contrast, economic performance has been far less impressive with the rate of real income growth averaging -0.1 and 0.7 percent per year in each period respectively.

Analyzing economic trends by these three periods is not the most obvious way to understand the evolution of the Tanzanian economy in terms of changes in income, however, as the graph below suggests. Rather, we can divide Tanzania's economic history more clearly into two eras, independence to the mid-1970s and the mid-1970s to the present. During the former period, per capita GDP expanded by approximately two percent per year, primarily due to favorable terms of trade. The oil shocks of the 1970s and their damaging effect on the prices of Tanzania's exports severely undermined the

¹⁰According to Kelsall (2002), for example, most CCM MPs in the 2000 parliamentary election spent at least \$20,000 on their campaign nearly, seventy times per capita GDP.

country's favorable external position and sent the economy into a two-decade slump (Tripp 1997). Since the middle of the 1970s, incomes have contracted on average 0.1 percent per year. In total, since independence, per capita GDP has grown at approximately 0.7 percent per year and real income per person is approximately one-third higher today than it was in 1961 but twenty percent below its peak in 1976. The graph below shows per capita GDP in 1990 US dollars in Purchasing Power Parity (PPP) terms from independence through 2000.

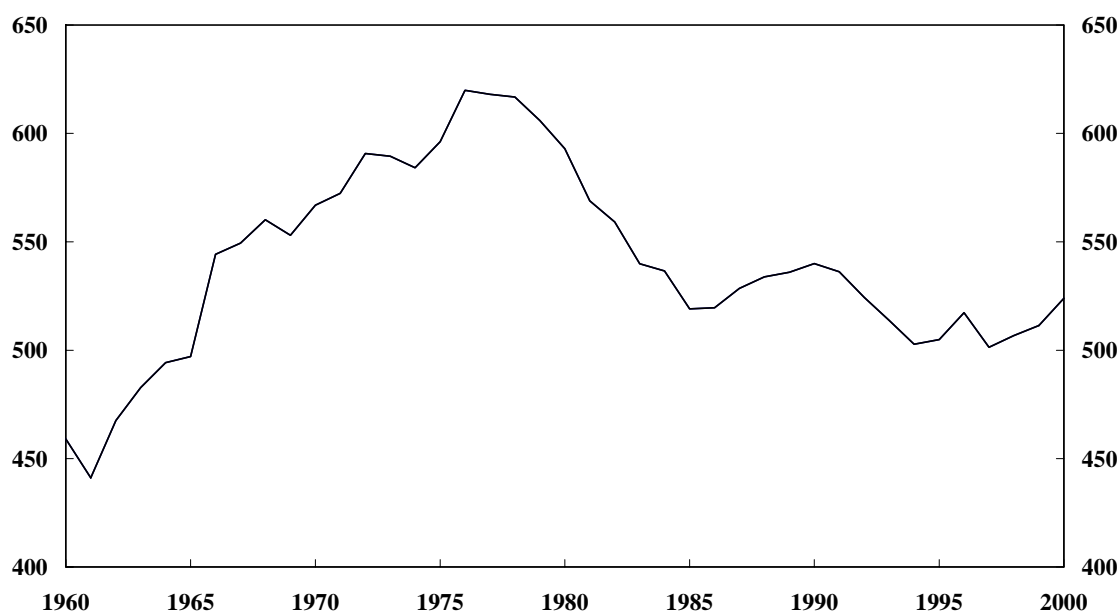


Figure 1.1

Real Per Capita GDP in Tanzania: 1960-2000
(Constant 1990 PPP Dollars)

Figure 1.1

Source: Penn World Tables

Tanzania remains one of the poorest countries on the planet, ranking 162 out of 174 on the United Nation Development Program's Human Development Index. The country is underdeveloped even when compared to its peer groups, countries in sub-Saharan Africa and Low Income countries, as Table 1.3 below demonstrates. Not surprisingly, Tanzania is one of the largest aid recipients in the world and receives about twice as much aid per year as a share of GDP than the average for all countries in sub-Saharan Africa.

Table 1.3: Current Development Indicators in Tanzania, sub-Saharan Africa and Low-Income Countries

	Per Capita GDP (2002 PPP Dollars)	Life Expectancy (Years)	Access to Electricity (Percent)	Agriculture/ GDP (Percent)	Aid/ GDP (Percent)
Tanzania	580 ¹¹	44	11	44	13
Sub-Saharan Africa	1700	46	25	18	6
Low Income Countries	2110	59	37	24	3

Source: World Bank 2004 World Development Indicators

Recently, the government has made progress in encouraging economic growth. Since 1996, GDP has risen about five percent per year and inflation has fallen from approximately thirty percent per year in the early 1990s to under five percent per year since 2002.¹² The primary factors that account for the country's improved economic performance since the end of socialism are privatization, liberalization of prices, the exchange rate, and foreign transactions, and improved management over fiscal and monetary policy (Treichel 2005).

¹¹ The difference between the World Bank's estimate of per capita GDP and that of the Penn World Tables is a consequence of different base years. Unfortunately, the Penn World Tables data extends much farther back than the World Bank's data but ends at 2000 whereas the World Bank's data is more current.

¹² Although per capita GDP has grown only at about three percent per year as population growth is approximately two percent.

Despite these notable changes, current rates of economic growth are approximately the same as they were four decades ago and the country's economic performance over the past decade has not resulted in dramatic reduction in the rate of poverty. In 1991/1992, at the end of the socialist period, thirty-nine percent of Tanzanians lived below the country's very low poverty line of \$0.79 in 2000 PPP terms per day.¹³ Despite the dramatic changes the government undertook to improve its economic performance, over the subsequent decade, the poverty rate fell to only thirty-six percent (Treichel 2005, URT 2001a). Moreover, because real per capita GDP declined by nearly one-fourth from its post-independence peak in 1977 to its trough in 1994, real income per person remains approximately at the same level as it was four decades ago, in the country's early years of independence. Finally, it is also important to note that while Tanzania's economic performance has been noteworthy over the past decade, the country's longest sustained economic expansion occurred between 1963 and 1976, not over the past ten years.

V. A Brief History of Local Government in Tanzania

In this section, I summarize the history of local government political institutions in Tanzania. In Chapters II and IV, I examine this issue in greater detail thus I present only an overview here. Understanding the development of local government in the country offers significant insight into how the contemporary system of center-local

¹³ The international poverty line measure is those whose incomes do not exceed \$1.08 in 2000 PPP terms per day, approximately one-third higher than Tanzania's poverty line.

relations evolved and also provides a context for analyzing their current performance. Local government in Tanzania refers to the district, which is the administrative and political equivalent of a county in the United States.¹⁴ This level of government is the locus of administrative, financial, and political organization at the sub-national level. Currently, the country contains 116 districts with an average population of approximately 200,000 people.

At the time of Tanzania's independence, the new government largely maintained the pattern of central administration over local government that the British established. Specifically, the new central government retained two elementary features of the colonial administration at the local level. First, local governments largely ran their own bureaucratic affairs. Second, rural local governments were far more financially self-sufficient and shouldered significantly more responsibility than urban ones. Most important in this regard, urban districts received generous subventions to meet the costs of education (the largest category of local government expenditure as it covers teacher salaries) and health while rural governments, by contrast, covered these expenses from their own resources (Max 1991; Penner 1970).

Despite the different financial structures between urban and rural districts, they shared the same basic institutional design during this period. At the local level, citizens elected their councilors in single member districts (wards) and, in turn, these officials hired civil servants to execute their policies. Checks on the autonomy of local governments did exist however. First, the chair of the local branch of the ruling

¹⁴ The largest sub-national unit in Tanzania is the region and these are sub-divided into districts. Since the region is purely an administrative unit and not a political one (i.e., there are no elections at the regional level), I do not analyze them

Tanzanian African National Union (TANU), the mainland predecessor of the current ruling CCM, was a member of the district council and exercised authority over who was permitted to run for office although multiple TANU candidates competed against each other in local elections. The district CCM chair also had direct links with central TANU officials since these individuals appointed him or her (Dryden 1968, Max 1991, Penner 1970). Second, central government authorities approved local government budgets before councilors could implement them (Penner 1970). These conditions ensured that local governments would be responsive to the priorities of TANU and the central government. Nonetheless, for routine affairs, bureaucratic administration, and (in the case of rural councils) finances, local governments exercised independence from the center (Dryden 1968, Jennings 2003, Max 1991).¹⁵

Urban and rural districts performed quite distinctly during this period largely due to differences in their responsibilities and sources of revenue. Urban governments were accountable for a small set of narrow and well-defined tasks, received significant financial assistance from the central government, presided over a diversified economy that could yield substantial revenue, were able to employ a relatively well-qualified staff, and possessed a population that could afford to pay for government-provided services. Rural councils, by contrast, held a broad and vague mandate, did not collect significant subventions from the central government, governed an economy composed largely of

¹⁵ It is important to note that scholars disagree on this point. My analysis is largely consistent with Dryden (1968), Jennings (2003), and Max (1992). Alternatively, Penner (1970: 14) argues that since the central government possessed the authority to approve budget estimates, “the center is bound to win any disputes.” Dryden (1968) and Max (1992) part company with Penner (1970) in recognizing that while in theory the central government had extensive control over local affairs, in practice, these officials did not pay close attention to the needs of local governments. In addition, Jennings (2003) contends that the central government lacked the capacity to monitor and coordinate local government activities as well during this period, an issue that Penner (1970) does not address.

impoverished subsistence farmers who had few assets to tax and who could not afford to pay for government-supplied services, and had difficulty attracting well-qualified civil servants (Dryden 1968). For these reasons, while urban governments expanded their tax base and their populations' access to services in the 1960s, rural areas, where approximately ninety percent of the country's population lived, stagnated (Dryden 1968, Max 1991, Penner 1970, URT 1972). I discuss this issue in greater detail in Chapter IV.

In the late 1960s and early 1970s, as a consequence of rural governments' dismal performance, the central government abolished rural and urban councils. The fundamental problem with rural councils was that they were unable to raise sufficient revenue to meet their responsibilities (Dryden 1968, Jennings 2003, Max 1991). The decision to eliminate urban ones, by contrast, was not due to their poor performance but because TANU radically changed its primary development policy objectives to focus on rural development in the late 1960s and the large transfers that urban governments had been receiving interfered with this new intention (Kulaba 1989, Max 1991). The Government of Tanzania called its new policy "Decentralization." The term was highly misleading, however. The ostensible objective of the policy was to incorporate citizens more directly into the development process (Max 1991, Tripp 1997). In reality, the government's institutional allocation of power rendered this difficult to achieve as it replaced elected local councilors and their agents in the district civil service with unelected central government employees. Although the prior system of local government was quite centralized, elections for councilors and local control over district civil servants provided a significant check on the autonomy of the bureaucracy and offered a clear mechanism for citizens to sanction elected officials who did not address their concerns

adequately (Max 1991). By contrast, under decentralization, citizens possessed no institutional means to check the authority of local civil servants and therefore they held little capacity to prevent these officials from abusing their power and/or to induce them to address the concerns of the citizens for whose benefit they ostensibly worked (Max 1991). I discuss this policy in greater detail in Chapter IV.

Perhaps not surprisingly, decentralization was not a successful experiment. While in rural areas the government increased citizens' access to some services (Semoja and Therkildsen 1994), the country's urban infrastructure collapsed to the point of becoming a public health risk and urban economic activities ground to a halt. Kulaba (1989), for example, demonstrates that in cities and towns, the government was collecting only twenty five percent of its target for refuse and sewage removal at the end of the decentralization period. Max (1992) observes that as a result of the deterioration of urban services cholera had become increasingly common in cities and towns as well. Rizzo (2002) calculates that the number of busses in Dar es Salaam, the only legal means urban public transportation, fell by close to fifty percent between 1975 and 1982. More generally, the vast expansion in government expenditures on civil servants and on enhancing access to public services in rural areas that occurred under decentralization exacerbated an already weak economy and starved urban areas of the resources they needed to maintain tolerable living conditions (Kulaba 1989, Max 1991, Tripp 1997).¹⁶

¹⁶ The five-year average of per capita GDP growth fell from 1.5 percent to -1.9 percent from the year the government began the decentralization policy (1972) to the year they ended it (1982). More generally, between independence and the beginning of decentralization, per capita GDP grew an average of 2.2 percent per year but contracted at a rate of 0.5 percent per year during decentralization. Subsequently, per capita GDP has expanded at a rate of 0.3 percent per year.

In the early 1980s, the central government abandoned the policy and revived district councils.

The current structure of local government, which I discuss at length in Chapter II, is an administrative and political hybrid of Tanzania's initial design and decentralization. From the post-independence period, the central authorities revived elections for district councilors. From the decentralization era, the central government retained the authority to appoint senior civil servants at the district level (Max 1991).¹⁷

Present center-local financial links, by contrast, are unlike those which have previously existed in the country. Most significantly, rural districts currently receive more financial support from the central government than urban ones, while the opposite occurred during the first period of local government. Moreover, appointed civil servants, not elected councilors, ensure that district governments expend these funds in the manner the central government dictates (Max 1991, Jennings 2003, Semboja and Therkildsen 1991).

Consequently, dissimilar to the earlier period of local government, elected local officials currently act more as advisors than legislators. While they have some authority to dictate budgets, and exercise significant autonomy over own-source expenditures, civil servants who implement local projects are accountable to the central government, not locally-elected officials (Max 1991, Semboja and Therkildsen 1991). I discuss this relationship and the tensions it creates in great detail in Chapters II and III.

Despite the ambiguous lines of authority between elected local officials and senior civil servants, the current system has generated relative social stability at the local

¹⁷ Councilors enjoy employment jurisdiction over junior district government appointments, such as drivers, office assistants, secretaries, and security guards.

level. Although the system is far from fully democratic, locally-elected officials possess the incentive and ability to meet at least the basic needs of their constituents. Thus, while few local governments operate with exceptional proficiency, neither rural nor urban districts have imploded over the past two decades, a significant accomplishment considering the history of their performance. Given the complexity in the current principal-agent relationships between civil servants and elected officials, it may be somewhat surprising that the contemporary arrangement is the most effective of the three since studies I cited earlier stress the primacy of clear lines of accountability for encouraging effective local government (e.g., Crook and Manor 1999).

However, upon reflection, the outcome we observe in Tanzania is somewhat less curious. The central problem with the first period of local government was that in rural areas, elected officials lacked adequate financial resources and the capacity to hire well-qualified civil servants. The main defect with decentralization was that citizens had no capacity to sanction government officials who presided over their jurisdiction. The current system of local government has attempted to resolve these issues. First, generous central government subventions to rural councils have reduced significantly the financial strain that these governments encountered during the 1960s when they were more fiscally autonomous. Second, the central government partially has mitigated the problem of ensuring that rural local governments can employ competent civil servants by centralizing this task. Third, requiring that elected local councilors interact with central government-appointed civil servants in order to represent their electorate adequately provides a strong incentive and a mechanism for local representatives to pressure central authorities to address district concerns. These policies have been reasonably effective at

ensuring that most local governments competently perform at least their core functions (e.g., maintain order, provide basic services such as schools and health care).

Although one easily can criticize the relationship between district councilors and central government officials for lacking a clear principal-agent structure, the consequences of greater centralization and autonomy have been far more calamitous. One potential lesson from the history of local government in Tanzania is that clear principal-agent relationships at the local level between elected representatives and civil servants alone have not been sufficient for generating effective development or governance outcomes. Rather, the roles of elected and appointed officials, and the district's sources of revenue both have been relevant factors to consider when examining the effects of different forms of government at the local level in Tanzania. At the same time, it is vitally important to highlight that given the current structure of the country's political institutions in general locally-elected officials possess only limited incentives and capabilities to address the concerns of their constituents beyond providing small-scale public services. I examine this issue in great detail in Chapters II, III, and IV, and in the conclusion of my dissertation. In the next chapter, to which I now turn, I examine the country's political institutions and citizens' perceptions of it in order to develop my argument and hypotheses in more detail.

Chapter II: The Structure of Political Accountability at the Local Level in Tanzania

I. Introduction

The central purpose of this chapter is to develop hypotheses concerning the factors that should affect the ability and incentive of councilors (and to a lesser extent Members of Parliament) in Tanzania to act in the interest of their constituents that I test in Chapters III, IV, and V. I generate these propositions through three steps. First, in order to grasp the distribution of political power at the local level in Tanzania, I analyze the formal chains of accountability from voters to decision-making entities in the country. Second, by analyzing the results of recent survey and ethnographic data, I find strong evidence that citizens' perceptions of accountability closely follow the allocation of political authority and that they determine the effectiveness of their elected representatives based on the visible services these officials provide. Third, I combine information on the structure of accountability, survey evidence, and ethnographic findings to develop hypotheses concerning the factors that I expect to determine the responsiveness of councilors (and to a lesser extent MPs) to voters that I test in the subsequent three chapters.

II. Chains of Accountability and Incentives they Create

Political accountability exists when an individual or group is empowered to sanction public officials (World Bank 2000). The power to reprove is central to

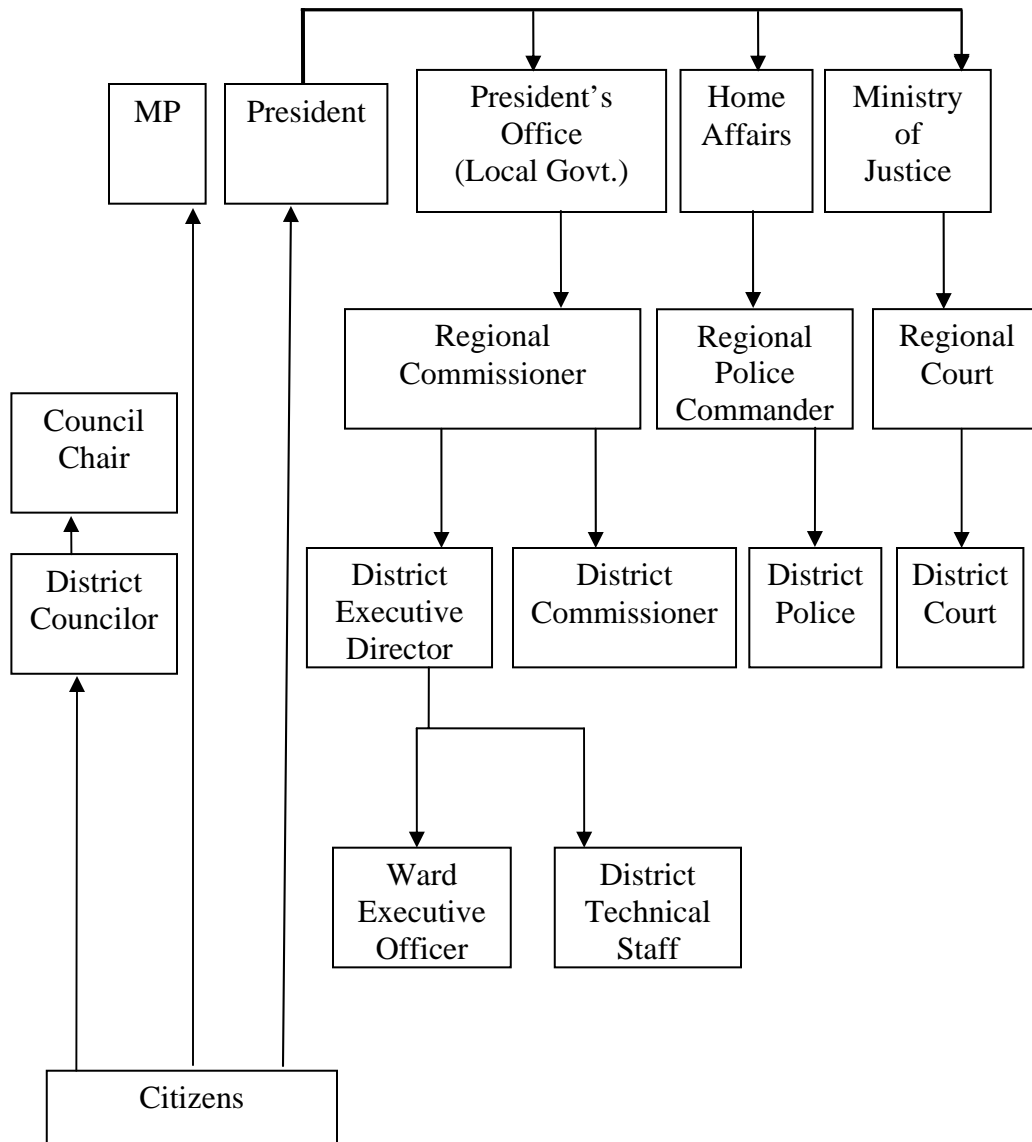
responsiveness because citizens can only affect the behavior of government officials if they have the capacity to reward or punish them on the basis of their job performance. As a result, understanding institutional patterns of responsibility requires following the power to sanction. Moreover, since accountability requires the ability to sanction, it also implies delegation, the capacity of an individual to authorize others to act on his or her behalf. In this section I examine the structure of accountability in Tanzania, the incentive it creates, and the abilities it allocates within the political system. There are three entities that govern these relationships, the country's formal political institutions, party structures, and the demands of donors. I analyze each below.

A. Domestic Institutional Accountability

For the sake of reducing confusion over terminology and for ease in understanding the chart I present below, I begin this analysis by defining important Tanzanian local government terms that I use throughout my analysis. The district civil service (or council staff) refers to the District Commissioner (DC), the District Executive Director (DED), and other officials that the central government appoints, such as heads of departments, the district treasurer, and the district planner.¹ The DC oversees implementation of the national government's policies and represents the central

¹ Elected councilors control employment of junior civil servants, such as secretaries, assistants, drivers, and security guards. However, since these employees, in general, lack the authority to take decisions and work for appointed civil servants I do not include them in the chain of accountability. The one exception to this pattern occurs in the small number of districts that possess a significant local tax base. In Chapter III I demonstrate that councilors in these districts often hire competent technocrats in an effort to reduce the influence of the central government in their district. Nevertheless, this is a challenge to the institutional structure, not a component of it.

government in the district. The DED supervises the district civil service and controls district finances. The district council comprises all elected district councilors and the district MP (or MPs). I employ the term ward councilor and district councilor interchangeably since councilors are elected by wards and the district council comprises all ward councilors. The Chair of the council is the equivalent of a mayor except that the councilors elect the council Chair, not the voters. I use locally-accountable officials to describe MPs and district councilors. Finally, the local government (or local government officials) comprises locally-accountable officials and the civil service.



Note: Arrows represent formal delegation

Figure 2.1

Structure of Accountability in Tanzania

The chart above demonstrates two crucial political relationships in Tanzania.

First, the president of Tanzania, through his agents, exercises almost unlimited authority

to appoint central district administrative officials.² Tanzanians directly elect their president through a nation-wide popular vote. The president subsequently nominates a vice-president and a prime minister that the parliament has the authority to accept or reject. The parliament does not possess the power to influence any other appointments.³ Consequently, the president enjoys unchecked capacity to select the Ministers for Local Government, Home Affairs, and Justice, the three cabinet officials whose jurisdiction extends directly to the local level. Specifically, the Minister of Justice exercises authority over district courts, the Minister of Home Affairs presides over the district police, and the Minister of Local Government selects the Regional Commissioners (RC). The latter is an especially important position concerning politics and policy at the district-level because the two senior civil servants at the district level, the DC and the DED, report directly to the RC.⁴ As a result of this chain of accountability, the incentives of the DCs and DEDs, the senior civil servants at the local level, are to advance the interests of the RC and the Ministry of Local Government, not those of the citizens of the district where he or she works.

The second crucial relationship to observe is that councilors and MPs do not possess the formal authority to sanction the senior staff of their district. Thus, the district government bureaucracy is not accountable to locally-accountable officials.⁵ Rather, the delegation of accountability between voters and their local civil servants operates through

² In particular, there are very few formal checks on second-term presidents since a president can be elected to only two-five year terms. Also, all four of Tanzania's presidents have been men.

³ The only legal requirement is that ministers and deputy ministers must be Members of Parliament.

⁴ While the RC does not select DCs and DEDs because officially these are presidential appointments, the RC is their superior officer.

⁵ While junior staff is accountable to councilors, these individuals lack decision making authority and report directly to officials appointed by the central government.

the president. Legally, councilors can recommend removing civil servants, including the DC and the DED, but such requests must be approved by the RC. As Bratheen, et al. (2005: 10) observe, councilors “can do nothing to discipline heads of departments as they are not recruited by them. The only thing they can do is to air their voices against non-performing or corrupt officials. But the final decision is made by the central government.” Moreover, since the council technical staff is directly accountable to the DED, not the district councilors, the DED enjoys a significant information advantage over councilors and possesses far more influence over civil servants than councilors as well. Specifically, since the incentives of the DED are unlikely to coincide with those of locally-accountable officials, the latter should expect to receive analysis from the district civil service that reflects the preferences of the DED.⁶ Finally, even if a council would like to implement a project that does not have the support of the DED, councilors must rely on the cooperation of the local civil service to implement all but the most basic projects, thus a DED can block implementation of projects the local council passes and finances through local resources.⁷

⁶ I expect that, in general, the project preferences of councilors will be different from the project preferences of the DED because the two groups have different principals and operate under very different principal-agent relationships. Councilors are agents of thousands of local voters while the DED is the agent of a single RC who, in turn, reports to the Minister of Local Government. Consequently, unless the project preferences of a councilor’s constituents are the same as those of the Minister of Local Government, the incentives of a councilor will differ from those of a DED. While in theory councilors could adjust their expectations based on the assumption that they will receive biased information, such a strategy may not help them overcome their informational disadvantages. For example, consider a water project. If the DED says that not enough water exists in the district to implement the project, councilors may be uncertain whether this reflects the actual situation or that the DED does not like the proposal. While councilors could hire an independent evaluator (and in Chapter III I demonstrate that councils with high revenue bases do hire their own professional “shadow” civil service), the vast majority of districts lack such resources.

⁷ Later in this chapter and in Chapter III I discuss a current example of this situation in Karatu District.

An important exception to the chain of accountability that I described above concerns how local governments spend revenue they raise from their constituents. Local councils exercise significant autonomy over the expenditure of these resources (although they must rely on the cooperation of civil servants to implement projects with these funds). Alternatively, councils possess almost no discretion over the use of central government funds, which compose approximately eighty percent of local government budgets. Consequently, local governments that possess sizable tax bases in theory have the capacity and incentive to act more autonomously than those that have a greater reliance on central government funds.

Finally, there exist three additional structural weaknesses facing councilors that the chart above does not reveal. Specifically, councilors do not receive a formal salary, transportation, or a directly-accountable staff to assist with constituent concerns.⁸ Alternatively, the DC, DED, and other senior district civil servants enjoy all three. These differences substantially weaken the authority of councilors. Most important, since councilors do not draw a salary, they must have independent sources of income. In most cases this manifests itself in councilors holding full-time jobs in addition to their political responsibilities.⁹ Lack of transport also is a serious impediment to effective oversight, especially in rural districts where approximately seventy percent of the population resides, because most districts lack adequate infrastructure.¹⁰ Thus, many councilors encounter extreme difficulty moving between their ward and the district's headquarters

⁸ Councilors may use local taxes to cover these expenses.

⁹ Retirees also comprise a large group of councilors.

¹⁰ As an example of this, consider Mpanda District in western Tanzania. Mpanda District is roughly the size of Denmark, contains no paved roads, and the government maintains only a few unpaved roads. Consequently, for many ward councilors simply to attend council meetings presents a formidable challenge.

and hence are not able to monitor easily the district civil service. Finally, councilors must personally attend to constituent casework because they do not possess a staff for this purpose.¹¹ Resolving electorate problems does not affect accountability relationships but is an intensely time-consuming process that takes away from their formal duties of shaping local development policies. Consequently, pressure to address these concerns is likely to strengthen the authority of appointed bureaucrats since attending to them forces councilors to rely even more heavily on the analysis of district civil servants.¹²

Given these constraints, what incentives exist to become a district councilor?

There are two main ones. First, it provides the opportunity for political advancement, either through political parties, the government, and/or elected office (Max 1991). For people in rural areas, almost all of whom lack secondary education (nearly a fundamental pre-requisite for acquiring employment in the non-agricultural private or public sectors), becoming a ward councilor may be the only viable method of obtaining a career outside of subsistence agriculture.¹³ Second, councilors are able to derive significant private benefits from their limited powers, for example, the ability to allocate contracts, set local tax policy, and determine how to expend locally-generated revenue.¹⁴

¹¹ Although attending to individual constituent problems is not a formal role of a councilor, citizens expect their representatives to respond to their unique concerns and evaluate them, in part, on this criterion.

¹² For example, councilors could devote time they spend on casework to conducting project analysis.

¹³ My interviews with councilors substantiate this conjecture. Specifically, while the majority of rural councilors I met were farmers who possessed a progressive ambition to become MPs, party officials, or civil servants, most urban councilors, by contrast, had static ambitions and were either local business people or retirees.

¹⁴ Given the lack of economic opportunity that exists in most districts of Tanzania, the ability to allocate even a small local budget offers multiple opportunities for generating private benefits. For example, one of the more contentious budget debates I encountered while conducting my interviews concerned allocating authority for purchases of routine supplies. Councilors expend considerable energy in directing this budget line item because it presents them with the legal opportunity to steer local government funds to businesses councilors want to assist, including their own.

The patterns of accountability I described above profoundly shape the incentives and capabilities of district councilors in Tanzania. While these representatives have the authority to create district development policies, agents who are not accountable to them implement the plans. Moreover, since the civil service, including the local police, does not report to locally-accountable officials, councilors lack the authority to curb their coercive and/or corrupt behavior and can only request that regional authorities re-assign abusive officials (Braathen, et al. 2005). This lack of accountability generates a narrow motivation for councilors to implement projects only and to eschew undertaking more basic issues related to improving governance.¹⁵ Party structures in Tanzania reinforce this incentive as I discuss below.

B. Domestic Party Accountability

Although Tanzania formally possesses a multi-party democratic constitution with strict separation of powers, CCM remains the dominant political force and its hierarchical organization ensures rigid adherence to the party's policies from its elected officials, including those at the local level. Below, I describe the institutional allocation of authority within the party at the national and local levels, how party members attain CCM's nomination for office, and the incentives these rules create for CCM elected officials to support the party's priorities.

CCM employs a three-tiered system of national organization, the National Congress, the National Executive Committee (NEC), and the Central Committee. The

¹⁵ I discuss this at length in Chapter III.

broadest and most democratic organ is the National Congress which contains approximately two thousand people.¹⁶ This body consists of district and regional party officers, MPs, district representatives who are elected by CCM members, and the party's national leadership.¹⁷ The primary electoral functions of the congress are to choose the CCM presidential candidate, and elect the CCM chair and two vice-chairpersons from candidates the NEC nominates.¹⁸ The congress also selects approximately half of the NEC. The NEC comprises the party leadership, regional party officers, and the members the National Congress elects. The NEC contains two hundred and fifteen members. Their electoral role is to nominate the CCM chair and two vice-chairs based on Central Committee recommendations, recommend three presidential candidates to the National Congress from the list of five the Central Committee supplies, and select all members of the Central Committee with the exception of the party's chair, vice-chair, presidential candidate, and vice-presidential candidate.¹⁹ At the top of the national organization resides the Central Committee. This organ contains thirty five members. Their electoral functions are to propose to the NEC who should stand for the party leadership and select five individuals from the CCM list of presidential aspirants.²⁰

¹⁶ This size of the National Congress varies because the number of districts changes and because some party posts and district representatives may be vacant at the time of the party's nominating conference.

¹⁷ I employ the term party leadership to refer to the government's president, vice-presidents, and speaker of parliament, and the party's chair, vice-chairs, secretary, deputy secretaries, and committee chairs.

¹⁸ The CCM Chair and the President of Tanzania typically is the same person but this is not a mandate of CCM's constitution.

¹⁹ CCM's constitution does not anticipate the party being out of power with regard to membership in the Central Committee as section 109 (1) (b) states the "Central Committee of the National Executive Committee shall consist of the following members:- ... The President and Vice-President of the United Republic of Tanzania elected on a CCM ticket."

²⁰ To be considered as a candidate by the Central Committee, a party member must obtain from ten regions in the country at least two hundred and fifty signatures from CCM members per region (2500 total signatures).

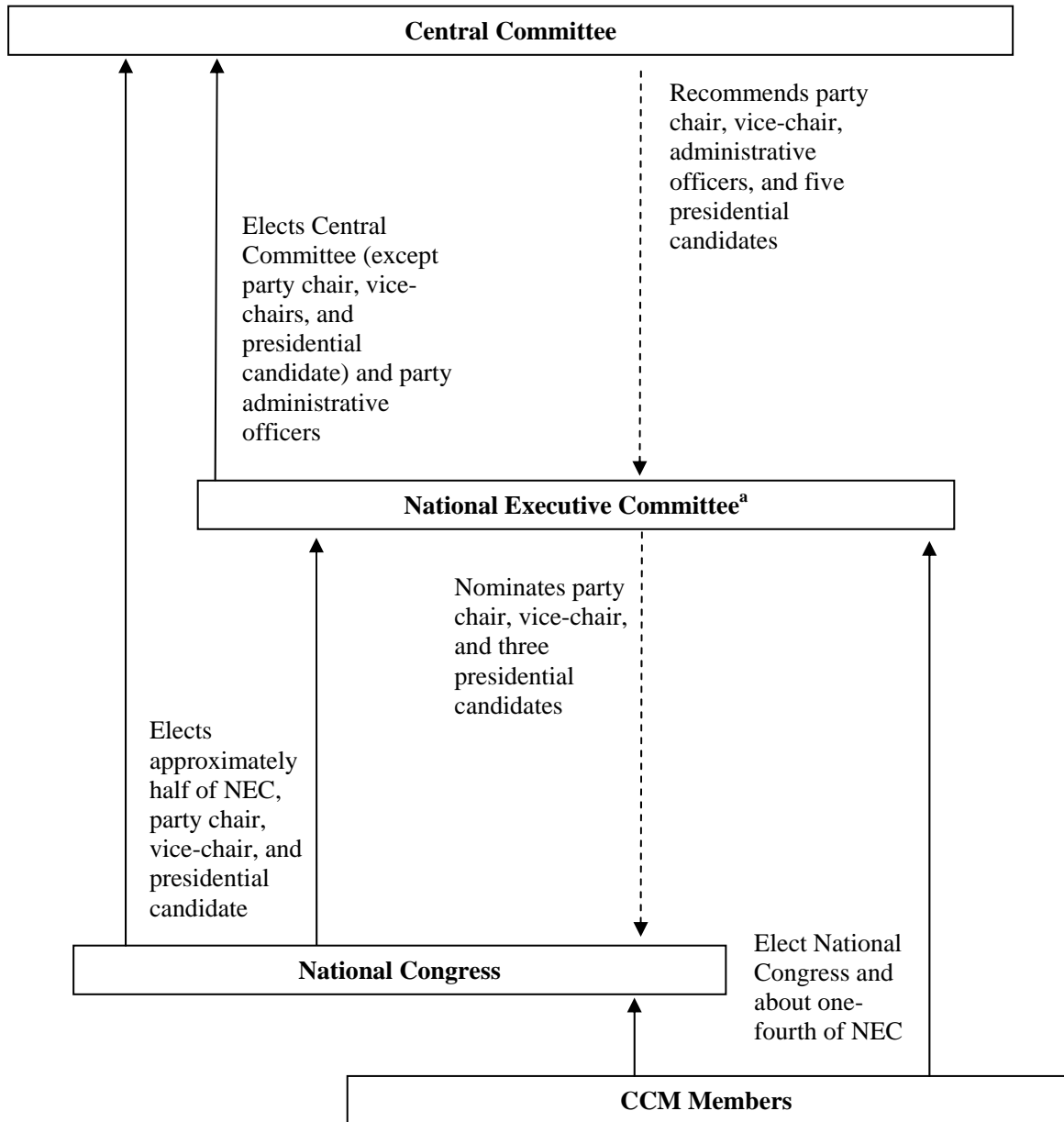


Figure 2.2

CCM Structure of Accountability at National Level

^a The NEC appoints approximately one-fourth of its membership through choosing administrative and regional secretaries.

Note: The solid lines represent formal votes and the dashed ones nominations and recommendations.

In the chart above, I attempt to simplify the relationship between the three national bodies in order to demonstrate more clearly the distribution of power at the national level. Since CCM members elect the National Congress and approximately one-fourth of the NEC while the NEC chooses the membership of the Central Committee, a clear chain of delegation exists from the party's membership to its leadership. In addition, the National Congress elects the party's chair and vice-chair and nominates CCM's presidential candidate. On the surface, as a result, the National Congress appears to possess a significant amount of influence over the party leadership. However, a more detailed analysis of the nomination process reveals that the congress largely delegates power to select these individuals to the NEC and the Central Committee.

The power behind the NEC and the Central Committee lies with their almost exclusive authority to determine the party's top positions. The Central Committee forwards to the NEC its recommendations for the party leadership and presidential candidates. The NEC, in turn, appoints the party administrative leadership and nominates one candidate for party chair, one for each of the party's two vice-chairs, and three presidential ones from the Central Committee's recommendations. Subsequently, the National Congress elects the party chair, vice-chairs, and presidential candidate. However, the congresses' only real choice is for one of the three presidential candidates as the NEC only nominates one person for each of the party posts. As a result, gate keeping power in party rests with the NEC and the Central Committee because the former largely chooses the latter (as I described above) and any party member who wishes to

become part of the party's leadership or run for president must obtain approval of both bodies.

Party organization with regard to nominations for office at the local level is more comprehensible. The most salient feature of CCM's process for deciding whom may stand for office at the district level is the incentive individuals engaged in this process possess to adhere to the policy preferences of senior government and party officials. Individuals wishing to become the CCM candidate for MP or district councilor must receive approval from the District Political Committee (DPC) and the committee can nominate only one person per elected office. This committee is comprised of elected and appointed government and party officials.²¹ The appointed party officials are the District Secretary and the economic and political committee's secretaries. The DPC government officials are the district's MP(s), chair, and commissioner.²² Finally, citizens elect members of the committee through local party elections.

Although the DPC contains locally-elected individuals, three aspects of the body's nominating procedures allow central government and national-level CCM priorities to exercise significant influence over who can stand for elected office from the party. First, there are no rules that determine how the committee must make its recommendation and specifically no requirement that the DPC choose its candidates by secret ballot. Second, two members of the body exert particularly strong authority compared to the other members of the committee, the District Commissioner and the District Secretary, because these officials are Presidential and CCM Central Committee

²¹ The number varies by the population of the district.

²² As with membership on the Central Committee, CCM's constitution does not anticipate the party being out of power with regard to membership in the DPC as section 81 (1) (c) states "The Political Committee of the District Executive Committee shall consist of... The District Commissioner who is a member of CCM."

direct appointments respectively, and hence have direct links to the senior leadership of the government and the party. Thus, members of the committee who have an interest in advancing in CCM or the government have an incentive to defer to their preferences. Third, the NEC must formally endorse the MP candidates that the DPC selects and the Political Committee of the Regional Executive Committee must do the same for ward councilor candidates. The latter contains two extremely influential appointees, the Regional Commissioner (appointed by the president), and the CCM Regional Secretary (appointed by the CCM Central Committee). These individuals are the principal government and party officials at the sub-national level, respectively.

Beyond the screening process I described above, MPs possess a particularly strong incentive to remain loyal to their party. The Constitution of Tanzania stipulates that any MP that votes against his or her party loses his or her seat in Parliament. Thus, a CCM MP possesses no motivation to act on any objections that he or she may have to the executive branch's policies.²³

Due to the strong pressure on CCM representatives to advance the interests of senior party officials, councilors and MPs are accountable not only to their constituents but to the leadership of the party as well. Considering that approximately ninety percent of locally-accountable officials are members of CCM, partisan accountability and the incentives it creates are a fundamental characteristic of the Tanzanian political landscape. In Chapter III, I demonstrate that unity of purpose within CCM and rigid hierarchy within the party has created a situation where CCM representatives almost never challenge the

²³ According to Mmari, et al. (2005), CCM discipline is stronger now than during the one-party era since prior to democratization, CCM did not need to worry about maintaining its status as a majority party. I discuss this further in Chapter III.

policy decisions of the executive branch and in return for their compliance these elected officials receive central government transfers that enhance their political popularity.²⁴

CCM's dominance, unity of purpose, and effective organization from the leadership to the local level strongly undermines incentives and capabilities for opposition parties to organize and as a result, the party does not encounter effective political competition. Perhaps the most important explanation for the lack of significant challenges to the party's control is that Tanzania's democratization in the early 1990s did not result from public pressure but from CCM leadership, and specifically the country's founder and first president, Julius Nyerere (Hyden 1999, Tripp 1997, Tripp 2000). These individuals realized that despite the lack of popular demand for political liberalization at the time "that after the fall of communism in Europe, multiparty democracy would be difficult to resist (Hyden 1999: 145)."²⁵ Consequently, CCM embraced democracy ahead of public dissatisfaction with the party.²⁶ Moreover, most Tanzanians still revere Tanzania's founder and first president, Julius Nyerere, and trust CCM far more than any other party (Chaligha, et al 2002).²⁷ In addition, due to the country's low level of inequality, ethnic/religious stability, and the Constitutional prohibition on ethnic and/or religious parties, clear societal cleavages for opportunistic political entrepreneurs do not

²⁴ CCM provides inducements because is not able to rely on sanctions alone since party members are free to leave the party to join an opposition one or start their own.

²⁵ In a 1991 survey, seventy seven percent of respondents favored Tanzania to remain a one party state rather than become a multi-party democracy (Chaligha, et al. 2002).

²⁶ I should note here, however, the scholars do not view this decision as altruistic. Rather, CCM leaders believed they would soon face pressure to democratize and perceived that undertaking this transition at a time when the public largely supported the party was an effective way for CCM to maintain its dominance in a multi-party system (Sundet 2003).

²⁷ In the 2001 Afrobarometer survey, eight five percent of respondents said they trust CCM to preserve peace and tranquility in the country while only thirty five percent held this view for opposition parties. Similarly, while sixty percent of the survey's respondents did not trust opposition parties to maintain stability, only fifteen percent held this opinion of CCM.

exist. Furthermore, CCM's electoral dominance provides the party with far greater financial resources than opposition parties can raise (Hyden 1999). Finally, the government's poor protection of political and civil rights especially with regard to political opposition and the press discourages public demonstrations against CCM (Freedom House 2006, Hyden 1999, United States Department of State 2006).²⁸ For these reasons, grass-roots opposition to CMM has not developed. Rather, most opposition parties were founded by charismatic ex-CCM leaders, lack coherent policy objectives, and do not enjoy significant grass roots support (Hyden 1999, Tripp 1997, Whitehead 2000). Consequently, accountability among opposition parties does not exist.²⁹

C. External Accountability

Aside from the domestic institutional and partisan chains of accountability I described above, a third and less official delegation relationship exists at the local level in Tanzania, the relationship between donors, local councilors, and the district civil service. Donors often depend on the local government (the civil service and councilors) to

²⁸According to Freedom House's 2005 edition of "Freedom of the Press," while the Constitution permits freedom of the press, regulatory laws with regard to libel, information, and registration severely inhibits their ability to function effectively. In addition, the report notes that politically motivated fines are common. Moreover, the U.S. State Department's 2005 "Country Report on Human Rights Practices" in Tanzania observes that the government generally does not respect freedom of assembly or freedom of speech for opposition political parties. An example of the former is refusal to grant them permission to demonstrate in public and one of the latter is the law against abusive speech which permits the police to arrest people who criticize the government.

²⁹ This is not the situation, however, in Zanzibar where the Civic United Front (CUF) effectively challenges CCM. The CUF has been able to organize on issues relating to dissatisfaction with Zanzibar's political union with the mainland. However the CUF's almost exclusive focus on Zanzibar issues means it has little appeal to most mainland Tanzanians.

implement their projects. Yet, aid agencies typically finance local projects subject to a number of conditions, primarily concerning the use of their resources. In these situations, locally-accountable officials possess a strong incentive to implement the priorities of external entities since the latter can sanction the former by withdrawing promised funds and/or refusing to finance future projects if the local government does not fulfill its obligations.³⁰ To the extent that donor conditions are consistent with the preferences of voters, external funds are not problematic for councilors. However, conditions aid agencies place on their projects often confront councilors with difficult decisions. On the one hand, councilors welcome donor projects because they bring valuable services to a councilor's constituents. At the same time, donor methods of implementation tend to undermine councilors' authority. Specifically, aid agencies in Tanzania have a propensity to work through the district civil service, not councilors, because they view the former as approaching local needs through a technical analysis while presuming the latter consider project exigencies only in terms of their short-term political benefits. This method of project execution tends to reinforce the authority of the central government and its agents in the local civil service (Lawson and Rakner 2005).³¹

³⁰ Following donor delegation of power sometimes is difficult. For example, donors often implement projects subject to conditions that both councilors and the civil service must satisfy. Thus, donors assign authority to two independent agents. In these situations, if one agent complies with the donor conditions and the other does not donors may end the project which, in effect, sanctions an agent who has complied.

³¹ One extreme example of this is that while nearly all donors in Tanzania fund extensive capacity building programs to train civil servants, no similar formal programs exist to train elected officials. Moreover, only one donor, the Netherlands, funds a project specifically designed to strengthen political parties.

III. Survey and Ethnographic Evidence on Accountability

Over the past few years, scholars have conducted fascinating surveys and ethnographic studies assessing the effectiveness of local government in Tanzania from the citizens' point of view. The results of these analyses paint a complex picture of politics at the local level. Most important from a political perspective, the data are not clear about the extent to which Tanzanians view voting as a method of controlling their local government. Some data suggest that Tanzanians perceive district authorities to be largely coercive and corrupt. On the other hand, different results intimate that Tanzanians believe that these officials attempt to represent their interests. A large part of the confusion surrounding the interpretations of these data results from the lack of a clear theoretical framework to examine the findings. In this section, I review survey evidence from two recent analyses of citizens' opinions concerning their local government and augment these responses with results from current ethnographic studies and interviews I conducted in Tanzania from October 2004 through July 2005. I demonstrate that while citizens' opinions can appear to be confusing on the surface, the results align closely with the patterns of accountability I examined above.

A. Survey Evidence

In 2001, Afrobarometer conducted a survey of approximately 2,200 individuals in Tanzania on their perceptions of the political and economic situation in the country. The survey designers chose a random sample of approximately one hundred people in each of

the twenty five regions of the country. Regional comparisons in Tanzania, unfortunately, are not meaningful from a political or economic point of view. First, the region is not an electoral unit. Second, regions typically contain one urban district and a number of rural ones. The urban districts tend to have very little in common with the rural ones that surround them as the former are the center of regional economic activity while the economic structure of the latter is overwhelmingly agricultural. As a consequence, regional averages from the Afrobarometer survey are not able to provide meaningful variation within the context of this study. However, the survey asked a number of questions about perceptions across levels and jurisdictions of government that I can employ profitably to analyze citizens' perceptions of political accountability. I present these data to show that respondents' beliefs concerning the responsiveness and the quality of government officials correspond to the patterns of institutional accountability I described at the beginning of this chapter.

Tables 2.1, 2.2, and 2.3 present responses from the Afrobarometer survey about citizens' knowledge of government officials, contact with political leaders, and perceptions of corruption across units of government. In combination, the tables demonstrate a striking resemblance to the institutional patterns of accountability at the local level. Table 2.1 displays results from questions concerning the names of various elected and appointed government officials. The table reveals two interesting pieces of information. First, close to five times as many people know the name of their council chair (38.8%) as their MP (7.8%). Second, on average, after the Vice-President, more people could correctly name their Regional Commissioner or their council chair than their MP. What is especially revealing is the enormous gap between the number of

people who can name their MP versus the Regional Commissioner and the council chair.³² Recall that citizens vote for their MP but not for the RC or their council chair.³³ The table suggests that district and regional officials who citizens do not elect are a far more visible presence in the community than MPs for whom they have voted.

Table 2.1: Knowledge of Elected Officials

	Correct	Incorrect	No Answer
Council Chair	38.8	8.5	52.7
Member of Parliament	7.8	3.4	88.8
Regional Commissioner	46.5	3.5	50.0
Minister of Finance	26.6	8.7	64.7
Vice-President	52.1	9.3	38.5

Table 2.2 presents results concerning constituent contact with government and party officials over the past five years. The table suggests two salient points concerning citizens' interactions with these officers to solve a problem. First, not surprisingly, the overwhelming majority of respondents have not contacted one of these officials to solve a problem. Second, those individuals who have been in touch with an authority figure were far more likely to seek assistance from their local councilor than any other government or party official. Close to thirty percent of all respondents claim to have sought the help from their councilor over the past five years, more than about twice as many who state to have sought the assistance of either their MP, a government authority, or a party official.

³² Unfortunately, the survey did not ask if respondents could name their ward councilor.

³³ The district council chooses the latter from among the elected ward councilors.

Table 2.2: Contact with Political Leaders to Solve a Problem

	Local Councilor	Member of Parliament	Government Official	Party Official
Never	71.4	88.0	91.2	86.7
Once	5.1	2.4	1.5	2.0
Sometimes	16.4	6.8	6.1	7.2
Often	7.2	2.8	1.2	4.1

Together, Tables 2.1 and 2.2 demonstrate that despite their lack of actual power, district councilors have a highly visible presence in their community. It is not surprising that councilors are accessible public officials given district political structures. The average district in Tanzania has a population of approximately 200,000 people and about 15,000 people per ward. Bagamoyo District, for example, contains 230,000 people and fourteen wards. Thus, each councilor in the district serves approximately 16,500 people. However, because of Tanzania's population structure, the voting-age population is only about half the total, hence the average councilor represents approximately 8,250 people, equivalent to about 3,600 households.³⁴ This stands in sharp contrast to the MP for Bagamoyo District who represents approximately 115,000 voting-age constituents and 51,000 households. Finally, it is important to note that while ward councilors live and participate in politics in the district, MPs conduct many of their political responsibilities in Dar es Salaam and Dodoma (the official capital of Tanzania).

Table 2.3 describes citizens' perception of corruption across government units. The most striking observation is that citizens perceive elected officials to be far less corrupt than civil servants. In particular, respondents hold strongly negative opinions about the honesty of their police force. These patterns of corruption perceptions follow

³⁴ I derive this calculation from dividing the number of households in the district from the 2002 census, 51,063, by the number of wards in the district, 14.

closely the structures of accountability that I presented in Table 2.1: citizens view elected councilors as the most accountable of the three groups of officials while the opposite exists for the police, the branch of the civil service where citizen control is weakest.³⁵

	Elected Officials	Civil Servants	Police
Common	45.7	62.3	80.1
Rare	48.8	33.6	16.4
Don't Know	5.6	4.1	3.6

A final trend that is important to note in the context of political engagement and confidence in the government is the relationship between political competition and perceptions concerning the effectiveness of the staff of district councils. These data come from a survey that Fjeldstad, et al. (2004) conducted in six districts to analyze citizens perceptions about the quality of their local government. Graph 1 demonstrates a strong negative relationship between the number of parties at the local level and the percent of people who believe that the district council staff works to the best of their capacity.³⁶ At first, this relationship may seem surprising as political competition should encourage councilors to oversee more effectively the district council staff. However, examining the data in the context of the chain of accountability in Tanzania suggests that we might expect this pattern. Specifically, I can hypothesize with some confidence that the lack of

³⁵ Accountability from councilors to the police is weaker than from councilors to civil servants because councilors do not possess even nominal authority over the police. Moreover, while councilors can appeal to the Regional Commissioner to reassign civil servants, no such clear procedure exists for the police.

³⁶ My measure of parties is the effective number of parties (ENP) comes from the 2000 ward councilor elections. ENP is an inverse Herfindahl Index and I calculated it as one divided by the sum of squared vote shares for each party.

accountability from civil servants to elected officials may become more apparent as political competition becomes more acute.³⁷

Vigorous local-level multi-party elections in Tanzania means that many voters are choosing to cast their ballot for non-CCM candidates. Since all DCs and most DEDs are members of CCM and since they report through their RC who belongs to CCM to a minister who typically is a senior CCM officer, councilors from opposition parties who wish to serve their constituents effectively must rely on the cooperation of civil servants who are accountable to the leadership of CCM.³⁸ Thus, I can reasonably conjecture that conflicts between civil servants and councilors will become more visible when councils elect non-CCM candidates. In this regard it is important to recognize that Moshi district, the only one of the six districts that Fjeldstad, et al. (2004) examine where CCM does not enjoy firm local support, is the district that has the fewest number of respondents who believe the district council staff work to the best of their ability. A second way I can interpret these data is that they demonstrate citizens vote for opposition parties in districts where they are unhappy with the quality of the civil service. While I do not doubt the veracity of this logic, this does not undermine the larger problem that since councilors lack the authority to sanction senior council employees they have only marginal powers to compel them to work for the benefit of their constituents.

³⁷ In Chapter IV, I present evidence to support this conjecture.

³⁸ The link between the CCM leadership and the DC and DED is much tighter than this chain of accountability suggests due to the existence of a district CCM chair. First, one of the main roles of the district CCM chair is to report to national-level CCM officials concerning senior district civil servants' support for CCM policies. Second, the DC and the CCM district chair both are members of the CCM district committees that, among other areas of influence, determine who can run for CCM in the district as I described earlier in the chapter.

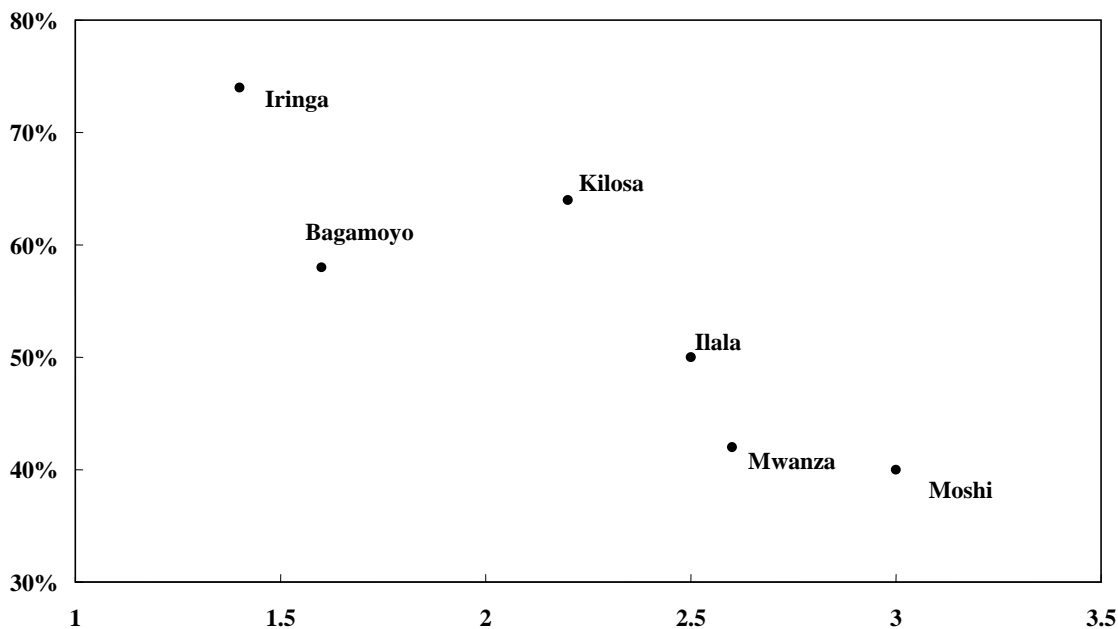


Figure 2.3

Number of Parties and Percent of People Who Believe Council Staff Works to the Best of its Capacity

B. Results from Ethnographic Studies and Interviews

As a final demonstration of political accountability from the citizen's point of view, below I present evidence on perceptions of locally-accountable officials from an ethnographic survey of Arumeru District by Kelsall, et al. (2005), interviews I conducted from October 2004 through July 2005, and MP interview data from Mmari, et al. (2005). While the ethnographic and interview evidence are not able to support hypotheses rigorously, the information is useful for demonstrating patterns of perceptions of accountability and generating conjectures.

The broadest assertion I can reasonably sustain from qualitative evidence is that the demands councilors face vastly exceeds the resources available to them to carry out their functions. As a useful place to begin to understand the pressures a district councilor encounters, consider what the Afrobarometer data suggest concern the constituents' petitions to their councilors to solve routine problems. According to the survey approximately thirty percent of respondents have contacted their councilor at least once over the past five years for assistance with solving problems. On average, therefore, at a minimum, about six percent of constituents request assistance from their councilors each year. Since one councilor represents roughly 8,000 eligible voters, the data suggest the average councilor can expect to receive a minimum of 480 requests per year, or about 1.3 requests per day.³⁹ Also recall that councilors receive no funds to employ a caseworker staff to assist them and that most must work full-time since they draw no salary. Thus, a councilor who wishes to be effective must respond to these requests with personal effort.

From the above calculations, I can surmise that constituent service alone places substantial demands on councilors. Although this activity constituted only a small portion of the conversations I conducted with the councilors with whom I spoke, a number of them raised the issue and confirmed that this work was an extraordinarily time consuming activity.⁴⁰ One of the liveliest discussions I had in Tanzania on this topic was with a district councilor in Iringa. When I asked him how much time he devoted to constituent casework, his animated response was that it was equivalent to having a second full-time job. He further explained that when he wakes up in the morning, arrives

³⁹ This is a very rough estimate and the number of requests is likely to vary enormously across districts.

⁴⁰ According to my discussions with councilors, constituents petition their councilors for a wide array of services, such as assistance with education and health fees, finding employment, navigating the local bureaucracy, and resolving local disputes.

at his office, and returns home at night, invariably there are a line of people to see him. Clearly exasperated with the burden, he observed ruefully that he could not even eat a meal in peace.

However, constituent casework is a peripheral issue to the central tension that exists at the district level in Tanzania. The fundamental dilemma, confirmed by Kelsall et al. (2005), Mmari, et al. (2005), and through my interviews, is the ambiguous accountability relationship between the district civil servants and locally-accountable officials. Mmari, et al. (2005), for example, uncover a conflict between an MP seeking to bring a water project to his district and a DC that was blocking the project on the grounds that the MP - a far more powerful elected official than a district councilor and nominally a principal of the DC - was not operating through proper government channels. The DC, in particular, objected to the MP soliciting funds from external sources and not channeling the money through the government. The MP, on the other hand, wanted to ensure that he received personal acknowledgement for the project, not the government in general, and so was reluctant to adhere to the DC's concern. According to the MP, "there is clearly a conflict of interest between the role of MP and DC which stems from the fact that the role of the MP is not clearly spelt out in the constitution (Mmari, et al. 2005: 36)." What is particularly revealing about this dispute is that each official was attempting to address the concerns of their principals. The DC wanted to ensure that the project followed proper guidelines and that the government/CCM could take credit for enhancing access to services. Alternatively, the MP desired to secure individual recognition for bringing a tangible project to his constituents.

The above story neatly summarizes the imbalance and ambiguity of power between elected and appointed officials at the local level. Braathen, et al (2005) vividly show the tension between councilors and technical staff at the district level. According to their findings, “most councilors held the view that council staff undermine them and use council resources for private gain. On the other hand, the council staff often perceived that councilors in general were less educated and had a tendency of meddling in administrative matters which should be the domain of technical experts and not politicians (Braathen, et al. 2005: 12).”

Most locally-accountable officials with whom I spoke were keenly aware of this power disparity and realized the structural impediments it placed on their ability to function effectively. As an example, consider that district councilors must vote on all projects that the district council decides to implement. However, the number of proposals the district representatives must evaluate is far greater than the number the council can undertake. As a result of the quantity of proposals and councilors’ lack of directly answerable staff, these officials possess no alternative but to rely on the technical staff of the district to prioritize projects and develop cost projections. Many councilors with whom I spoke were aware that because the district technical staff was accountable to the DED, not the councilors, the need to rely on civil servants for project evaluation in effect allowed the DED to determine which projects the council implements.⁴¹

⁴¹ Approximately half of the councilors I interviewed believed this to be a serious impediment to their effectiveness. One of the most dramatic examples of this problem is a project to improve the distribution of water in Karatu district which is under the control of the opposition party Chadema (Chama Cha Democrasia na Mandeleo or Party for Democracy and Development). Chadema councilors requested funding for the project from the central government. When the central government rejected the petition, the Chadema councilors raised the funds from a German NGO. Even though they have implemented the

Councilors note that these problems are exacerbated during the budget process when they must consider a multitude of projects at the same time. Moreover, even after a council passes a budget, it must be approved by regional authorities.⁴² The term advisor, as opposed to legislator, perhaps more accurately reflects the actual (as opposed to legal) function of councilors since they largely react to the decisions the local civil service undertakes and can voice the interests of their constituents but possess limited means to act on those concerns.⁴³

Perhaps not surprising due to councilors' lack of power, survey evidence from Chaligha, et al. (2002) and Fjeldstad, et al. (2004), and ethnographic findings from Kelsall et al. (2005) and Mmari et al. (2005), suggest that constituents evaluate the effectiveness of their locally-accountable officials based on the services they bring to their ward. Kelsall, et al. (2005: 89), for example, contend that "accountability was closely linked to that of visibility. Villagers needed to see tangible results with their own eyes: they needed to see leaders at meetings, working on the roads, bringing school materials, etc." Mmari, et al. (2005: 34) found that citizens evaluate MPs by the same criteria. According to their findings for an MP to secure re-election, "it is essential to attract as many resources to their constituency as possible." In my interviews with

project without government funds, the DED and the district technical staff have routinely attempted to shut down with the project with partial success. I discuss the project at length in Chapter III.

⁴² Most councilors with whom I spoke claimed that regional authorities only exercised their full power to determine how councils expend locally-generated revenue in extraordinary circumstances. The only concrete example I uncovered of an attempt by regional authorities to regulate use of own-source revenue was in Karatu District where the council passed a tax that regional officials claimed the district was not constitutionally authorized to collect.

⁴³ I would like to note, as I show in Chapter III, that councilors in districts who possess a substantial revenue base enjoy greater autonomy than those with more modest ones as a result of their ability to expend these funds largely without central government conditions.

councilors, their most common definition of political accountability was implementing local development projects as well.

Kelsall, et al. (2005) conjecture that difficulty in assessing the effect of governance reform at the local level may be one important reason that citizens measure the quality of their councilors primarily on the basis of the projects they produce. According to their findings, councilors who focus their attention on improving governance rather than distributing tangible benefits risk being seen as ineffective by their constituents since governance reforms may have no meaningful immediate impact on the daily lives of a councilor's constituents. Moreover, the political and party patterns of accountability that I presented earlier in this chapter suggest that councilors (especially CCM ones) generally lack the ability and incentive to improve governance since it would require them to challenge civil servants who are appointed by senior government/party officials. Such confrontations would likely complicate councilors' access to funds and jeopardize their political futures.

C. Summing-Up: Structures of Accountability and Perceptions of Effectiveness

The data I analyzed above reveal that there exists a close link between structural patterns of political authority in Tanzania and perceptions of political power at the local level. Specifically, citizens tend to view their elected officials as far more honest than civil servants that the central government appoints. Another crucial pattern to observe is that officials with whom citizens have the most contact - their district councilor - hold the least amount of political power. Recall, that in addition to the difficulties councilors

encounter in their relationship with district council technical staff, the Afrobarometer survey data suggest that on average, councilors can expect a minimum of 1.3 constituent requests for assistance every day on average over their five year term. Thus, councilors who draw no salary and have no staff are expected to address individual constituent concerns personally as well as design and implement of local development projects. Finally, ethnographic evidence suggests that the unclear principal-agent relationship between councilors and senior district civil servants creates serious tension between these two groups and affects the work councilors undertake. These data provide suggestive evidence that the institutional analysis I presented earlier in the chapter operates at the district-level as the patterns of authority suggest. Consequently, it is reasonable for me to draw hypotheses concerning the motivation and capacity of councilors to act in the interests of their constituents from the political and party allocation of power at the local level.

IV. Argument and Hypotheses

In this section, I abstract from the details I have presented earlier in this section to create a general argument for the factors that should affect the accountability relationship between councilors and their constituents. Subsequently, I employ this line of reasoning to develop the hypotheses that I test in Chapters II, IV, and V.

A. Argument

Assembling the evidence from the allocation of authority I presented above allows me to develop a general argument concerning the responsiveness of locally-accountable officials to their voters. I contend that two factors should determine the accountability of councilors to their constituents: (1) political and party structures and (2) the district's sources of revenue. Above, I analyzed that political and party institutions provide locally-accountable officials, especially CCM ones, with strong incentives to support the policy preferences of senior government/party officials and limited abilities to challenge them effectively. I also presented evidence that councilors possess strong motivations to raise revenue to provide their constituents with tangible benefits because voters assess the quality of their elected officials largely on the basis of the services they provide. Below, I examine how sources of finance interact with political and party institutions to generate hypotheses for the capacity of councilors in Tanzania to act in the interests of their constituents.

Councilors in Tanzania are politically accountable to two sets of interests, the voters who elect them and pay the taxes that support the local government, and the central government and external donors who finance district projects on the condition that the councils use the funds they provide as they intend.⁴⁴ Party and political institutions reinforce political accountability from councilors to the central government. Councilors face an accountability dilemma when the preferences of their electorate differ from those

⁴⁴ I assume that central governments and donors have the same preferences because the fundamental insights of the model would not change by adding additional external sets of interests.

of the central government and/or donors. In the contest between satisfying local priorities and complying with conditions imposed from outside the district, I hypothesize that councilors will be motivated to meet local exigencies only when they have the ability and the incentive to do so. The key variables that determine councilors' ability to act in their constituents' interest are the amount of resources they must expend (e.g., effort, political capital, time) to shape projects voters value and the quantity of revenue they can secure for implementing these plans. At the same time, a variety of sanctions influence the incentives that motivate councilors to act on behalf of their electorate: the central government and donors may withdraw funds and/or refuse to support new initiatives and dissatisfied constituents may reprove councilors by voting them out of office and/or by refusing to pay taxes.

The table below illustrates my hypothesis that I expect councilors to satisfy constituents' preferences only when they possess the ability to meet such needs - if, for example, local tax revenues rise and/or the opportunity costs of implementing policies that voters value falls - and when the incentive to act in this way is also present.⁴⁵ If councilors have the ability to address constituents' interests but lack any compelling reason to do so, I hypothesize they will instead serve their own interests, perhaps, for example, by raising their salaries.⁴⁶

⁴⁵ An example of the opportunity cost falling for implementing projects voters value is central government priorities changing to match those of a councilor's constituents.

⁴⁶ Ability is the means through which incentive is translated into constituent services. Without the necessary resources, even councilors who are motivated to prioritize the needs of their electorate are not able to do so, and in such instances the preferences of donors and/or the central government are likely to prevail.

Table 2.4: Whose Interests Policies Reflect

		Ability of Councilor to Serve Constituents	
		Low	High
Incentive of Councilor to Serve Constituents	Low	Donor/Central Government	Elected officials serve own interest
	High	Donor/Central Government	Constituent

Councilors' accountability dilemma is a consequence of their electoral incentives and the tradeoffs they face in raising revenue for local projects. Since councilors risk losing re-election if they fail to provide services to their constituents, electoral incentives necessitate raising revenue to finance those projects. Councilors can generate resources from their constituents, the central government, and donors. They face advantages and disadvantages from raising resources from each group.

Councilors find raising revenue from their constituents useful because those who pay the taxes compose the population that benefits from local projects. These revenues thus permit councilors to produce and claim credit for projects that exclusively benefit their constituents. In addition, local taxes are resources that the local government can gather on its own initiative. The main disadvantage that arises from financing projects through local revenues is that in most cases, paying taxes is politically unpopular. Moreover, financing projects by raising revenue from voters may promote enhanced constituent supervision over a local government's activities.

The structure of the district economy is likely to play a significant mediating role on the effect of taxation on the behavior of government officials as well. A mobile economic base is likely to provide an incentive for councilors to be more attentive to their constituent's needs because migration of mobile workers and the firms that employ them

will reduce the tax base of the local economy and hence shrink councilors' opportunities for personal gain and for implementing projects. Alternatively, when the labor force is immobile, the local government can tax its constituents without producing significant benefits in return because the population has very few alternatives to acquiescing to the government's tax demands. Although such a form of taxation is likely to be unpopular and lead to resistance, a local government that presides over a population of immobile and impoverished farmers, characteristics that apply to seventy percent of the districts in Tanzania, may have no realistic alternative than predatory taxation to meet its financial obligations if it is forced to be self-sufficient.⁴⁷

Councilors encounter an entirely different set of tradeoffs when seeking revenue from external sources. Councilors have an incentive to finance projects through donors and/or the central government because when outside entities undertake these ventures, these representatives may be able to reduce the tax burden on their constituents and/or devote a greater share of locally raised revenue for their own personal benefit without reproach from voters. In addition, councilors benefit politically from projects financed by external entities because these projects allow them to take credit for providing constituent services without raising taxes. One drawback from financing projects with donor and/or central government funds is that they may be an uncertain source of revenue since the local government is not able to control the disbursement of these resources.

A more severe disadvantage of financing projects externally is that the priorities of donors and the central government may not coincide with those of local councilors. In

⁴⁷ While no single councilor is likely to advocate coercively taxing his or her constituents, collective action problems could explain why it occurs. Specifically, a councilor could pass a budget that may require tax collectors to employ force in obtaining revenue but subsequently contend that unique circumstances in the councilor's ward warrant tax relief for his or her constituents. In Chapter IV I discuss this more thoroughly.

Tanzania, local councilors stand for re-election only in their ward and hence have incentives to prefer projects that can be targeted narrowly to their constituents and completed in a relatively short period of time (i.e., prior to their next election). Donors and the central government, by contrast, do not confront these incentives. Since donors neither face local elections nor represent a geographic constituency, they are under no pressure to finance projects that can be completed quickly and that target a specific group of voters. Rather, donor preferences are most likely to be the result of the interests of the government in their home country. Moreover, because elected officials in the central government (e.g., the president, ministers, and deputy ministers) stand for election in a much wider constituency than a single ward and typically are senior officials in CCM as well, these politicians are likely to be concerned with the national distribution of project funds.⁴⁸ Finally, the resource constraints that donors and the central government face to finance projects provide them with an additional incentive to implement projects that provide benefits across jurisdictions.

To comprehend the consequences of these divergent preferences, consider the electoral incentives surrounding a project to construct a new school. Voters, the central government, and donors in most developing countries tend to agree that building schools is a priority. However, while donors and the central government may focus on national or local needs in deciding where to build schools, voters in a specific ward are evaluating the effectiveness of their councilor based on whether or not they benefit from the school.

⁴⁸ Ministers and Deputy Ministers are MPs. Consequently, their immediate electoral preoccupation is their district which typically encompasses approximately fifteen wards.

As a result, a ward councilor has an incentive only to support building schools that are accessible to children in his or her ward.

B. Hypotheses

From the information I presented above I am able to derive expectations concerning the accountability of councilors to their constituents. I develop these conjectures as a consequence of how I expect their abilities and incentives to act in the interests of the citizens they represent (1) to vary due to differing sources of revenue, (2) to determine the development policies and projects they implement, and (3) to change as a result of variation in the composition of the district economy.

- *Hypothesis I: Implementing External Development Policies and Projects (Chapter III).* Councilors possess strong incentives to undertake projects that bring tangible benefits to their constituents and sources of finance determine their ability to undertake such ventures. These officials face a potential accountability dilemma when they seek resources from the central government to finance local projects as the interests of the former may not be consistent with those of the latter. Considering that the preponderance of districts must rely heavily on the central government to finance local budgets due to inadequate local sources of taxes, this concern affects the vast majority of councilors. I conjecture that given CCM's rigid hierarchy and the institutional centralization of power within the executive branch, the priorities of the president and senior ministers/CCM officials are

likely to dominate those of locally-accountable ones. Nevertheless, since the electoral concerns of senior CCM officers requires them to maintain the party's popularity, these individuals face an incentive to ensure that they meet the concerns of citizens, and by extension, those of the CCM councilors and MPs who represent them at the local level. Moreover, since CCM locally-accountable officials possess the capacity to leave the party, senior officials must supply some level of inducements to them.

As a result of the above analysis, I hypothesize that the executive branch is likely to solve the accountability dilemma in a manner that allows the central government to implement its priorities and does not undermine the popularity of CCM councilors (although it may resolve the issue in a way that weakens the popularity of non-CCM councilors). Consequently, from my analysis of how citizens determine the effectiveness of their councilors, I expect that a large part of the resolution of the potential impasse will consist of targeted projects that CCM councilors can claim credit for providing within the central government's priority areas.⁴⁹

⁴⁹ One way to understand this resolution is through viewing the problem as a negative externality at the ward level. Specifically, the sum of the optimal number of projects for each district councilor is likely to exceed the capacity of the government to finance all of those projects. Since the government possesses limited funds, it must devise a rule for allocating them. If each councilor pursues his or her own interests, the outcome is likely to result in a highly inequitable distribution of projects across wards and could harm the reputation of the party. Only the executive branch, because of its national constituency, has an incentive to ensure some degree of equity in the distribution of projects.

- *Hypothesis II: Raising Local Taxes (Chapter IV)*. I predict that the composition of the district economy will have a strong effect on the accountability of local elected officials to their constituents. Specifically, councilors will have the incentive and ability to raise taxes through providing benefits to their constituents only if citizens are mobile and can afford to pay for government-provided services. The former is relevant because a mobile population can relocate if its government taxes them but offers no benefits from those taxes and the latter is an important variable because the quantity of services the public demands at a given price is likely to rise with income (Wagner's Law). Alternatively, I conjecture, where citizens are immobile and not able to afford government-provided services, the local government lacks the motivation and capacity to provide services for its constituents and may resort to raising revenue through coercive means to meet its financial obligations. Finally, because I contend that mobility and wealth generate independent effects, I expect that predatory taxation will only occur where the workforce is immobile since collecting taxes through employing force is not likely to be effective if citizens can relocate easily, irrespective of their wealth.

- *Hypothesis III: Sources of Revenue (Chapter V)*. Local taxes present councilors with the ability and the incentive to satisfy the preferences of their constituents by providing the resources for implementing projects and through tightening the fiscal link between constituents and their local government. As a result, I expect local governments who collect significant taxes from their constituents to produce

more public services as a share of their budgets than those who obtain less revenue from their taxpayers. Alternatively, funds from the central government and external donors that are targeted for public services reduce incentives for councilors to employ local taxes to fund such projects. Consequently, I predict that districts who rely on external entities to fund their local budget will allocate less of their own taxes to services than those that receive fewer outside resources.

V. Conclusion

In this chapter I have articulated my expectations for the factors that should determine the ability and incentive for locally-accountable officials in Tanzania to act in the interests of their constituents. I first examined the structure of political and party accountability in Tanzania. Next, I employed these findings to interpret results of surveys and ethnographic studies concerning the efficacy of local governments in Tanzania. I showed that citizens' perceptions concerning the quality of their local governments are closely related to the allocation of political power at the district level. I also demonstrated that citizens evaluate the effectiveness of their elected local officials by the tangible benefits they provide. Finally, I used these observations to generate hypothesis concerning the responsiveness of locally-accountable officials to their voters that I will test in the next three chapters.

Chapter III: Policy and Projects at the District Level

I. Introduction

In the last chapter, I examined the structure of accountability in Tanzania. In this chapter, I analyze how this allocation of political authority affects the execution of Tanzania's poverty reduction programs at the district level. Over the past decade, the Government of Tanzania has designed an ambitious set of poverty reduction programs. An important component of these plans is a set of decentralization policies aimed at enhancing the power of local governments and encouraging them to take a more assertive role in drafting district development programs that reflect local exigencies. However, as my analysis of party and political institutions in Chapter II articulated, district councilors lack the incentive and capability to compel central government authorities to delegate them greater decision making authority. Consequently, I predict that the central government would be unlikely to devolve greater authority to local governments and that district poverty reduction programs will reflect central government priorities.

The purpose of this chapter is to understand Tanzania's development policies at the local level in order to comprehend the role of district councilors in drafting and executing these plans. I examine this process through three steps. First, I describe Tanzania's poverty reduction strategies in order to develop a context for evaluating the policies and projects that councilors implement. Second, I identify the central actors who shape policy and projects at the local level, their interests, and the devices they can utilize to secure their objectives. This permits me to develop a set of hypotheses concerning the

ability and incentive councilors possess to undertake development policies and projects. Third, by examining data on the development activities of local governments, I review the output of councilors and examine these against the hypotheses I generate and Tanzania's stated poverty reduction strategy.

I conclude that the executive branch retains strict control over Tanzania's development policies at the local level but provides locally-accountable officials with targeted transfers that allow them to provide tangible benefits to their constituents in return for their compliance. Specifically, I show that while district development policies enunciate a broad poverty reduction vision, their actual activities are almost exclusively confined to small-scale public services within the executive branch's priority sectors. Alternatively, I find no evidence that locally-accountable officials embrace strengthening their authority as a policy objective or pursue projects outside the stated interests of senior party/government officials. I also observe that donors strongly support this centralization of policy as it fulfills their need to exhibit tangible results from their own development activities while permitting them to avoid participating in the country's domestic politics. Finally, I show that district governments that have a large revenue base undertake some steps to limit the power of the central government in their jurisdiction.

This chapter contains six parts. In the next section, I discuss Tanzania's poverty reduction and decentralization strategies. In section three, I examine the processes the central government employs to legitimize and execute these policies. Specifically, I focus on how and why this process concentrates power in the executive branch. In section four, I define the central actors at the local level with regard to development

policy, their incentives, and their capabilities. From this analysis, I generate and describe my hypotheses about policy outcomes. In section five, I present a detailed analysis of policies and projects at the local level and demonstrate that transfers from the central to district governments for these projects yield local electoral benefits. In section six I summarize the results of my analysis.

II. Tanzania's Poverty Reduction Strategy

Before examining the project and policy output at the local level, I would like to describe the evolution of Tanzania's poverty reduction strategies. Understanding these policies and the central government's motivation for drafting them is important for providing a context to link central government stated objectives with concrete projects councils execute.

Over the past decade, the Government of Tanzania has produced five major policy planning initiatives covering various time spans. The most general of these is the long-term Vision 2025. The government also has created a medium-to-long term poverty reduction plan, the National Poverty Eradication Strategy (NPES). Additionally, the government has developed three short-to-medium term development plans: the Tanzania Assistance Strategy (TAS), the Poverty Reduction Strategy Paper (PRSP), and the National Strategy for Growth and Reduction of Poverty (NSGRP). I describe these five plans below. I also examine the Local Government Reform Program (LGRP). Although this program is not strictly designed to reduce poverty, it does outline the government's

vision for devolving power to local governments and describes their role in implementing Tanzania's economic development strategies.

A. Vision 2025

In 1997, the Government of Tanzania produced Vision 2025, an elaborate long-term plan for eliminating poverty by the year 2025. The broad ambition of Vision 2025 is “that Tanzanians will have graduated from a least developed country to a middle income country by the year 2025 with a high level of human development (URT 1997: 2).” Senior officials devised the plan in response to their perception that short-term indicators, not long-term objectives and vision, guided the country's development policies. Vision 2025 also identifies the central attributes the country is expected to have attained by that year: a high quality of life for all, political stability and national unity, good governance, an educated society, and an economy which is competitive with sustained growth for the benefit of all people.

B. National Poverty Eradication Strategy (NPES)

The Government of Tanzania developed the NPES in 1998 to provide a framework and coordinated strategy for implementing the country's numerous poverty reduction strategies as each donor was developing its own assistance strategy largely in isolation from other donors at that time. The overarching objective of the NPES is to reduce abject poverty by fifty percent by 2010 through private sector and market-led

growth. Specifically, the government identified its intention to reduce deprivation through macroeconomic policy (e.g., fiscal and monetary discipline), sector specific policies (expanding access to services, improving infrastructure, and promoting private-sector development), and governance reform. In addition, the NPES is a crucial document for current poverty reduction policies in Tanzania as it identifies the five central sectors where the government intends to intervene actively to enhance access to services: education, health and nutrition, water, agriculture and rural roads. Importantly, these priorities have remained virtually unchanged since the late-1960s (see Chapter IV).¹ Consequently, the NPES did not signal a significant change in priorities only a shift in strategy.

The Government of Tanzania - ambitiously but vaguely - aims to achieve the objective of the NPES through donor policy coordination, creating an enabling environment for poverty reduction, empowering the poor, ensuring gender equality, providing clearly-defined roles for stakeholders (e.g., government, private sectors, NGOs, donors), and promoting equality of opportunity. In June, 1999, the government developed Poverty and Welfare Monitoring Indicators to provide the basis for monitoring the effect of the NPES.

¹ Specifically, the central government identified education, health care, roads, and water as priority sectors in 1968 and 1969. While the government has added other sectors, it has never removed these four.

C. Tanzania Assistance Strategy (TAS)

The Government of Tanzania developed the TAS in 2000 in an effort to restore “local ownership and leadership, as well as promoting partnership in designing and executing development programs (URT 2002: 1).” As with the 1997 NPES, the government developed the TAS largely in response to the uncoordinated efforts of donor agencies. Unlike Vision 2025 and the NPES, the TAS does not identify specific poverty reduction targets. Rather, the TAS outlines the medium-term role of the donor community in facilitating and financing the NPES and Vision 2025. The TAS cites five specific donor-related difficulties the Government of Tanzania seeks to resolve:

- Separate and parallel donor compliance and reporting requirements.
- Fragmented and uncoordinated project support.
- Aid disbursement outside of the government.
- Heavy reliance on technical assistance and outside consultants.
- Uncoordinated Country Assistance Strategies.

D. Poverty Reduction Strategy Paper (PRSP)

The PRSP is a “medium-term strategy of poverty reduction, developed through broad consultation with national and international stakeholders, in the context of the enhanced Highly Indebted Poor Countries (HIPC) Initiative (URT 2000b: 3).” The PRSP presents a three-year poverty reduction framework that focuses on macroeconomic policy, public sector reform, and sector-specific strategies. The PRSP is also consistent with the objectives identified the government in Vision 2025, the NPES, and the TAS.

The PRSP was unique among Tanzania's poverty reduction strategies at that time because the government created the policy through a set of highly-publicized consultative assemblies. In the process of developing the document, the Government of Tanzania held seven zonal workshops to elicit views on the strategy from the citizens of Tanzania.² In total, 804 participants attended the workshops, comprised of 426 citizens (fifty three percent), 215 councilors (twenty seven percent), 110 District Executive Directors (fourteen percent), and 53 NGO representatives (seven percent). Participants in the zonal workshops identified education as the top priority for poverty reduction. The other critical sectors they named were agriculture, health, roads, and water. What is most enlightening to observe about these sector policy preferences is not only that these are the same sectors that the Government of Tanzania identified as decisive for developing the country not only in the 1997 NPES but since the middle of the 1960s.³ Consequently, the PRSP consultative process yielded no concrete changes in the government's policies.

The PRSP was also unique because unlike Vision 2025 and the NPES, documents that the Government of Tanzania developed on its own initiative, the government developed the PRSP as a condition for debt relief and assistance from the IMF, the World Bank, and bilateral donors. As a result of this requirement, in contrast to Vision 2025 and the NPES, the PRSP identifies specific medium-term poverty reduction targets as well as actions the government will take to meet those objectives (in addition to macroeconomic and microeconomic priorities):

² A zone is comprised of two to four regions and the country contains seven zones.

³ The addition of agriculture expanded on the 1968/1969 priority list. In Chapter IV I provide more details on policy during this era.

- *Indicator: Reduce Income Poverty*
 - Medium-Term Target by 2003: Reduce population under poverty line from 48 percent to 42 percent.
 - Actions: Macroeconomic stability, improve roads, enhance farmers' access to finance, inputs, and markets, and improve the investment climate.

- *Indicator: Education*
 - Medium-Term Targets by 2003: Increase net primary enrollment from 57 percent to 70 percent, increase transition rate from primary to secondary education from 15 percent to 21 percent, reduce drop-out rate from 7 percent to 3 percent, increase pass rate on Standard VII exams from 20 percent to 50 percent, and increase secondary enrollment from 5 percent to 7 percent.
 - Actions: Strengthen school management, improve quantity and quality of teachers, and increase access to schools and school materials.

- *Indicator: Water*
 - Medium-Term Target by 2003: Increase access to clean water from 48 percent to 55 percent.
 - Actions: Increase expenditure on water sector, promote rainwater harvesting, and rehabilitate non-operative water supply systems.

- *Indicator: Health*
 - Medium-Term Targets by 2003: Reduce infant mortality from 9.9 percent to 8.5 percent and under five mortality from 15.8 percent to 12.7 percent, reduce maternal mortality from 0.5 percent to 0.4 percent, reduce malaria mortality from 12.8 percent to 10 percent, reduce stunting from 43.4 percent to 20 percent and wasting from 7.2 percent to 2 percent.
 - Actions: Raise health budget, increase access to health services, and improve quality and quantity of health personnel.

E. National Strategy for Growth and Reduction of Poverty (NSGRP)

The most recent poverty reduction strategy the Government of Tanzania adopted was the NSGRP in 2005. The NSGRP is a five-year plan for reducing poverty that builds on the PRSP and the end-point of the plan, 2010, coincides with that of the NPES. The

government adopted the longer-term perspective (five years) as opposed to the three year targets identified in the PRSP as the extended time-frame “allows for a more sustained effort of resource mobilization, implementation and evaluation of the poverty reduction impact (URT 2005: 1).” Moreover, the resources that the government and donors committed to expend to meet the targets in the PRSP proved insufficient for reaching the plan’s objectives.

In response to the failure of the PRSP to meet its targets, the NSGRP focuses on devising more efficient ways of achieving the targets identified in the PRSP, in addition to greatly expanding the objectives the country’s poverty reduction policy. In particular, in addition to the goals of the PRSP, the NSGRP focuses increased attention on encouraging domestic saving and investment, enhancing infrastructure and human development, and creating a more efficient government, as well as incorporating problems related to HIV/AIDS, gender, vulnerable social groups, and discriminatory practices into the country’s poverty reduction plans. Moreover, the strategy seeks to remedy deficiencies in the PRSP concerning ownership and participation.

The most important distinguishing characteristic of the NSGRP was the extensive participatory process that the Government of Tanzania engaged in while developing the plan as compared to former consultative processes the government undertook. The NSGRP noted that previous methods of participation had been ad-hoc, compressed, selective, lacked informed participants, and did not integrate the views participants. As opposed to the seven simultaneous two-day zonal workshops that the Government of Tanzania undertook for the PRSP, for example, participation in developing the NSGRP occurred for an entire year and the government held meetings in all districts as well as

implemented a mass-media campaign through newspapers, radio, and TV to raise awareness of the program. As the government has been implementing the NSGRP for less than a year, sufficient time has not elapsed to allow us to ascertain the results.

F. Analysis of Poverty Reduction Strategies

The above examination of the progression of Tanzania's poverty reduction policies presents a bewildering picture on the surface. Over the past decade, the Government of Tanzania has developed five poverty reduction strategies, covering time spans of three years to three decades. In general, the evolution of these policies suggests a degree of cognitive dissonance because the plans continually are becoming more complex, ambitious, and broad even as the government fails to achieve the more modest objectives of its previous initiatives. Since these plans form the core of Tanzania's poverty reduction policy and define its relationship with donors, I would like to examine briefly the evolution of these documents. Therkildsen (2000) attributes the continual reevaluation of major policy choices to donor influences, a fragmented process of domestic policy design, and weak links between policy making and implementation. Below I consider each.

The effect of donors is perhaps the clearest to comprehend as they have no domestic principals and thus are free to change their areas of focus without constraints. Over the past decade in particular, these organizations have vastly expanded the areas where they operate, especially with regard to governance. As these entities broaden their interests, the Government of Tanzania must develop policies to address their new

concerns (Harrison 2001, Therkildsen 2000). A salient example of this is a comparison of the NPES to the PRSP. In the mid-1990s, donors strongly supported the NPES as an example of the government taking ownership over its poverty reduction policies. Just two years later, however, these same entities determined that government had not developed the NPES through a sufficiently participatory process and thus the government needed to design a new poverty reduction policy, the PRSP, to meet donor mandates for debt relief (Gould and Ojanen 2003). Moreover, donors have not sanctioned the government for producing unrealistic plans. Rather, currently, the amount of foreign aid Tanzania receives per year is approximately one-fourth greater than the amount it received one decade ago.

The second reason for the continual expansion and revision of poverty reduction policies is a result of a fragmented policy making within the country. Since ministries are free to work with donors without approval of the central government, gaining a comprehensive view of donor policies presents a challenge. Moreover, because many donors tend to specialize in certain sectors, this provides each ministry with an incentive to “pursue its own fund-raising strategy vis-à-vis donors (Therkildsen 2000: 66).”⁴ As donor interests have expanded, demands from government ministries working in those areas to attract these new funds have risen as well, exacerbating coordination problems. Perhaps the clearest example of this is to compare the narrow sector focus of the 1998 NPES to the unwieldy number of sectors that the 2005 NSGRP addresses. The former centered on five sectors, agriculture, education, health, roads, and water. The latter, by

⁴ For example, USAID in Tanzania focuses most of its attention on health issues, Japan’s primary areas of assistance are in agriculture and transportation, and the Netherlands tends to direct its support towards rural development.

contrast, expanded this list greatly to include energy, protection of vulnerable groups, improving governance, controlling corruption, reducing crime, decreasing environmental degradation, expanding access to housing, enhancing social tolerance, and promoting indigenous culture.

The third aspect that contributes to continual reevaluation of Tanzania's development policies is the very weak link between policy making and implementation in the documents. For example, the seventy-one page NSGRP devotes close to thirty describing the policy but only five for implementation. Moreover, this section lists the actors involved in the policy and their roles but offers no concrete strategy for them to achieve their functions. For example, below is how the NSGRP explains the role of civil society in the policy (URT 2005: 51):

The civil society organizations are key actors in poverty reduction. Their roles and responsibilities will include: building local capacity and empowering communities; participating in monitoring and evaluation at national and community level; mobilizing and enhancing community participation; and mobilizing community resources for poverty reduction. CSOs will advocate for accountability of its members and government to the people. CSOs will work closely with the government ministries and local authorities to ensure that cross-cutting issues are included and implemented in the sectoral and district plans.

In order to improve the effectiveness of civil society organizations there is a need to review and strengthen the organizational and management frameworks at national, regional, district and community levels.

The document does not explain how the government (or anyone else) will achieve the objectives in the above paragraphs. Moreover, while the government recognizes that

the ambitious plan will require significant skills enhancement, the section on how it will achieve that goal is similarly bereft of specific operational details (URT 2005: 54):

Capacity building for harmonizing and achieving greater policy coherence and synergy, between the NSGRP and other processes, will be an imperative. Capacity building needs of the private sector, civil society and communities will be identified and addressed so that they can more effectively engage in the policy processes. The reform processes will continue to be a framework within which capacity issues will continue to be addressed.

Nevertheless, the aforementioned strategy is a significant improvement over other recent policies. For example, the NPES devoted one paragraph to the implementation role of the Vice-President's Office, the central office for coordinating and executing the policy. The paragraph was grand in its ambition but silent on details concerning how to accomplish the objectives (URT 1997: 46):

The Vice-President's Office will ensure that the Planning Commission and sectoral ministries undertake policy formulation analysis, monitor implementation, and evaluate the impact of poverty eradication programs. The Vice-President's Office will ensure that government's organs and other stakeholders interact on poverty eradication issues. The Vice-President's Office will design poverty indicators and promote participatory methodologies in poverty eradication initiatives."

No where else in the document does the policy detail what specific actions the Vice-President's Office will take to secure these objectives. Since these policies lack clear plans for implementation, it is not surprising that the plans generally fail to meet their targets.

G. Local Government Reform Program (LGRP)

Since the LGRP is not strictly a poverty reduction strategy and since it more directly relates to my dissertation's focus, I examine this policy separate from the others I discussed above. In 1998, the Government of Tanzania developed the LGRP, a policy of decentralization through devolution. The LGRP's relationships to Tanzania's poverty reduction strategies are to improve service delivery and governance at the local level.

The LGRP contains five objectives:

- *Governance*: To establish broad-based community awareness aimed at promoting democracy, transparency, participation, and accountability.
- *Service Delivery*: To enhance the effectiveness of local governments in delivering services.
- *Finance*: To increase the resources available to local governments and improve financial management.
- *Human Resource Development*: To improve the capacity of the local government and grant local government more control over district civil servants.
- *Legal Reform*: To establish legislation that clarifies role of local government and makes them more autonomous.

Interestingly, a close examination of where the government has made progress in implementing the LGRP suggests that the policy appears to be reinforcing the authority of the central government at the local level. In particular, on the one hand, the Government of Tanzania has substantially increased earmarked transfers to district councils and strengthened financial coordination between the central government and local ones. On the other hand, it has not undertaken legal reform that would grant local

government greater autonomy, has not made district civil servants more accountable to elected local councilors, and has not allocated more financial autonomy to local governments (Braathen, et al. 2005). Devolving greater financial resources to local governments while placing the authority to expend those funds in the hands of officials who are accountable to the central government has strengthened, not weakened, the relative power of district civil servants compared to elected local officials. Ngware (2005: 3), for example, observes that, “the accountability of elected representatives and community leaders remains a glaring weakness of the system.”

However, it is not very surprising that the central government has not made significant progress in implementing parts of the LGRP designed to enhance the autonomy of district governments. Most important, the analysis I provided in Chapter II would suggest that very few government officials in Tanzania possess a strong incentive to demand greater authority for local governments. The central government, for example, lacks any motivation to extend more power to local officials because this would reduce the central government’s capacity to influence local government policies. For the same reason, senior district civil servants are unlikely to pressure the central government to allocate elected local officials more responsibility. The only actors who are most likely to demand more power for local governments are district councilors. However, as I showed in Chapter II, CCM’s unity of purpose implies that elected officials at the local level have no motivation to question the policy preferences of the central government. Moreover, most districts have witnessed a vast expansion in the number of projects in their constituencies over the past five years, further dampening their incentive to demand

greater authority.⁵ Finally, while non-CCM elected representatives may support decentralization, they lack the capacity to implement any reforms, as I described in Chapter II.

Since no domestic constituency for decentralization exists, it is important to understand why the country has a local government reform program. According to Baker, et al. (2002) and Braathen, et al. (2005), the principal constituencies behind the LGRP were donors, not any domestic party within Tanzania. The Government of Tanzania's 1994 Policy Framework Paper outlined the entirety of the government's reform program. The framework did not mention any substantive programs for local government. When the Government of Tanzania presented the framework to donors, the latter advocated for a local government reform program and soon after the government began to develop a policy in this area (Baker, et al. 2002, Braathen, et al. 2005). Consequently, lack of progress in implementing the LGRP is not surprising given that no strong domestic demand exists for greater local government autonomy.

In this section, I have examined the government's main poverty reduction strategies as well as how these policies link to the government's decentralization policy. In the next section, I examine in detail the methods the government employs to generate support for its policies and implement them. In particular, I analyze why the executive branch has chosen to eschew the formal democratic method of engaging parliament in these processes and embraced direct and highly visible consultations with citizens.

⁵ Average transfers to districts doubled between 2001 and 2005.

III. Legitimizing and Executing Poverty Reduction Policies

While interpreting the evolution of Tanzania's development policies as a struggle for the government to gain control over donor-induced chaos, analyzing the its method of designing and executing these plans also reveals a suggestive pattern of deliberate centralization of control in the office of the executive. To be clear, I am not arguing that the president and his senior ministers are employing a poverty reduction strategy only as an insincere pretext for centralization of power. Rather, I conjecture that given the party and political institutional structure of Tanzania, and donor concerns, consolidating this power in the hands of a small number of individuals is a logical method for the government to implement donor-influenced policies and their attendant conditions while maintaining the popularity of the party and its locally-elected officials.⁶ In section five I present empirical evidence to support this hypothesis. Nevertheless, examining the method the executive branch employs to execute and gain support for its policies demonstrates that the incentives and capabilities of locally-accountable officials, central government authorities, and donors powerfully shape how the government implements its poverty reduction policies. Specifically, I demonstrate that:

- To build support for the country's most crucial economic policies, the president and senior government officials bypass parliament (and to a lesser extent councilors) and instead engage the public directly.
- The executive branch could employ seek to legitimize these policies through formal parliamentary ratification but chooses not to because this body has no

⁶ Dr. Geir Sundet, a prominent political scientist based in the Dar es Salaam think-tank Research on Poverty Alleviation in Tanzania (REPOA), calls the system a "benevolent dictatorship" (personal communication, June 13, 2006).

method of compelling the president to seek parliamentary approval, because the executive would derive no benefits from negotiating with MPs, and because donors do not pressure the executive branch to include these officials in developing policies.

- MPs (and to a lesser extent councilors) accept a policy making process that leaves them with little significant power because they lack the incentive and capacity to challenge the senior government/party officials. In addition, the method the government employs to implement its policies provides locally-accountable officials with visible projects that they can claim credit for providing. This policy further dampens their motivations to challenge the authority of the executive branch.
- Donors support the executive branch's method of policy design and implementation because it allows these entities to negotiate their policies outside of public view, thus allowing them to appear outside the domestic political process.

A. Direct Public Consultation

The evolution of the government's approach to devising Tanzania's poverty reduction strategies from the NPES through the NSGRP has been characterized by increasingly elaborate processes of citizen consultation. In creating the NPES, the government solicited input from civil society representatives yet the language of the document makes clear that the government considered the primary role of NGOs to be implementers of government decisions. The consultations the government convened for the PRSP were more elaborate but largely makeshift and comprised mostly a hand-picked set of individuals, many of whom already were sympathetic to the government's policy choices.⁷ For the NGRSP, by contrast, government officials engaged in extensive public meetings across all districts over the course of an entire year. Consequently, in Tanzania

⁷ For example, about one-fifth of these participants were civil servants accountable to the executive branch and members of NGOs that received the majority of their funds from the central government and donors.

we observe the evolution of the executive branch generating approval for its economic policies through a progressively more elaborate set of public consultations. Gould and Ojanen (2003) characterize this method of policy making as “populist neo-liberalism”. The policies are populist because the president and other senior officials engage directly with the public, as opposed to creating policy by working with other elected representatives. The policies are neo-liberal because major macroeconomic and structural policy choices reflect the interests of Tanzania’s foreign aid donors (Gould and Ojanen 2003).

Gould and Ojanen (2003) contend that populist neo-liberalism in Tanzania possesses three characteristics. First, technocrats and senior ministers accountable only to the president develop policy. Second, the government gains public approval for its policies through limited but direct and highly visible consultation with the public as opposed to subjecting policy to the approval of parliament. Third, the policy realm where locally-accountable officials exercise control is limited to levels of social expenditures within a pre-determined set of sectors. Tendler (2000) describes this as “the project-level view of the poverty problem” because at the local-level, policy and politics is relegated only to deciding the quantity of projects a district can implement within a pre-determined set of choices.

On the surface, populist neo-liberalism contains a paradox: if the executive branch is developing major policy choices largely with donors why does the government consult with the public? To answer this question, we must realize that donor policies that require the government to attain approval for its policies from its citizens (such as for HIPC debt reduction and additional loans through the PRSP) contain a fundamental contradiction

because donors demand public consultation but create narrow boundaries for policy choices (e.g., Cooksey and Kikula 2005). Thus, rather than viewing participation as an inconsistency, more accurately, we should view public consultation and pre-determined broad economic policy choices as non-negotiable donor conditions that the recipient government encounters. Mercer (2003: 756), for example, contends that for the PRSP from the perspective of Tanzanian NGOs, “the nature of civil society ‘participation’ ... was merely symbolic while donors congratulated the government for its participatory process of developing the policy.” In addition, senior government officials have a motivation to structure a participatory process that will enhance rather than undermine their influence. Hence, the dilemma the executive branch confronts is that it must structure a consultative process donors perceive as legitimate, that reaches a set of pre-approved policy choices acceptable to them, and that maintains the authority of senior officials.

B. Eschewing Parliament

Since the Constitution of Tanzania contains a clear structure of nationally- and locally-elected public officials, direct public consultation for developing policy is not the only method that the government could employ to gain public support for its policies. Why does the government not utilize a more standard democratic process, for example, by subjecting these policies to parliamentary approval and oversight? The Government of Tanzania held public consultation for the NSGRP for an entire year, more than enough

time to permit extensive debates in parliament. Yet the government, with the support of donors, largely bypassed parliament.

Gould and Ojanen (2003) contend that the executive branch most likely prefers to circumvent parliament in debating policies in favor of direct consultation with the public primarily because participatory methods where senior government officials solicit input from ordinary citizens minimize the probability that the executive will be forced to change its policies. The reason for this is because most Tanzanians possess no direct authority to compel the government to adopt their policy preferences other than elections, a very blunt instrument that citizens can employ once every five years. Engaging parliament, by contrast, could force the executive to take seriously the policy opinions of MPs, according to these scholars. This path also contains the added difficulty that the president could be forced into a position where parliament refuses to ratify policies that meet donor demands, as occurred in Kenya.⁸ For these reasons, any rational president would choose to bypass parliament with donor approval, according to Gould and Ojanen (2003).

Gould and Ojanen (2003) present a compelling case, especially considering that the government's extensive consultations did not lead to any significant policy changes. At the same time, any parliament that is strong enough to challenge the president is most likely capable of forcing the executive branch to negotiate as well. Hence, that the president was able to bypass parliament with ease does not demonstrate that he feared parliamentary negotiation rather it shows that the legislative branch is far weaker than the executive. Specifically, given CCM's overwhelming dominance in the parliament, the

⁸ See footnote seventeen for details of what occurred in this regard in Kenya.

party's unity of purpose, and the centralization of authority within the executive (institutionally and inside the party), MPs would be unlikely to challenge the government over its poverty reduction strategy, as I demonstrated in Chapter II.

Since it is far more probable that parliament would accept the executive's policy (as eventually occurred after a very brief debate), it is important to ask why the president chose to ignore employing a compliant legislative body in assisting to legitimize the strategy. The simplest answer seems to be that widespread, visible, and direct consultation with the public allows the president to gain recognition for taking vigorous action to reduce poverty while negotiating with parliament yields the executive no advantages and may even contain disadvantages as MPs may be able to claim part of the credit for the policies. Moreover, had the president requested formal parliamentary approval and oversight, he would have extended power to the latter that it hitherto did not possess without obtaining any benefits. Thus, unlike Gould and Ojanen's (2003) contention that the president bypasses parliament to avoid negotiating with it, most likely, the executive branch does not engage MPs to build support for its poverty reduction strategies because the parliament lacks the power to compel the president to negotiate and the latter derives no benefit from developing policies with the former.

C. Why MPs Accept Their Diminutive Role

A significant issue to address is why MPs (and to a lesser extent councilors) have not advocated for great policy making powers and/or more rapid implementation of the Local Government Reform Program. Most important, as I discuss in Chapter II, because

of the unity of purpose within CCM and the dominance of the president in the party, elected officials who are looking to advance politically or within the government do not have an incentive to challenge the party leadership.⁹ Nevertheless, CCM elected officials can challenge the leadership or leave the party if they are not satisfied with their diminutive role. In general, neither of these actions is occurring. Thus, is the executive branch taking any actions that allow this imbalance of power to be beneficial for elected CCM officials? The president further discourages MPs from challenging their minor policymaking role by creating a set of rewards and sanctions that appeal narrowly to their electoral instincts in return for their compliance. For example, MPs do not pass a budget in the sense that they extensively debate policy choices and hold lengthy negotiating sessions with the executive branch. Rather, the executive branch, in consultation with donors, develops expenditure ceilings by ministry. While parliament retains limited flexibility to re-allocate expenditures within ministries, they do not have the capability to allocate across ministries or increase expenditures.¹⁰ One area where MPs exercise control is within-sector transfers to their districts. Consequently, I conjecture, because the executive branch has structured the policy making process in a manner that permits MPs to deliver tangible benefits to their constituents, MPs are willing to tolerate a policy

⁹ According to Mmari, et al (2005), by contrast, during the one-party era, MPs challenged the executive branch far more often than currently occurs. For example, the most vigorous parliamentary debate in the history of the country occurred in 1991, one year before the country's transition to a multi-party system. The debate was whether women should pay the development levy, a type of poll tax (see Chapter IV for more on this tax and the resistance to it). MPs possessed greater latitude to challenge the executive during the one party era because there was no rule that MPs would lose their seat if they voted against the party. While the need to gain endorsement from the party to run for parliament limited the amount of criticism an MP with progressive ambition could safely apply, the amount of criticism was greater than exists in the current multi-party era where voting with the party is compulsory.

¹⁰ Personal communication with James Boex, advisor to the Ministry of Finance on transfers to local governments, April 3, 2005.

making process that limits their power substantially. In the section five, I present evidence to support this supposition.

D. Donor Influences

Donors have a significant, but somewhat hidden, role in relegating major policy choices to senior officials accountable only to the executive. Most important, in Tanzania donors negotiate their programs with the president and senior ministers, not parliament thus the executive branch, not MPs, determines with aid agencies how these organizations will allocate their funds. Centralizing decisions in the executive branch permits donors to design their programs outside of public view thus permitting them to appear not to exercise significant influence in the country's domestic politics, a perception they work hard to maintain (Gould and Ojanen 2002). If donors were to negotiate with parliament and/or if the legislative branch voted to approve or disapprove of their policies, by contrast, the degree of influence aid agencies possess in shaping the country's policies as well as their effect on the nation's politics would be far more transparent.

The above analyses demonstrate how and why the executive branch in Tanzania, with the support of donors, has been able to relegate major policy decisions to officials accountable only to the president, and left MPs and councilors with the political power only to deliver narrow tangible benefits to their constituents. This examination demonstrates not only that the president is able to exercise vast power in Tanzania but why the system is stable as well. This comprehension also explains why the central

government has implemented only those parts of the Local Government Reform Program (LGRP) that strengthens its control at the district level and why MPs and councilors have not demanded more rapid decentralization as the program envisions. Having examined Tanzania's poverty reduction policies and the rationale for the method the government has chosen to legitimize and implement them, in the next section I develop hypotheses for the projects and policies local governments undertake.

IV. Hypotheses for Development Policy and Projects

In this section, I identify the central actors in the development policy process in Tanzania, the relationship between those groups, their incentives, and their capabilities. Subsequently, I generate hypotheses concerning the behavior of actors involved in implementing development projects and the likely outcomes of those programs.

A. Actors

Although a range of groups engage in developing policy at the local level in Tanzania, for the purposes of my analysis, only three sets of actors are relevant, the executive branch (including central ministries and civil servants at the local level), locally-accountable officials, and donor agencies. I place civil servants at the local level as a subset of the executive branch because these officials are accountable directly to central government ministries, as I discussed at length in Chapter II. I also consider MPs

and councilors as a single actor because they are motivated to serve the constituents of their electoral district.

B. Incentives

The motivations of locally-accountable officials are the easiest to identify. For the most part, these individuals are interested in their re-election (or progressing in the party/government), which, following the analysis in Chapter II, suggests that their primary concern is attracting projects to their district/ward.¹¹ One partial complication is that because of CCM's hierarchy, as I demonstrated in Chapter II, representatives of this party must adhere strictly to the interests of senior CCM officials as well.

The incentives of the president and key officials he appoints (e.g., ministers and deputy ministers) are somewhat more complicated. The central objective of the president and senior government officials is to maintain the popularity of the party in order to win the subsequent election. When a president is in his first term, the executive's re-election will be the primary objective. Even in a president's second term, because high-ranking government officials are senior party officials and because many leading government officials under one administration would like to become a future presidential candidate, one of their central objectives is to maintain CCM's popularity.¹²

¹¹ This is also consistent with a number of recent qualitative analyses of local politics in Tanzania such as Gould and Ojanen (2002), Kelsall (2001), Kelsall, et al. (2005), Mmari, et al. (2005).

¹² For example, the current President of Tanzania, Jakaya Kikwete, and the former President, Benjamin Mkapa, both served as Foreign Minister prior to their election as president. In the 2005 election, the Prime Minister and the Minister for Communication and Transport also sought CCMs nominations. More generally, the president typically is the chairman of CCM (but this is not a rule) and senior government officials generally tend to be senior party officials as well. For example, the current President, Vice-

Tanzania's extreme reliance on foreign aid complicates this narrow concern for reelection, however. On average, donors finance about forty percent of Tanzania's entire budget and eighty percent of its development budget. This reliance forces senior government officials to implement a wide-range of the country's policies - from macroeconomic policy to policies on trade, investment, finance, privatization, and legal reform - in manner that is acceptable to its donors (e.g., van de Walle 2001). Thus, the government is likely to be constrained in pursuing objectives that only serve to enhance electoral support, for example, by undertaking large increases in expenditures in the year prior to an election. As a result, senior government officials confront a constrained optimization where they are attempting to maximize the chances for the party's reelection subject to donor policy constraints.¹³

Compared to MPs/councilors and senior government officials, donors face a far more complex set of incentives. Characterizing donors' relationship with the Government of Tanzania as a take-it-or-leave-it strategy where donors supply aid funds subject to the government accepting donor conditions is a wildly misleading description of Tanzania's relationship with its donors. Tanzania receives about \$1.5 billion in aid funds per year, equivalent to about fifteen percent of GDP. The World Bank alone allocates between \$300 million and \$400 million per year to Tanzania and the Government of the United Kingdom extends close to \$300 million per year. A number of

President, Prime Minister, Finance Minister, and Foreign Ministers are all members of the CCM central committee.

¹³ Alternatively, the government could choose to reject donor funds if the consequence of accepting donor conditions jeopardized the party's chance of winning re-election.

other bilateral donors expend close to or more than \$100 million per year.¹⁴ Moreover, Tanzania is one of the highest aid recipients from Britain, Canada, Denmark, the Netherlands, Norway, and Sweden.¹⁵ Finally, the staffs of these agencies work alongside high-ranking officials in the Tanzanian government (as well as mid-level civil servants) in long-term employment contracts.

Harrison (2001) describes the relationship between the Government of Tanzania and its donors as “Post-Conditionality”, or a situation where the donor investment has been so large that their credibility would be damaged if the aid relationship did not succeed. According to Harrison (2001), this is occurring in a small number of countries in sub-Saharan Africa where structural adjustment reforms appear to have succeeded in generating economic development and where donors have cultivated close working relationships with the recipient government.¹⁶ In a situation of Post-Conditionality, the extreme donor involvement provides substantial leverage to the recipient government because “the more the IFIs [International Financial Institutions] invest capital (financial and political) in these states, the more committed they become to ensuring that they remain positive examples” (Harrison 2001: 660). Such a situation renders donors more sympathetic to the recipient governments’ political interests than in a country where donors have devoted less effort to ensuring their policies succeed.

Rather than a clear principal-agent relationship where donors provide funds on the condition that recipients implement a donor-defined set of policies, the connection

¹⁴ For example, the European Union, Germany, and the Netherlands typically extend approximately \$100 million per year to Tanzania. Denmark and Sweden typically extend about \$80 million.

¹⁵ This excludes the large amount of reconstruction aid these countries are extending to Afghanistan and Iraq.

¹⁶ Harrison (2001) cites Ghana, Mozambique, Tanzania, and Uganda as the most salient examples.

between the two groups in a situation of Post-Conditionality is more appropriately an (unbalanced) mutual hostage situation: donors possess the capacity to withdraw their support but this would almost certainly greatly damage donor credibility. The ability of the recipient to damage the reputation of the donor provides the beneficiary government with the capacity to place demands on donors that the latter might not accept in countries where they have a smaller investment in the success of the program. In particular, donors are likely to have an incentive to avoid creating political instability for recipient governments if they have invested a substantial amount of time and effort in cultivating collaborative relationships with them (Harrison 2001). Accordingly, rather than characterizing the incentives of the donors as take-it-or-leave-it, these entities should be far more willing to negotiate with the recipient government. In particular, as a consequence of the logic of Post-Conditionality, I expect that donors should be amenable to a relationship where the beneficiary government accepts basic donor demands and donors do not enforce conditions that would destabilize the government.¹⁷

¹⁷ Contrast this situation with the donor relationship with the Government of Kenya, where donors have publicly undermined the legitimacy of the government numerous times. In 2001, for example, the IMF severely weakened the authority of the president when it suspended its program after parliament rejected an anti-corruption bill that the IMF demanded as a condition for its loans. In 2004, the EU withheld aid to Kenya due to corruption and in 2005 the U.S. suspended its aid for the same reason. In 2004, the British High Commissioner to Kenya, Edward Clay, took the highly unusual stance of publicly declaring that donors should consider suspending their aid to Kenya. High Commissioner Clay's remarks, in particular, received an enormous amount of criticism because Kenya is a former British colony. It is difficult to attribute the different treatment that donors extend Kenya and Tanzania to greater corruption in the former alone. According to Transparency International, for example, on a scale from 1 to 10 (worse to better), corruption in Kenya and Tanzania is 2.1 and 2.9, respectively. On average over the past five years, donors have extended about \$500 million per year in aid to Kenya about one-third the level of Tanzania's annual assistance despite the countries having similar populations, levels of development, and degrees of democracy.

C. Capabilities

While the actors I have discussed encounter a range of motivations, I must understand their capabilities in order to determine their ability to act on them. Councilors and MPs would like to win reelection and providing tangible benefits to their constituents is a particularly effective method of achieving this objective. The analysis in Chapter II demonstrates that these officials have only a very weak capability to access funds for this purpose because they do not control directly the budget process. As a consequence, these officials can execute projects only through their capacity to raise local taxes and through their talent in persuading donors and/or the central government to expend resources in their constituency. As a result, if they are unable to raise sufficient revenue for these purposes from their constituents, locally-accountable officials must be attentive to the project interests of the central government and/or donors, especially CCM representatives, whose careers often depend on their advocacy of the party's policies as well as those of their constituents.

The president and central government officials, by contrast, have far greater power than locally-accountable officials as they possess the discretionary faculties to allocate resources across districts due to the political and party power they possess that I discussed in Chapter II. Their only constraints in this capacity are those that donors place on the central government and the funds these officials can raise through taxation and aid.

Finally, donors possess the greatest power as they command vast resources and can withdraw their support at a moment's notice. As I have noted above, however, the

close working relationship aid agencies have cultivated with the Government of Tanzania diminishes their incentive to pursue this course of action.

D. Hypotheses

By employing these insights I articulated above, I can generate general hypotheses concerning the pattern of policies and projects I expect to occur at the district-level in Tanzania. Developing these conjectures requires understanding the most effective way to resolve the various interests of the central government, donors, and locally-accountable officials given the capacities of the three groups. Table 3.1 below summarizes these factors with regard to local government policy and projects in Tanzania.

Table 3.1: Central Actors, Incentives, and Capabilities

Actor	Interests	Capabilities
Councilor/MP	Popularity at local level	Local taxes and transfers
Central Government	Popularity at national level	National taxes and donor funds
Donors	1. Reduce poverty (long-term) 2. Display concrete results (short-term)	Withdraw or add support

My analysis in Chapter II and earlier in this chapter suggests that only the executive branch in Tanzania theoretically has the capacity to simultaneously satisfy the demands of donors and councilors/MPs. With regard to locally-accountable officials, the president and other significant central government officials can appeal to the narrow electoral interests of councilors and MPs through allocating resources that can improve their reelection prospects in return for discretion over major policy issues and support for

the government's polices.¹⁸ The ability of the executive branch to selectively target transfers to certain districts provides the executive branch with a strong disciplining mechanism to ensure that MPs and councilors comply with the decisions of the senior government officials. The party and political powers the executive branch enjoys over career advancement for CCM elected officials operate as additional instruments to ensure their support for the its decisions.

Donors are likely to be sympathetic to this division of powers as well. Numerous scholars have recognized that aid agencies prefer recipient governments to consign policy-making power to a concentrated set of senior government officials, preferably in the president's office and in economic and finance ministries (e.g., Gould and Ojanen 2002, Harrison 2001, Kelsall 2001). Placing this authority in the offices of senior officials and technocrats who are far removed from daily politics at the constituency level serves the purpose of preserving the apolitical status that donors desire in addition to minimizing their negotiation costs (Gould and Ojanen 2002). While donors, in general, disapprove of overt policies where the central government extends funds to local governments through discretion, in a situation of Post-Conditionality, since donors are interested in maintaining their cordial relationship with the existing government, they are likely to be sympathetic to the political interests of the recipient government, as long as the actions of the recipient do not strongly undermine aid agencies' primary preferences, such as macroeconomic, trade, and regulatory policies (Harrison 2001, van de Walle

¹⁸ In a sense, the executive branch is internalizing an externality. Since each locally-accountable official seeks to maximize transfers to his or her own constituents and since the government possesses only limited development funds, if only locally-accountable officials attempted to allocate funds the distribution is unlikely to correspond with the best interests of the party. By contrast, the executive who has a national constituency in the government and the party has an incentive to ensure an allocation of funds that maintains the national popularity of the party.

2001). In addition, targeted expenditures for visible local services, such as schools and health clinics, appeals to donors' need to demonstrate tangible results of their assistance (e.g., Gibson, et al. 2005, Tendler 2000, van de Walle 2001).¹⁹

The above discussion leads to me to infer three general hypotheses concerning policies and projects that local governments should undertake:

- *Hypothesis I:* Since CCM's rigid hierarchy strongly discourages its elected representatives from challenging the authority of the party's leadership and because MPs and councilors (even those who are not members of CCM) would like to attract discretionary funds to their districts, I do not expect locally-accountable officials to advocate policy proposals that would strengthen their authority. Rather, I anticipate that they will largely not challenge the centralization of power within the executive in return for funds they can target to their constituents.
- *Hypothesis II:* I anticipate council project proposals to adhere closely to their electoral concerns (i.e., targeted projects) within sectors that the central government has prioritized in order to maximize their transfers.
- *Hypothesis III:* I expect only those local governments that possess large revenue bases to attempt to assert political autonomy as only these councils enjoy the capacity - a local source of revenue - to advance their own interests.

I examine these conjectures in the next section as well as provide evidence that the policy arrangement yields significant electoral benefits to locally-accountable officials.

¹⁹ For example, people working in USAID's rural roads program in Tanzania present quarterly updates on the effect of the program by providing data on road use and documenting economic changes in the communities the road serves. More generally, donor country assistance strategies almost always include concrete and quantifiable measures of their programs, such as the number of schools, health clinics, and roads the government has constructed with the donor funds.

V. External Policies and Projects Districts Implement

In this section, I review empirically the policies and projects that local councils are implementing and the benefits that locally-accountable officials have received from these undertakings. In the first part, I present evidence demonstrating that the executive branch powerfully shapes activities that district councils execute. I also show that within this broad control, councilors retain authority to choose projects within a limited range of options and that they exercise this power to implement activities that can be targeted to their constituents. Since CCM holds a majority of seats on almost all of the district councils, since most districts rely heavily on central government transfers to finance local government budgets, and since the central government identifies only five priority sectors, there is very little variation across districts. However, there are a handful of districts that possess significant local sources of revenue and/or where opposition parties enjoy political control. In these districts, conflict with the executive is much more likely.²⁰ In the second part of the section, I examine these tensions and find that only districts possessing a significant local revenue base have the ability to challenge the central government effectively. Finally, I demonstrate that MPs benefited from these transfers in the 2005 elections.

²⁰ I discussed the reasons for this potential conflict at length in Chapter II.

A. Aggregate Analysis of Policies and Projects

About half of the districts in Tanzania list their policy objectives and current projects (fifty-two out of one-hundred and ten) in their district development plans. In this section, I review these data. The analysis confirms three points from the hypotheses I generated above. One, there is a severe disconnect between policies and projects, with the former lacking any substantive project content. Two, the projects councils implement suggest strong incentives to adhere to preferences of the executive branch. In particular, very few districts are actively engaging in projects designed to enhance the authority of local governments or improve governance more broadly. Three, councilors primarily undertake projects that they can target narrowly to their constituents. The overarching conclusion that I draw from this analysis is that poverty reduction at the local level in Tanzania is almost exclusively an issue of implementing projects that enhance access to local services. Concrete institutional reforms, by contrast, are virtually non-existent.

Tables 3.2 and 3.3 below examine district councils' broad policy objectives and project undertakings. The tables reveal a strong disconnect between the two. In particular, while ninety two percent of districts explicitly discuss governance reform as a policy objective, only eleven percent of them pursue projects consistent with this goal.²¹ Moreover, targeted projects, such as construction of wells, schools, and health clinics are

²¹ Since governance reform is an ambiguous term and since so few councils are implementing any policies that are remotely concerned with this objective, I employ an expansive definition of the concept to include any activity where the primary objective is to improve some facet of local government administration. Consequently, I characterize governance projects as those aimed at formally increasing citizen participation and increasing transparency (i.e. concrete steps to improve citizen access to relevant information). No district listed a policy objective that addressed more fundamental issues of governance, such as improving accountability between councilors and civil servants.

far more common than cross-ward projects such as large-scale road repair and/or district-wide hospitals as only about twenty percent of the districts are undertaking these types of projects while every district is executing ward-specific activities. In addition, no district lists progress in executing the LGRP - or any other project to enhance the authority of councilors - as a priority even though the policy has stalled.

Hypothesis Test in Tables 3.2 and 3.3:
District Development Projects Reflect Priority of Central Government

Table 3.2: District Policies

Governance	92%
Services	100%

Table 3.3: District Projects

Cross-Ward	21%
Governance	11%
Operating Costs ^a	85%
Salaries/Civil Service Benefits ^a	71%
Ward Targeted	100%

^a Administrative projects that provide no direct services

Given councils' stated policy objectives I was particularly surprised at the number of districts that have passed projects designed to improve financial coordination between civil servants and the central government. One positive explanation for this pattern could be that improving financial coordination between the central government and district governments is crucial for local governments to undertake projects that the former is financing. Hence, one could interpret these projects as attempting to improve governance

and/or service delivery. While this is a reasonable conjecture, it is also useful to consider the two types of administrative projects councils are undertaking, salaries/civil service benefits and operating costs. The data support the above contention given that eighty five percent of councils are enacting projects designed to enhance non-salary financial coordination (i.e., operating costs). At the same time, that seventy one percent of districts councils passed salary coordination as a central project clearly demonstrates that the district civil service has substantial authority to initiate its (and by extension the central government's) preferred projects. Along the same lines, as I described earlier in this chapter, improving financial coordination between the central and local governments is practically the only area where the central government has made progress in implementing the Local Government Reform Program and these changes have strengthened the center's control over local authorities, not weakened it. Consequently, the pervasiveness of financial coordination projects lends further evidence to the conjecture that the center's method of implementing its poverty reduction policies is strengthening its authority at the local level.

One way to provide a context for understanding the strong influence of the executive and his agents at the local level exercise over district activities is to examine the language districts employ when designing development plans and the details of projects they are implementing. In their planning documents, each district articulates its own broad vision of the district's development intentions that is to serve as the reference point for all project activities. The priorities that district governments list demonstrate little evidence that the plans reflect the interests of citizens as expressed by their locally-elected officials. Rather, the development visions (even though they are largely

rhetorical) intimate that the central government exercises substantial influence over district governments' stated policy intentions. As an example, below I provide the development policy objectives of six councils and contrast the rhetoric of their visions with the actual projects they undertake.²²

- *Geita District Council*: "To provide people-centered sustainable services through implementation of national policies and guidelines effecting good governance and enhancing peoples participation in all stages of decision-making toward improved standard of living."
- *Lushoto District Council*: "To ensure equitable distribution of the limited available resources and enabling the community to be capacitated in terms of good governance, project implementation, management, social-economic services, ownership, and sustainability."
- *Meatu District Council*: "To create a conducive environment for social and economic development, through the expansion of equitable economic opportunities and the improvement of social services, with active support from development partners."
- *Mpwapa District Council*: "Mpwapa District Council is committed to provide improved and equitable social and economic services and eradicate poverty through community and stakeholders participation, effective use of resources, and good governance."
- *Nachingwea District Council*: "To create a conducive environment for social and economic development for Nachingwea people. To achieve this, the council will provide timely and high-quality social and economic services to the Nachingwea people."
- *Pangani District Council*: "Our mission is to provide good quality services to Pangani residents within reach, facilitate and support development projects for achieving socio-economic development through involvement of stakeholders."

²² I selected the councils randomly.

I observe the influence of the central government in these policy visions through two features. The most salient characteristic of these objectives is that the districts tend to advance the three themes: improving access to social services (six of six), improving governance/creating a conducive environment for development (five of six), and enhancing participation (five of six), three objectives that the central government also features prominently in its various poverty reduction policies (e.g., NPES, TAS, PRSP, NSGRP).

As the aggregate data suggested, the expansive visions of these six districts are not revealed in the projects the districts implement. Rather, Table 3.4 below demonstrates that nearly all the projects fall into two categories: targeted projects and administration. Equally dramatic, the projects (excluding those concerned with civil service administration) that these six districts are executing are almost entirely identical:

- All six are constructing classrooms and/or procuring school supplies.
- All six are rehabilitating dispensaries and/or improving delivery of medical supplies.
- All six are expanding and/or rehabilitating water supplies.
- None of the six are implementing projects to deliver district-wide services and/or to improve governance.

Hypothesis Test in Table 3.4:
District Development Projects Reflect Priority of Central Government

Table 3.4: Projects in Six Councils		
Geita	Lushoto	Meatu
Appraise development projects	Classroom construction	Appraise development projects
Classroom Construction	Dispensary construction and rehabilitation	Hospital rehabilitation
Dispensary Rehabilitation	Pay salaries/administrative costs	Improve administration
Improve administration	Rehabilitate Water Supply	Pay salaries/administrative costs
Pay salaries/administrative costs	Train civil servants	Procure school supplies
Procure school supplies		Provide agricultural extension services
Rehabilitate Water Supplies		Provide dispensary supplies
Train civil servants		Provide road construction supplies
		Rehabilitate water supplies
		Train civil servants
Mpwapa	Nachingwea	Pangani
Classroom Construction	Appraise development projects	Classroom Construction
Expand and Rehabilitate Water Supply	Classroom Construction	Dispensary construction and rehabilitation
Hire teachers	Dispensary Rehabilitation	Improve administration
Improve academic performance	Hospital Rehabilitation	Pay salaries/administrative costs
Improve administration	Improve administration	Provide dispensary supplies
Pay salaries/administrative costs	Improve school administration	Rehabilitate Water Supply
Provide agricultural extension services	Pay salaries/administrative costs	Road maintenance
Provide dispensary supplies	Provide dispensary supplies	Train civil servants
Train civil servants	Provide road construction supplies	
Vaccinate livestock	Rehabilitate Water Supply	
	Train civil servants	

Apart from projects on administration and salary/civil service benefits, these councils' undertakings contain additional evidence concerning the influence of the civil service/central government over councilors in shaping the districts' projects. All six districts are intending to enhance training for their civil servants while no comparable program exists for councilors in any of the six districts. While this is almost certainly

due to a lack of donor programs in this area, at the same time that such programs do not exist in Tanzania reflects the executive branch's preference not to pursue such objectives considering that donors routinely undertake projects that are designed to increase the effectiveness of elected officials.²³

Finally, Tables 3.5 and 3.6 below demonstrate that the sectors where the above districts are implementing many their targeted ward projects (e.g., education, health, and water) are representative of the entire country. Table 3.5 shows projects in the five most common sectors: agriculture, education, health, rural roads, and water.²⁴ Not coincidentally given the dominance of the executive branch, these are the same five sectors that the government targeted as those most critical for poverty reduction in the 1997 National Poverty Eradication Strategy (NPES) and reiterated in the PRSP and NSGRP. Moreover Table 3.5 corroborates the detailed analysis from Table 3.4 by demonstrating that, by far, the most common district projects are in the water, education, and health sectors. More generally, Table 3.6 demonstrates that over ninety percent of the districts that list their development activities are undertaking ventures in at least three of the five sectors that the NSEP/PRSP/NSGRP identified as crucial for poverty reduction.

²³ For example, strengthening legislatures is one of the five core areas of the United States Agency for International Development's (USAID) governance program.

²⁴ These findings are consistent from results from my own research in Arusha, Iringa, and Rukwa Regions. Specifically, I interviewed approximately sixty councilors in these three regions and almost all of them were carrying out at least one project in the education, health, or water sectors. The most common activities were building schools and installing wells or water pipes.

Hypothesis Test in Tables 3.5 and 3.6:
District Development Projects Reflect Priority of Central Government

Table 3.5: Percent of Districts with Project by Sector

Agriculture	Education	Health	Rural Roads	Water
56%	98%	94%	58%	83%

Table 3.6: Percent of Districts with Projects in the Executive Branch's Five Priority Sectors

0	0%
1	0%
2	8%
3	31%
4	27%
5	35%

The project analysis in this section strongly corroborates the predictions from the hypotheses I generated earlier in this chapter. First, and most important, development policies appear to have no discernable link to the projects that districts implement. Second, there is a strong consistency across districts to undertake activities in the education, health, and water sectors, three of the five sectors that the Tanzania's poverty reduction strategies identify as crucial for poverty reduction. Alternatively, only a handful of districts are undertaking projects that seek to improve governance and no district is attempting to increase the power of councilors. This confirms not only the strong influence of the executive in shaping policies but also that the most common types of development activities councils are carrying out are those that allow councilors and MPs to be able to claim specific credit for bringing tangible development to their constituents. Thus, the analysis provides strong evidence that the executive branch has

solved the potential accountability dilemma I analyzed in Chapter II by centralizing major policy decisions and executing projects in a manner that appeals to the narrow electoral interests of locally-elected officials. Nonetheless, I want to be clear that building schools and constructing wells bring concrete benefits to the average Tanzanian and that the central government deserves credit for its efforts.²⁵ The point of this section, rather, is to demonstrate that district governments exercise limited incentives and capacity to design development strategies that reflect local needs and preferences.

Finally, the results of my analysis are consistent with recent survey evidence concerning the effectiveness of participatory development in Tanzania. Cooksey and Kikula (2005) surveyed district planning and community development officers on bottom-up planning. Their study demonstrates that local leaders face severe structural disadvantages to implementing grass roots planning. According to their findings, districts are far more likely to execute donor and central government projects than those the communities develop and the degree of participation in designing policies has no effect on project success. These scholars contend that communities face three binding constraints in developing local policies: lack of resources, weak political accountability between local leaders and civil servants, and inadequate capacity to develop realistic

²⁵ It is important for me to state the dramatic effect an even small project can have on the well-being of a community. For example, a typical project that I witnessed was the construction of an approximately one mile pipe to bring water to a village in Iringa Region. After the community had installed the pipe, residents could access water as much water as they needed from the local tap at their convenience. This was a dramatic improvement over having to walk two miles to gather water and only being able take the quantity one can carry.

plans.²⁶ Given these constraints, according to Cooksey and Kikula (2005), bottom-up planning remains largely a chimera.

B. Policies and Projects where Executive Dominance May Be Weak

Outside of the formal constitutional division of powers in Tanzania, the executive branch has two informal levers of control over projects and policies at the district-level, party and fiscal. Party control is a consequence of the rules CCM employs for those who wish to represent the party as an elected official and fiscal control is a result a council's dependence on central government transfers to finance their local government budgets. Consequently, the executive's dominance may be weak where CCM does not hold the MPs chair and/or a majority of seats on the district council, or where local councils have a large revenue base. Out of one hundred and fifteen councils, only eight councils meet the former and only in about fifteen districts does internal revenue account for more than twenty percent of the total district budget. As a consequence, I am unable to examine differences between projects in these districts employing a detailed statistical analysis. However, a discussion of the activities in a number of these districts demonstrates the severe tensions that can arise at the local level when the institutional allocation of political power is inconsistent with district party power or the leverage that a significant tax base affords. This brief analysis demonstrates that fiscal autonomy is far more

²⁶ I would like to note that their findings are consistent with broad conjecture in Chapter II that political/party structures and local resource base largely determine the behavior of local governments.

effective for reducing the influence of the central government than party control. The latter, by contrast, appears to only yield conflict.

1. Opposition Party Control and Low Revenue Base

Bariadi, Hai, Karatu, and Moshi Rural Districts are four of the eight districts where opposition parties control both the local council and the MP and each lack a significant local tax base.²⁷ These four districts suggest that in the absence of a reasonable source of revenue, political control by an opposition party is largely ineffective in terms of improving living conditions or exercising political power at the local level, as my analysis of political and party institutions in Chapter II suggested. In three of the four districts, Bariadi, Hai, and Moshi Rural, local projects are no different than those that are undertaken in districts where CCM has control (i.e., schools, health clinics, and water). Moreover, since the institutional balance of authority at the district level strongly favors the executive, MPs and local councilors who want to be effective in bringing development projects to the district may have no choice but to cooperate with CCM. In addition, even if councilors desired to assert greater autonomy, the district civil service has the capacity to block projects that councilors implement even without central

²⁷ I take these results from the 2000 election. It is too early to ascertain any effect from the 2005 election on changes in the behavior of council governments.

government funds. Examining the tensions between councilors and civil servants in Karatu District demonstrate this point.

Economically, Karatu is a fairly non-descript district in Tanzania. The district's level of poverty and distribution of wealth are about average for the country. The district is largely agricultural as well and lacks a significant resource base to raise local taxes.

What sets Karatu apart among opposition councils is that the MP for Karatu, Dr. Wilbroad Slaa, chairman of the opposition party the Chama cha Demokrasia na Madeleo (Chadema), is a charismatic and outspoken critic of CCM.²⁸

Karatu District presents the most clear-cut example of the tensions that can arise at the local level when an opposition party controls the local council and the limits of their power. Karatu District has been a source of severe political tension since Chadema rose to power in 1995 and the most contentious issue has been their Villages Water Supplies project (KAVIWASU) to improve access to water in the district, a project consistent with one of the government's five crucial poverty reduction sectors. In the late 1990s, the district council requested that the central government fund the project and the latter rejected the proposal. In response, the Chadema councilors and MP solicited the funds from MISEREOR, a German Catholic NGO. As a condition for the funds MISEREOR required that residents of Karatu contribute twenty five percent of the projects funds, or about \$15 per household, and the Chadema councilors collected the money.²⁹

²⁸ In English, the Party for Democracy and Development

²⁹ \$15 per household is about five percent of per capita GDP.

Since the Chadema councilors and MP began implementing the project, they have encountered severe resistance from local civil servants - the ostensible agents of the Chadema elected officials - even though the councilors are implementing it without central government funds in a priority sector. The most noticeable action in this regard occurred in 2004 when the Prime Minister at the time, Frederick Sumaye, ordered the arrest of fifteen local Chadema members, accusing them of vandalizing KAVIWASU water taps days after the police caught CCM members damaging the equipment (Mnzavas 2004). Less dramatically, district civil servants have attempted surreptitiously to destroy the project by revising the pricing structure from a per-unit user fee to a monthly flat fee that would not cover the operating costs of the activity (Mnzavas 2004). The KAVIWASU project demonstrates that even where the central government extends no funds to finance a public service it still retains the ability to sabotage service delivery even though the district civil servants, in theory, are agents of the councilors.

I would like to note briefly that my own experience in Karatu strongly corroborates the above analysis. I interviewed approximately twenty local government officials and NGO representatives in the district in February of 2005. The tension between civil servants and councilors was by far the most common issue that interviewees discussed and it received more attention than in any district I visited where CCM held political control. During the time of my visit, implementation of a project the Government of the Netherlands was funding was the primary source of conflict. The Chadema councilors were irate because they claimed the DED did not respect the council's vote on how to allocate the funds. The DED, by contrast, claimed that the councilors were not following proper government guidelines for how to distribute the

funds. After the DED refused to provide the financial records for how the District Treasurer had disbursed the funds, the Chadema councilors refused to permit the DED to enter the district offices (including his own) until he agreed to accede to the councilors' interests. The dispute had not been resolved by the time of my visit.

2. Councils with Significant Revenue Bases

As opposed to districts where opposition parties command political control, local governments that contain a sizable revenue base are able to exercise significant political autonomy. In this section, I briefly examine Arusha, Kinondoni, Moshi, Mwanza, Tanga, and Temeke Municipal Councils. These districts all finance at least twenty five percent of their budgets.³⁰ On the surface, there appears to be no difference between these councils and those without large internal sources of revenue in terms of the types of projects they implement. For example, all of these districts are implementing ward-targeted projects to improve access to education, health care, and water while none of them are pursuing governance reforms designed to increase councilors' institutional autonomy or are executing numerous projects that spread benefits across wards.

Rather, the central difference between these districts and those that are more fiscally reliant on the central government appears to be that the former employ part of their local taxes to hire competent technocrats while this does not occur in councils with

³⁰ This is well above the country average from 2001 to 2005 of fifteen percent.

small tax bases. Kinondoni councilors, for example, finance almost an entire shadow government, including twenty-seven ward officers, sixteen accountants, one town planner, one economist, one trade officer, and three attorneys. In Moshi Municipal council, locally-accountable officials employ twelve auditors and accountants.

Councilors in Tanga Municipality employ twenty-five ward officers, eleven accountants, one economist, and one statistician even though the central government employs similar officials. Finally, Temeke Municipal Council employs one economist, five accountants, and seventeen ward officers. In some ways this may appear puzzling but placing the councilors and their incentives at the center of the analysis demonstrates why we might expect this result.

It is not surprising that these districts do not differ from most others in the types of projects they implement. From a political point of view, as I already have demonstrated, the types of projects that the central government encourages local governments to undertake are precisely those that appeal to the narrow electoral interests of MPs and councilors.³¹ Thus, while these districts may implement a far greater number of local projects (as the analysis in Chapter IV and V suggests), the projects nevertheless are those that councilors can target to their constituents and claim credit for providing. Moreover, these districts do not fund any projects that enhance citizen participation or governance more broadly. Rather, they spend their funds - in part - in hiring competent civil servants.

³¹ Moreover, even though these districts are more financially independent than most, they nonetheless receive significant central government transfers.

The patterns of accountability at the local level suggest that allocating scarce local taxes to reproduce the efforts of the central government (or even taking over these expenditures) is perhaps a beneficial deployment of local revenue for councilors. First, I should note that these districts also engage in traditional patronage by utilizing local taxes to hire office attendants, drivers, gardeners, security guards, and other forms of non-essential public employment. Second, I am not advancing a hypothesis that local governments are hiring these officials in order to promote a more effective civil service or for any public-minded purpose (although I would like to note that the analyses in Chapters IV and V suggest that governments in districts with larger tax bases do treat their citizens better on average than those with few local sources of revenue). Rather, the structure of political accountability that I described in Chapter II suggests that allocating local taxes to hiring competent civil servants may appeal to the interests of local councilors. In Chapter II, I demonstrated that councilors must decide to implement projects on the basis of information they receive from civil servants who are not accountable to them. In this context, utilizing local taxes to hire a small number of professional technical officials may be a logical method for councilors to constrain the power of the district civil service and obtain reliable information. Since civil servants who are agents of councilors are likely to keep their jobs only if they provide their principals with useful information, these elected officials can trust the analysis of their agents far more than recommendations they receive from district civil servants who are accountable to central government ministries. As a result, utilizing local taxes to hire civil servants who are accountable only to the councilors may be an efficient method of gaining crucial information they otherwise would have trouble gathering.

C. Political Benefits for Local Politicians

In closing, I should demonstrate that the current distribution of political power produces concrete electoral benefits for CCM locally-accountable officials. This is important information to document because it could provide evidence that councilors and MPs are acting in their self interest by not advocating for greater political power. To quantify these advantages, I examine the effect of transfers on vote shares for CCM MPs in the 2005 election. Unfortunately, the Tanzanian National Electoral Commission has not yet released the results for the ward councilor elections. Nevertheless, since MPs are in a much stronger position to change the institutional allocation of authority than councilors, examining the electoral effects of project funds for MPs should be sufficient to determine whether local politicians are acting rationally in supporting the system.

To undertake the analysis, I regress the change in the vote share for CCM MPs between the 2005 and 2000 elections on the log of transfers in fiscal years 2003/2004 and 2004/2005 (in separate tests) as well as the annual average of transfers over the entire electoral cycle (2000/2001 to 2004/2005).³² The reason I examine the transfers in 2003/2004 and 2004/2005 is because only about two-thirds of districts have reported transfer data for the latter fiscal year. I also examine mean district transfers over the electoral cycle to analyze whether CCM MPs benefit from these resources over their entire term or only from funds they receive close to the time of the election. In addition

³² Since the election occurred in November 2005 and Tanzania's fiscal year ends in June, the 2004/2005 transfers occurred prior to the election.

to data on transfers, I also include vote share for the MP in the 2000 election, a dummy variable for whether the MP ran unopposed in the 2000 election (to account for a one hundred percent vote share), and a dummy variable for whether the MP sought re-election.³³

In Table 3.7 I show the results of the regressions. Most important, a one unit increase in the log transfers in fiscal year 2004/2005 (roughly a change from the twentieth to the ninetieth percentile) increased the vote share of the CCM MP by close to six percentage points.³⁴ Transfers in 2003/2004 yielded close to a four percentage point increase. Since the confidence intervals for the coefficients overlap and considering that the samples are different, I am not able to rule out that inflows of funds to districts in 2003/2004 yielded less of an electoral benefit than those in 2004/2005. Moreover, when I restrict the sample in 2003/2004 to the seventy two districts that report data for 2004/2005, the coefficient on transfers changes only marginally (not shown). However, since average transfers over the entire period have a weaker effect in terms of statistical significance, I have some evidence that suggests voters are more attentive to transfers the closer they occurred to the election. While it is logical to expect that voters should respond stronger to events the closer they occur to an election, this result is even less surprising considering that transfers to districts rose by about fifty percent between fiscal year 2002/2003 and fiscal year 2004/2005.

³³ I should note that many districts have more than one MP. Since I do not have transfer data by MP district, I coded my re-election and unopposed in 2000 dummies as one if any MP in the district sought re-election and any MP in the district ran unopposed in 2000, respectively.

³⁴ The average vote share for CCM MPs in the 2000 election was 71 percent. Regressions of transfers on the vote share of CCM candidates in 2000 show no evidence that the executive branch or parliament deliberately targeted districts where CCM showed particularly weak or strong support.

Hypothesis Test in Table 3.7:
District Development Projects Benefit Elected Local Officials

**Table 3.7: Effect of Central Government Transfers
on Change in CCM MP Vote Share in 2005**

Total Transfers 2004	0.038 (2.46)**		
Total Transfers 2005		0.058 (3.21)***	
Average Transfers 2001-2005			0.055 (1.82)*
Vote Share in 2000	-0.459 (7.30)***	-0.527 (6.31)***	-0.522 (6.20)***
Unopposed Dummy	-0.149 (2.26)**	-0.236 (6.85)***	-0.234 (6.45)***
Re-election Dummy	-0.046 (2.27)**	-0.036 -1.43	-0.034 -1.32
Constant	-0.428 -1.31	-0.869 (2.13)**	-0.4 -0.88
Observations	112	72	71
R-squared	0.51	0.61	0.6

Robust t statistics in parentheses

* significant at 10%; ** significant at 5%; *** significant at 1%

VI. Conclusion

In this chapter, I have examined the actions of district councilors and MPs by observing the policies and projects they undertake. I conjectured that given the structure of political and party power in Tanzania, I should observe locally-accountable officials implementing narrowly-targeted projects in sectors that reflect the priorities of the central government/senior CCM officials. I further hypothesized that I did not expect locally-accountable officials to articulate concrete demands for enhancing their power because the structure of projects appeals to their electoral interests, because the executive branch can sanction councilors and MPs who challenge it by not extending discretionary transfers to them, and because CCM locally-accountable officials lack any incentive to challenge the policy preferences of the party's leaders due the party's rigid hierarchy. My examination of policies and projects at the district level largely confirms these hypotheses.

Chapter IV: Local Government Taxation in Tanzania

I. Introduction

In the last chapter, I analyzed how political and party structures affect the development projects and policies that local governments implement. The main focus of the chapter was to demonstrate the influence of senior government and party officials on local development programs. In this chapter, I turn my attention exclusively to local governments by examining how they raise taxes from their constituents, an area where they enjoy policy autonomy. In particular, I attempt to determine the circumstances that provide these officials with the ability and incentive to raise local revenue through generating benefits for taxpayers, for example, by producing services in exchange for taxes. More broadly, I examine variation in the amount of bargaining local governments engage in to collect revenue from their taxpayers.

Local governments in Tanzania have implemented a wide range of strategies to collect taxes. Mwanza District Council in 1968 represents one extreme along this continuum. In that year, twelve tax defaulters suffocated to death in a local prison. Although the death of the tax resisters was unique in its cruelty, local governments in Tanzania during that period consistently employed force and intimidation to obtain taxes. More recently, in Arumeru district enraged taxpayers burned down the house of their elected council chairman, in Moshi district, citizens assaulted tax collectors, and in many more districts, tax officials routinely travel with armed local militias to collect revenue. What is perhaps most striking about the use of violence to acquire local taxes in Tanzania

is that democratically elected local councilors authorize the practice. At the same time, many local governments in Tanzania are able to obtain significant amounts of revenue through benevolent tax policies and without encountering resistance. My objective in this chapter is to understand such a wide range of outcomes occur under the same institutional structure.

The broad task I undertake in this chapter is to uncover the conditions under which local governments in Tanzania produce benefits for their citizens in return for local funds versus when they will do this with force. Employing a bargaining model between citizens and their local governments, and utilizing comprehensive revenue data from one hundred and five district governments from 2001 through 2005, I argue that district governments in that country encounter the strongest pressure to provide services in return for taxation only when two conditions exist. First, the local government must preside over a relatively significant revenue base. Second, the workforce in the district must be mobile. In all other cases, I demonstrate that local governments collect taxes without assuming significant responsibility for providing services. In particular, where citizens are poor and not mobile, local governments face a strong motivation to employ force to collect revenue.

Before beginning my analysis, it is important for me to clarify why obvious differences between urban and rural areas in Tanzania, such as the level of development, alone are not able to explain the tax behavior of local government. Although income or the size of the tax base more broadly, explains a large part of why many relatively wealthy districts provide services to their citizens, poverty alone cannot explain the existence of predatory taxation and sustained collective action against the practice.

Similarly, the relative abundance of unskilled Tanzanians compared to high-skilled ones is not able to clarify why governments can employ coercion to collect taxes from the former. I argue that mobility is the additional condition we need to explain this behavior.

This chapter contains seven sections. In the next section, I review the history of local government taxation in Tanzania. Subsequently, I discuss how mobility affects the ability and incentive of governments to tax their constituents. In the fourth section, I present a simple bargaining model to derive the conditions under which a local government has an incentive to provide services in return for taxation. In the fifth section, I describe the types of taxes local governments collect. In the sixth section, I show the results of my empirical analysis and discuss their practical importance. In the final section, I discuss implications of my findings for the efficacy of greater decentralization in Tanzania.

II. History of Local Government Taxes in Tanzania

In this section, I describe the history of local taxes in Tanzania in order to generate insights about why some local governments have invested in services in order to collect taxes while others have relied on intimidating practices to raise them. This section contains four parts. First, I describe local government finances during the first decade of Tanzania's independence and highlight the divergent performance between rural and urban governments. Second, I discuss briefly the effects of Tanzania's decentralization policy from the early 1970s through the early 1980s when local government did not exist. Third, I examine how local governments have raised revenue

since their revival two decades ago and demonstrate that the problems that many rural governments encountered during the 1960s remain today. In the final part, I consider what I can conjecture about the efficacy of fiscal autonomy for promoting political accountability from the history of local government taxation in Tanzania.

My analysis yields two potentially useful observations. The most important finding is that coercive taxation can occur even under conditions of substantial local government autonomy and democratic local elections. Second, when local governments encounter a choice between forceful and consensual taxation, most rural councils in Tanzania choose the former while urban councils typically select the latter.

A. First Period of Local Government

At the time of Tanzania's independence, the only government most citizens of the country had any contact with was their local one. The central government, by contrast, existed only as a distant entity. In the 1960s, ninety-five percent of the residents of the country lived in rural areas that received very few central government transfers (URT 1972) and only two percent of the population paid taxes directly to the central government although a much larger (and impossible to estimate) number citizens paid taxes indirectly to the government when they consumed imported products (Lee 1963). Consequently, political accountability during this time period is almost exclusively an issue of local government.

The apogee of local government autonomy in Tanzania occurred in the first decade of the country's independence as well.¹ After independence, the government maintained the highly decentralized method of colonial administration largely intact (Jennings 2002). Thus, the new central government expected citizens to elect their local officials, or councilors, and that these local governments, or councils, would be largely fiscally self-sufficient and in charge of hiring their own civil servants.² The Tanganyika African National Union (TANU), the new nation's single political party, however, did assert a formal role in local government affairs as the party determined who could stand for election and the district TANU chair sat on the district council (Penner 1970).³ Nevertheless, for day-to-day affairs, local councils were largely self-governing. As a result, an analysis of the behavior of local governments during Tanzania's first decade of independence can provide substantial insight of the efficacy of local autonomy in a very poor and rural country.

When I describe the effectiveness of local governments during the 1960s, it is necessary for me to separate the performance of rural councils from that of urban ones because responsibilities and sources of revenue varied greatly between the two. In general, during this period the central government forced rural councils to be far more financially self-sufficient than urban ones and allocated rural councils far more responsibility than urban local governments as well (Dryden 1968, Penner 1970, Max

¹ More accurately, I refer to the year that Tanganyika became independent from the United Kingdom, 1961. The United Republic of Tanzania became a nation in 1964 when the independent nations of Tanganyika and Zanzibar merged.

² The central government provided local governments with technical advisors but these individuals neither had decision-making authority nor control over district finances (Penner 1970).

³ The current ruling party in Tanzania, Chama Cha Mapinduzi (CCM) did not come into existence until 1977 when TANU merged with Zanzibar's ruling Afro Shirazi Party.

1991).⁴ The central government delegated responsibility for providing water, sanitation, local roads, and electricity to urban councils while they received transfers from the central government to cover education and health. Since education tends to be the largest category of local government expenditure as it funds teachers' salaries, these transfers reduced urban councils' fiscal burden significantly. By contrast, the central government expected rural councils to cover almost in full costs of education and health care in addition to providing services in other sectors. Below I examine each in detail.

1. Rural Councils

Rural councils possessed wide latitude to collect taxes from user fees, agricultural taxes, licenses, and head taxes. Despite this broad range of possible sources of funds, councils gathered the overwhelming majority of their revenue from two highly inelastic sources, a head tax (called the local rate) and agricultural taxes. In the early 1960s, these taxes accounted for approximately sixty percent and fifteen percent of total revenue respectively (Penner 1970, URT 1968).

The local rate was by far the most pervasive tax in Tanzania during the country's first decade of independence. All adult males residing in rural areas were required to pay the tax and local governments collected it from approximately two million people in the early 1960s, approximately ten times more people than paid any other tax (Lee 1963).⁵

The central government extended to councils significant flexibility in the level and

⁴ This distribution of responsibility between urban and rural councils had its roots in colonial policy when the primary responsibility of colonial officers was to maintain stability, not promote development (Jennings 2002).

⁵ With the exception of the unknown number of people who indirectly paid customs duties.

progressiveness of the rate they were permitted to levy. Consequently, the structure of the tax varied significantly across councils. In the early 1960s, the fifty-eight district councils charged fifteen different uniform rates and no two councils possessed the same progressive rate. The only consistent feature of the tax across councils was that it was quite regressive (Lee 1963, Penner 1970). Collecting the tax presented an administrative challenge as well. Since the tax was collected directly from individuals, to obtain this source of revenue, tax collectors would often travel from village to village and even house to house, although in many cases, the district government would delegate this task to village officials (Lee 1963, Max 1991). While assigning the task of collecting the local rate to villages was administratively more efficient than centralizing the activity, this method of organization created a severe principal-agent problem as district officers would have difficulty ascertaining whether people evaded taxation or whether the tax collectors would claim tax avoidance in order to embezzle taxes.

Perhaps the most interesting facet of the local rate was the juxtaposition of the fairly low level of the tax on the one hand and the degree of coercion the government employed to collect it on the other. Lee (1963) calculates that the local rate rarely exceeded three percent of an individual's income. Nevertheless, citizens actively resisted the tax and the government often would utilize roadblocks and armed militias to collect it and enjoyed the right to imprison those who refused to pay (Fjeldstad and Therkildsen 2006, Lee 1963). Crucially, because no market for land existed at this time, because most land was communal property, and because the urban economy was very small, the vast majority of rural residents were immobile in the sense that they could not sell their land and invest the funds to buy property in a jurisdiction that implemented a less

coercive tax policy or find employment in urban areas (Sundet 2003). Consequently, most Tanzanians lacked the capacity to relocate to a different council to avoid a coercive local government. While citizens remained free to move to urban areas (and many did) at the same time, individuals who chose this option ran the risk of losing their claim to their existing land.⁶

Agricultural taxes, or livestock and produce cesses, comprised the second most important source of revenue for rural councils during this period. Compared to the local rate, agricultural taxes were far more efficient to administer. During this period, the government often would require farmers to sell their crops to cooperatives. These entities subsequently would deduct the tax from farmers' payments when they sold their crop and the council government, in turn, would collect the tax from the cooperative (Penner 1970). The main drawback of the tax was that it was inelastic since agricultural cesses were a fixed price per weight of the crop (e.g., five cents per pound), not a percentage of the market price (Lee 1963). While the fixed price of the tax per unit weight may have greatly simplified revenue forecasting, this tax structure resulted in farmers facing the highest tax burden when prices were at their lowest.

While in theory a rural council could have grown its tax base derived from agriculture through encouraging production or more aggressive enforcement, the latter proved to be far more cost-effective than the former given the demographics that existed in most rural areas at that time. The vast majority of Tanzanians during this period were (and remain) small farmers who tended widely-disbursed plots. Thus services that would

⁶ It is important for me to note that seasonal agricultural migration, especially for young men was and remains quite significant.

help farmers realize greater yields such as irrigation proved exorbitantly expensive to provide.⁷ Hiring more tax collectors or employing more force in collecting taxes, alternatively, proved to be far more efficient, at least in the short-run. Moreover, given that supplying education and health care were the primary activities rural councils that the central government emphasized for local governments to undertake, investing agricultural revenue into supplying water for farmers was a very low priority as administration, education, and health consumed approximately eighty-five percent of the typical council's budget at that time (URT 1968, Penner 1970).

In 1966 the central government severely impaired the capacity of rural governments to acquire revenue from agriculture by starting to tax this sector as well. In order to ensure that the new national tax did not raise farmers' tax burden, the central government reduced the tax rates local governments could charge without compensation from the central government (Max 1991). Shrinking rural governments' taxable resource bases without reducing their responsibilities led to rapid structural budget imbalances. In retrospect, it is clear that this was the first step towards the end of the first period of local government in Tanzania (Max 1991).

Given the imbalance between the responsibilities rural governments possessed and the revenue base they presided over to fund these activities, it is not surprising that rural governments quickly encountered dire financial circumstances. Although aggregate local revenue remained constant in nominal terms, after adjusting for inflation, total taxes in rural councils declined by approximately fifty percent between 1964 and 1968 (URT

⁷ For example, according to Tripp (1997), in the early 1970s, ninety percent of urban residents and twenty five percent of rural ones had access to clean water, respectively.

1972).⁸ The proximate cause of the fall in revenue was the reduction in the rate of agricultural taxes. In the short-term, as revenue fell, councils tried to borrow their way back to solvency. However, since the permanent reduction in the rate of agricultural taxes caused a structural imbalance, loans could only serve as a temporary solution and many rural councils rapidly encountered severe liquidity problems (Max 1991). As borrowing ceased to be an option, district governments had few revenue alternatives to counter their budget shortfall than through more aggressively collecting the detested local rate.

Unfortunately, instead of councilors attempting to adjust their budgets to meet their new financial capacity, many elected local officials attempted to exploit the structural financial imbalance for short-term political gains. The Government of Tanzania at the time strongly encouraged citizens to take the development of their country as a personal matter by praising the benefits of self-help and community development. According to Jennings (2002: 166), “it was a policy of development from below, a consensus-driven model in which projects would be both initiated and implemented by communities themselves.” Many councilors employed this policy as an opportunity to claim scarce resources they could not secure through the formal budgetary process. Specifically, many local representatives encouraged their constituents to begin projects and subsequently argued that to complete them necessitated a greater share of local funds, a strategy that Jennings (2002: 171) describes as, “pre-emptive development” (also see Max 1991). Thus, rather than councilors adjusting their constituents

⁸ By contrast, in urban councils, nominal revenue grew by fifty percent.

expectations to meet the reality of their resource envelope, they instead raised hopes to unrealistic levels (Jennings 2002, Max 1991).

In 1968 and 1969, the central government took its first major steps to address these structural budget imbalances by asserting greater control over rural local government affairs. In particular, the central government began disbursing earmarked funds and assuming responsibility for primary education, health care, water, and roads. Rural councils remained accountable for administration, markets, feeder roads, small-scale development, and building maintenance (Max 1991). The next major erosion in the autonomy of rural councils occurred in 1970 when the central government abolished the local rate and the produce cess in response to local governments' coercive methods of collecting the local rate (Fjeldstad and Therkildsen 2006). Eliminating these taxes gained the central government substantial political popularity but left rural local governments with practically no sources of revenue. As resources dwindled, rural councils became even less effective and in 1972, the central government eliminated them completely (Max 1991).

Abolishing rural councils was a radical change in government policy, especially considering that a decade earlier the central government's policy was that in rural areas, "people were to be mobilized to create for themselves the foundation of their 'improvement' with limited government support (Jennings 2002: 166)." It is therefore instructive to examine more closely the reasons for this decision. We can trace the demise of rural councils during Tanzania's first decade of independence to three sources: finance, internal administration, and external oversight. With regard to finance, the central government asked councils to shoulder substantial responsibility without a tax

base to finance those activities as I described above thus below I discuss only the latter two factors.

Weak internal administration exacerbated the problems that councils' anemic financial situation produced. In the typical rural council of the 1960s, councilors without political experience presided over civil servants who lacked training. Since the central government had not provided any clear guidelines that stipulated the roles of councilors and civil servants, in many districts, the two groups often clashed (Tordoff 1967).

Examining the behavior of councilors during this period with regard to taxation provides substantial insight into their political accountability to constituents. On one hand, councilors intentionally passed budgets that required the staff of the council to aggressively collect the detested local rate. In public, on the other hand, councilors would berate the same staff for their heavy-handed methods of tax collection (Fjeldstad and Therkildsen 2006). This bifurcated behavior is important to document because it appears that councilors purposely chose to stage a confrontation over taxation with their own employees rather than reducing budgets to meet revenue targets that would not generate such conflicts. One not very surprising result of councilors' Janus-faced behavior was that it created an acrimonious relationship between councilors and their staffs that exacerbated the already poor quality of rural services.

The aforementioned problems of finance and weak internal administration could have been resolved if the central government provided the assistance of a third party to resolve council disputes and/or by ensuring that rural local governments possessed sufficient revenue to implement functions mandated to them. As I discussed how the central government resolved the financial imbalances above, I will focus here on the

administrative actions the central government could have undertaken to strengthen the effectiveness of rural councils. Since local self-government was an entirely novel concept in Tanzania and since the country's laws at that time did not delineate responsibilities of local elected officials and local civil servants clearly, local governments were forced to create operational lines of authority between councilors and their staffs and to devise mechanisms for resolving disputes among councilors. The central government could have fulfilled this function but chose not to, due to a combination of indifference, weak capacity in the central government, and numerous national-level problems which demanded its attention (Jennings 2002, Max 1991). Consequently, councilors without political experience not only were charged with implementing a large range of policies with a very limited tax base, they were responsible for devising institutional rules as well. Most councils were unsuccessful in this endeavor (Jennings 2002).

The problem of weak oversight extended far beyond fights among councilors and between councilors and civil servants, however. It also emerged as a serious problem for the central government. The inadequate sources of finance and pre-emptive development strategies I described above led to an enormous amount of competition between communities for scarce resources, thus rendering cooperation across wards (and even villages) extraordinarily difficult. Problems at the district-level consequently severely undermined the central government's capacity to implement comprehensive development plans. By the late 1960s, central government officials realized that uncoordinated popular participation at the local level and national-level planning were not compatible and decided that the latter was the greater of the two priorities. Due to the weak

administrative and financial positions of most rural local governments, the central government was able to assert this authority without significant resistance (Jennings 2002, Max 2001).

2. Urban Councils

In contrast to the disappointing performance of the overwhelmed and under-funded rural councils, governments in urban areas served their constituents reasonably well during this period. Urban governments' effectiveness as compared to their rural counterparts demonstrates that responsible local government is possible, even when councilors lack experience governing, if they face a clearly-defined and realistic set of tasks given their capacity, sufficient resources to implement their responsibilities, support from central government authorities, and a well-designed set of incentives.

As opposed to rural local governments that were charged with implementing a wide-range of activities from a narrow resource base, urban local governments were responsible only for providing urban services such as water, sanitation, and roads. The central government, by contrast, assumed responsibility for supplying funds for education and health thus freeing these local governments to concentrate and specialize in a narrowly-defined set of tasks (Max 1991, Penner 1970). Moreover, urban councils enjoyed the luxury of being able to tax a fairly well-diversified set of activities and crucially faced incentives to provide these services as they would grow the local government's local revenue base in the short-run due to the structure of urban taxes.

The largest source of revenue for urban governments was a progressive property tax called the site rate (Lee 1963). The site rate was approximately three to four percent of the estimated market price of the property and local governments imposed it only upon those individuals that held long-term leases (more than five years).⁹ This tax supplied approximately one-half of the revenue for urban councils. These governments also had the capacity to impose a flat tax similar to the local rate in rural areas on all individuals who resided in houses on short-term leases. However, they chose not to rely heavily on the house tax as it rarely accounted for more than ten percent of total local government revenue (URT 1972). Licenses and user fees constituted approximately one-third of urban taxes.

Examining taxation in urban areas demonstrates that Tanzanians did not object to taxes when they perceived themselves to be deriving benefits from their revenue payments. What is most instructive in this regard is that while we have substantial documentation of rural resistance to the local rate and some urban confrontation over house taxes, we possess no evidence that urban governments encountered sustained difficulties in collecting site rates or user fees (Lee 1963, Fjeldstad and Therkildsen 2006).

The dynamics of the site rate and user fees, in combination with the responsibilities of local governments, demonstrates that a well-designed tax and set of incentives can encourage local governments in very poor countries to provide services in order to collect more taxes (Bardhan 2002, Penner 1970). Figure 4.1 presents the annual

⁹ Private property did not exist in Tanzania during this period. Rather, the state owned all the land and would provide leases of up to 99 years.

change in water supplies for urban areas between 1961 and 1969. On average over this decade, urban authorities increased the number of gallons they produced by about ten percent per year and the number of customers they served by about eight percent per year. In per capita terms, the number of gallons urban authorities produced rose by forty percent between 1961 and 1969 (URT 1972).

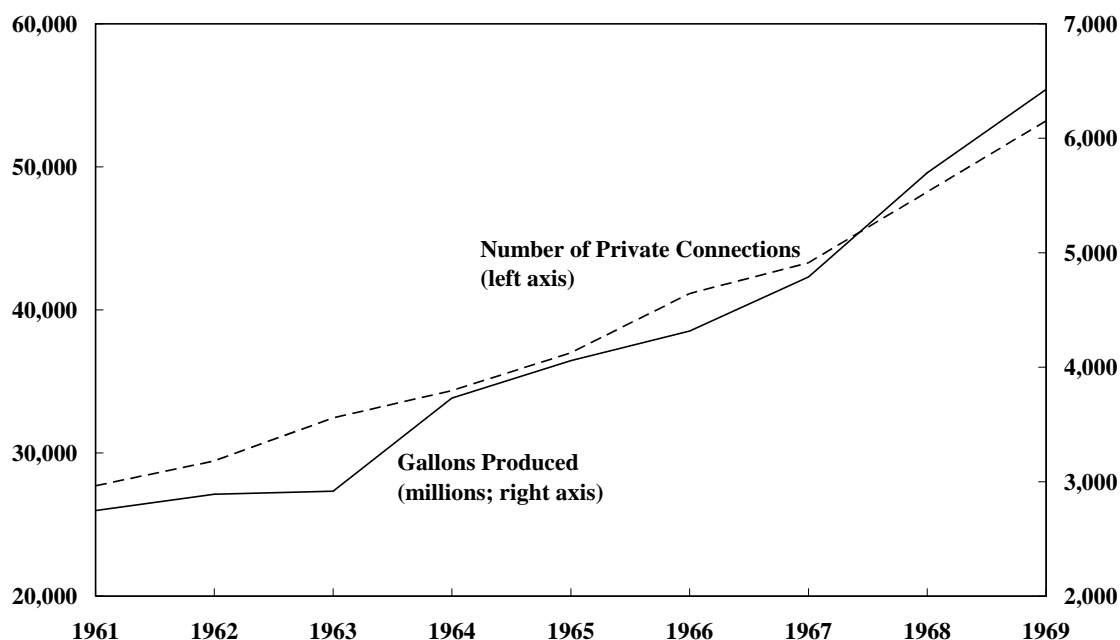


Figure 4.1

Expansion of Water Supply for All Urban Areas 1961-1969

The central feature behind local governments having strong incentives to expand access to services derives from the properties inherent in the site rate and user fees and the responsibilities that the central government assigned urban governments. When urban governments charged user fees to collect garbage, supply water, and provide sanitation to areas where people held long-term leases, the value of those properties would likely rise so the local government could collect higher levels of taxes in the future

from site rates in addition to the recurrent user fees. In this sense, providing services was an investment in the government's future tax base that it could profit from undertaking. By contrast, governments in rural areas possessed quite limited opportunities to benefit financially from service investments in their jurisdiction due to high cost of supplying them and their constituents' low levels of income. As opposed to rural taxes which stagnated in nominal terms, taxation in urban areas grew by sixty percent between 1964 and 1968.¹⁰

Figure 4.2 below demonstrates the divergence between revenue collections in rural and urban areas during this time period. The graph makes clear than urban councils were able to increase tax revenue rapidly at the same time that revenue in rural councils was stagnating.

¹⁰ In real terms, revenue for urban councils remained constant but the extent to which we can hold local governments responsible for this decline is not clear as the annual rate of inflation during these years was about twenty percent and we do not have evidence that estimated property values adjusted to the rate of inflation. Moreover, most prices for licenses, user fees, and house taxes did not adjust for inflation either (Penner 1970).

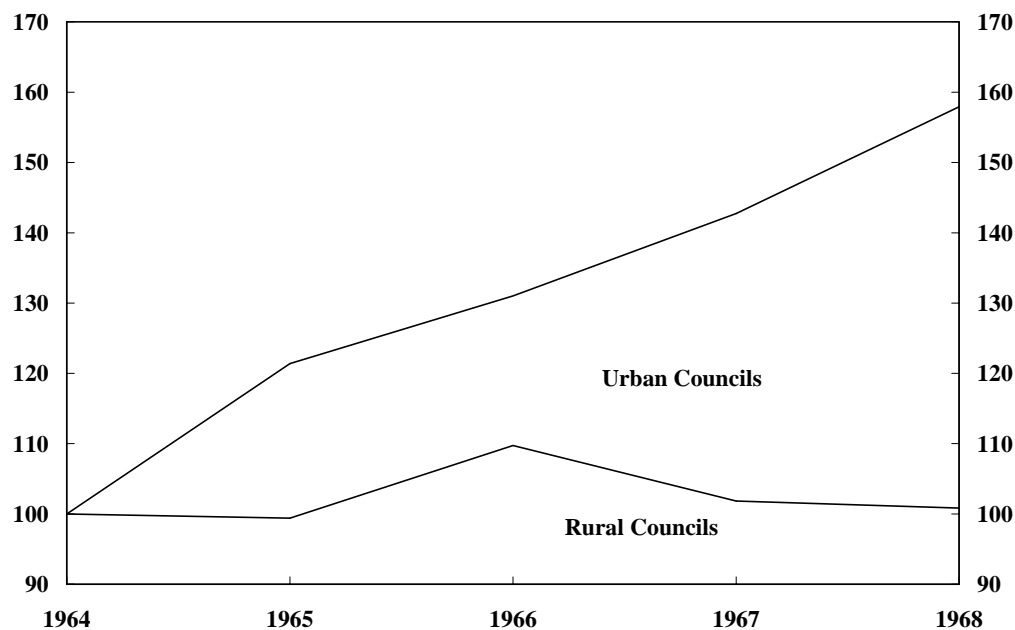


Figure 4.2

Total Nominal Revenue for Urban and Rural Councils 1964 - 1968
(1964 = 100)

The difference between the financial situations and incentives that urban and rural councils encountered during Tanzania's first decade of independence could not have been starker. On one hand, the types of taxes that urban governments could collect provided them with an incentive to produce services for greater taxation. In addition, demand for these services existed in urban councils due to the relative affluence of these areas and the structure of the urban economy. Moreover, high population density in urban areas allowed these governments to take advantage of the large economies of scale inherent in the public works they had the responsibility to provide. The vast majority of taxes rural councils collected on the other hand were either regressive (the local rate) or taxes where the effective rate rose in years when crop prices fell (agricultural cess). Moreover, while creating services could potentially increase a rural council's tax base indirectly through

permitting farmers to increase production, the high cost of supplying these services where population density is low suggests that this incentive is unlikely to be financially viable. Rather, a rural government would likely find it far more cost effective to increase enforcement through hiring more revenue collectors or taxing citizens more aggressively. Finally, it is important to note that the generous financial support that urban councils received from the central government played a large role in permitting urban councils to have sufficient funds to finance these services as well. Unfortunately, despite the signs of progress urban councils appeared to be making, in 1973 the central government abolished urban councils as well as part of its new decentralization program because the subventions to urban authorities drained valuable revenue away from the government's new focus on rural development (Max 1991).

B. Decentralization

From the early 1970s through the early 1980s, the Government of Tanzania experimented with a radically different form of government administration than existed in the 1960s. Whereas local governments in the 1960s possessed substantial autonomy, in the 1970s the central government rigidly centralized local administration. The Government of Tanzania named this policy decentralization but the name could not have been more misleading. The objectives of the new policy were to encourage greater public participation in development, to ensure adequate resources for local development (especially in rural areas), and to strengthen central government coordination of

development activities (Jennings 2002, Max 1991, Tripp 1997). Unfortunately, the government failed completely in its implementation of this new policy.

I can trace the central problem with the government's decentralization strategy to the institutional structure it employed to achieve rapid rural development. The fundamental flaw in the design was that the central government removed all institutional power away from locally-elected councilors and transferred to it a small number of civil servants appointed by the distant central government (Max 1991, Tripp 1997). Not only did the strategy lack a mechanism that allowed for local development needs to shape district policies but far more important, district residents possessed no checks on the behavior of appointed civil servants for their jurisdiction. Thus, citizens possessed no mechanism to sanction officials who abused their power. A secondary problem was that the organizational structure created an adversarial relationship between two tiers of civil servants. At the top resided the district development director, the district planning officer, the district financial officer, and the district personnel officer, individuals who typically received their positions through political connections rather than professional competence (Max 1991). These four officers were in charge of all aspects of administration. They also received a much higher salary and enjoyed far greater benefits than the rest of the civil service. All other civil servants worked under these four officials and wielded far less power. The severe imbalance between these two levels of officials and the lack of technical expertise among the ranks of senior district officials created an acrimonious relationship between the two groups which further impeded effective development policy.

Given the flawed implementation strategy of the decentralization policy, it should not be surprising that its effects were quite adverse. Most important, the country experienced a vast decline in the quality of service provision in urban areas due to the government's shift to prioritizing rural development (Kulaba 1989, Max 1991, Rizzo 2002, Tripp 1997). In urban areas by the end of the 1970s, streets had disintegrated, water supplies had atrophied, public transportation had collapsed, and sanitation conditions had deteriorated to the point that cholera epidemics were becoming common. During this time period, for example, government officials were collecting only twenty-five percent of their target for garbage and sewage in urban areas (Kulaba 1989). Residents of cities and towns complained bitterly against the loss of autonomy on the one hand and the deterioration of services on the other (Kulaba 1989, Max 1991, Tripp 1997). The second consequence was that taking power away from locally-accountable councilors and transferring it to civil servants who were responsible only to a distant central government undermined local initiative (Max 1991). Since individuals possessed no institutional role in shaping local policy, the average citizen went from seeing himself or herself as an agent of change to a recipient of services provided by a distant government that he or she was unable to influence. The third consequence was that rigid centralization of local administration required the central government to vastly expand the civil service and these new officers were presiding over a failed venture (Max 1991).

By the late 1970s, it was clear that decentralization had been an enormous mistake. Apart from the implementation problems I described above, the decentralization policy led to a rapid expansion in government expenditure at the same time as external shocks were causing severe damage to the economy (Tripp 1997). On top of these

factors, the government was attempting to implement a policy that was deeply unpopular in urban areas. Consequently, in the early 1980s, the government abandoned decentralization and reintroduced urban and rural councils.

C. Revival of Local Government

The Government of Tanzania appeared to have learned some lessons about balancing the division of labor between the central and local governments when it revived local government in the early 1980s. For the second period of sub-national administration, central government officials decided to create a new form of local rule that would be a hybrid of the two previous systems. From the period of decentralization, the central government retained the responsibility of appointing senior staff (the District Executive Director, the District Commissioner, and heads of department) as well as supplying the majority of revenue to finance local government budgets. From the first period of local government, citizens once again received the right to elect councilors, and local governments were re-authorized to raise limited amounts of revenue, hire junior staff, and undertake expenditure decisions from own-source revenue largely without formal approval of the central government (Semboja and Therkildsen 1991).

The new system of local government contains advantages and disadvantages. One main benefit of the new system is that substantial central government transfers to rural local governments have prevented the total collapse of rural local government that occurred in the late 1960s. A second significant advantage is that the division of authority between appointed central government civil servants and locally-elected

officials has prevented the bureaucratic despotism that occurred during decentralization and the dysfunctional internal administration between councilors and their civil servants that existed during the first period of local government.¹¹ Crucially, the new division of responsibilities provides a mechanism, albeit it a tenuous one, for citizen concerns to reach the central government through the interaction of councilors and senior civil servants, an instrument that did not exist in the first period of local government or decentralization, as I described in Chapters I and II. While most local governments in Tanzania are far from dynamic, they are stable. That councils have been functioning for more than two decades under the new arrangement is a major advance over what occurred in these districts during the country's first two decades of independence.

On the other hand, the dispersion of power between central and local officials does contain drawbacks as I discussed in Chapters I and II. Nominally, the district director and staff work for elected local officials. However, the central government employs and appoints these officials, not elected local councilors. Moreover, the vast majority of transfers from the central government are earmarked for specific expenditures and appointees of the central government at the local level have the responsibility to ensure that local governments expend these funds in the manner dictated by the central government. In this regard, councilors act more as advisors since they lack the authority

¹¹ It is very important for me to point out that the argument I am advancing suggests that unclear accountability relationships can be beneficial under some circumstances. This would seem to contradict the evidence I presented in Chapters I and II concerning the tensions between elected and appointed officials that currently exist at the local level. However, in determining the relative magnitude of the troubles that derive from these unclear lines of authority, I have to consider the problems that arise from alternative structures (i.e., greater centralization or autonomy) and evidence from Tanzania suggests that local governments have been most stable during the period when accountability structures have been the least clear. I discuss this in detail in my concluding chapter.

to sanction senior local staff and only have control over the allocation of the revenue they raise from within their districts, as I discussed at length in other chapters.

As with the first period of local government in Tanzania, there is not one system of local government but two, rural and urban. Moreover, in many regards, the current system of local government taxation bears a striking resemblance to the previous period, and has yielded many similar results. Below I review the two systems.

1. Rural Councils

The largest difference between the first and second period of local government for rural councils is their reliance on central government transfers to finance their local budget (Max 1991, Semboja and Therkildsen 1991). Rural councils currently receive about ninety percent of their finances from central government transfers and this share has grown over the past two decades. As occurred towards the end of the first period of local government, the central government earmarks its subventions for education, health, roads, and water. The second most visible difference is that while under the first period of local government councilors were largely responsible for appointing all civil servants the central government now controls employment of senior district civil servants and locally-elected officials hire only junior staff as I described in Chapters I and II.

One area that has not changed between the two periods of local government is the local tax base for rural councils since the economic structure in most rural districts and the types of taxes councils possess the authority to collect remained largely the same (Max 1991). Perhaps not surprisingly, rural local governments realized a set of problems

over the past two decades similar to those they encountered during the 1960s as well. As occurred in the 1960s, agricultural cesses and a head tax (renamed the development levy) became the principal sources revenue. In the mid-1980s, the development levy accounted for about sixty percent of revenue and produce cesses for approximately twenty percent (Max 1991, Semboja and Therkildsen 1991). Since the economies of rural areas had not grown (and in many cases had atrophied) during the period of decentralization, I am not surprised that rural councils would return to the same methods of raising finance and would achieve the same results. In a replay of history, local governments employed coercive methods to collect the tax and these tactics bred substantial protests and extreme acts of evasion. Moreover, as in the 1960s, councilors authorized tax collectors to raise the development levy in their budgets and publicly berated local civil servants when they attempted to acquire the tax. In 2003, the central government abolished the development levy and replaced it with a central government transfer, just as it had done three decades earlier (Fjeldstad and Semboja 2000, Fjeldstad and Therkildsen 2006).

While abolishing the development levy was a politically popular move as it put an end to a substantial amount of coercive taxation, it nevertheless highlights two flaws in the design of rural local self-government that the central government has never been able to solve. First, why do coercive forms of taxation exist alongside free elections in rural areas? Second, why do councilors authorize collection of a tax and then protest publicly about tax collectors harassing taxpayers? As in the first period of local government, councilors could have chosen not to collect this tax but did not. In the final part of this section, I will discuss some hypotheses that may explain this behavior.

2. Urban Councils

As with rural sources of revenue, taxation in urban councils in the second period of local government quickly came to resemble the pattern that existed prior to the abolition of urban councils in 1973. That urban governments should revert to their previous pattern of tax collection also is not surprising given that, for the most part, they are responsible for the same set of activities, continue to receive generous central government transfers, and preside over a similar local economy as they did during the previous period of local autonomy. By the mid-1990s, property taxes, user fees, and licenses accounted for approximately seventy percent of revenue for urban councils (URT 2005).

One of the most interesting aspects of taxation in urban areas to consider in the second period of local government is the evolution of the development levy as a source of urban government finance. When the central government reauthorized urban councils to raise revenue in the early 1980s, the former permitted the latter to raise the head tax and many attempted to utilize it as a primary source of revenue. In the early 1980s, the tax accounted for more than one-half of urban councils' own-source revenue. Within a few years the share had declined to one-fourth, however, and by the middle of the 1990s, it contributed only about fifteen percent of total urban revenue (Semboja and Therkildsen 1991, URT 2005). Moreover, as in the first period of local government, urban councils were able to raise revenue far easier than their rural counterparts without reliance on the

unpopular head tax. Between 1984 and 1988, urban councils doubled their total nominal revenue while revenue in rural areas rose by only one-third.¹²

Since the urban tax structure more or less remained the same during the two periods, there is no reason to discuss the incentives of the current system. However it is important to note that central government policy to appoint senior district civil servants in the second period of local government is likely unnecessarily constraining for urban councils. Recall that the collapse of local government in Tanzania was almost entirely a result of problems that existed in rural areas. By contrast, throughout the 1960s, urban governments were able to grow their tax base, expand public services, and collect taxes without coercion. Thus, while appointing central government officials to vital civil service posts can be justified on the basis of effectiveness for rural areas, this logic is much more difficult to accept in urban councils. Rather, the reluctance of the central government to relinquish control over strategic civil service positions at the local level in urban areas appears to serve only as a mechanism for the central government to retain authority over their affairs as I discussed in Chapters II and III, especially with regard to the Local Government Reform Program.

D. Analysis

The history of local government taxation in Tanzania demonstrates that under identical sets of political institutions, some local governments employ force to collect

¹² Again, due to rapid inflation, real revenue fell for both urban and rural councils. However, because the central government did not allow local governments to index taxes to inflation, local governments could not adjust tax rates to keep pace with rising price levels.

taxes while others obtain revenue through far more benevolent means. In this section, I analyze the evolution of local taxes that I have presented and compare these insights with those of recent papers on this subject. I find that existing studies are not able to explain convincingly why some local governments in Tanzania collect taxes in ways that demonstrate far greater concern for their constituents than others.

Fjeldstad and Therkildsen (2006) examine the link between poll taxes and political accountability at the local level in Tanzania and Uganda. Rather than taxation leading to enhanced citizen monitoring of their local government and greater political accountability, these scholars contend that coercive tax collection yielded resistance and when these countries began holding local elections, councilors advocated removing the tax. For Tanzania in particular, Fjeldstad and Thirkeldsen (2006) maintain that the rise and fall of poll taxes tracks directly with the power of local councilors.

Fjeldstad and Therkildsen (2006) argue a convincing case. At the same time, considering other crucial details about local government that I have presented in this section encourages me to consider a more nuanced interpretation of taxation, coercion, and accountability at the local level in Tanzania. Three factors in particular seem relevant in this regard. First, as I have observed, in both the first and second periods of local government, councilors who in public berated tax collectors for harassing tax payers were the same persons who authorized collection of this source of revenue. Consequently, we need to understand why councilors continually voted for taxes they subsequently asked their constituents to resist paying. Second, in both the first and second periods of local government, the central government abolished poll taxes while rural governments were utilizing them as their primary source of revenue. Rural councils

had no reason to wait for the central government to act to stop collecting this tax as it was their choice to collect it. However, few chose this option. Third, urban councils in both periods largely chose not to rely on coercive taxation. Unlike rural councils, for many urban ones, the development levy had become a marginal source of revenue years before the government abolished it in 2003. Moreover, the house tax that existed in the 1960s never became an important source of revenue for most urban councils.

For the aforementioned reasons, it is difficult to accept Fjeldstad and Therkildsen's (2006) hypotheses that elections are a sufficient mechanism for ensuring that taxation is not coercive. Rather, what we observe is that under identical electoral systems, rural councilors chose to countenance the use of force to obtain revenue while their urban counterparts did not. The determining factor for the degree of coercion that autonomous elected local governments in Tanzania employed in collecting taxes seems as closely related to the nature of the economy as it is to whether or not elections occur at the local level.

Fjeldstad and Semboja (2000) posit a second plausible hypothesis linking coercive taxation with free elections by contending that publicly posturing against taxes is politically expedient. While this may be true, nonetheless, why is it more politically advantageous to authorize using force to collect taxes and subsequently condemn the behavior of tax collectors than to not tax coercively and claim credit for ending the practice? If the former is politically useful, the latter would appear to be even more politically helpful as politicians who remove unpopular taxes are likely to realize greater electoral benefits than politicians who talk about eliminating taxes people dislike without taking concrete action to achieve this objective. Fjeldstad and Therkildsen (2006), for

example, claim that the central government abolished the local rate in 1970 and the development levy in 2003, in part, to attain political benefits. Consequently, the hypothesis that councilors maintain taxes their constituents detest because utilizing tax collectors to harass constituents provides a beneficial platform for political street-theater seems difficult to sustain.

The analyses that Fjeldstad and Semboja (2000) and Fjeldstad and Therkildsen (2006) provide fail to address two important facets concerning coercive taxation in Tanzania. First, it largely occurs in rural areas. Second, elected and autonomous local governments countenance the use of force to collect taxes. Any hypothesis to explain local taxation in Tanzania therefore must be able to account for these two aspects of it.

In the next section, I develop a model to explain why some councils employ force to raise revenue while others provide useful services in return for taxes. A logical and straightforward explanation for this divergent behavior is that local governments choose the most efficient method to maximize net revenue. Thus, I must examine under what conditions elected local governments find it most effective to maximize net revenue through coercion versus through more benevolent tax policies, such as producing services in exchange for revenue. That some governments provide the latter in return for taxes should perhaps be viewed as a fortunate result of a local government's self interest in attaining income, not as an objective of local development policy. Hence, characteristics of the district economy and population are likely to dictate what methods a government employs to raise revenue. One important aspect in this regard is the ability of people to relocate from districts with predatory tax policies to districts that implement more benevolent ones because governments should only be able to use force to collect taxes

from their citizens if the latter encounter high exit costs. In the next section I discuss the links between mobility and political accountability and how these theories resonate with evidence from Tanzania.

III. Mobility and Political Accountability

Before I introduce my model and hypotheses, I discuss theories of how mobility affects political accountability. Subsequently, I analyze the political consequences of imperfect and variegated mobility, and how this condition applies to contemporary Tanzania.

For hundreds of years, scholars have recognized that factor mobility can strongly discipline a government's behavior. Montesquieu (1758 [1989: 389]), for example, in *The Spirit of the Laws*, contends that when merchants have "invisible wealth which could be sent anywhere without leaving any trace...rulers have been compelled to govern with greater wisdom." In the twentieth century, Tiebout (1956) is one of the most widely-cited advocates concerning the benefits of mobility for permitting citizens to match their preferences with governments that provide their desired level of services. Following a similar logic, mobility is a central component of the Market-Preserving Federalism (MPF) that Weingast, et al. (1995) advance. A core component of their theory, building on Tiebout (1956), is that forcing sub-national governments to compete against each other to attract the revenue of mobile taxpayers will discipline the former to act in the interests of their citizens, according to their line of reasoning. Consequently, sub-national autonomy should lead to greater provision of public services and a more honest

government, according to Weingast, et al. (1995). As Rodden (2006) notes, however, empirical analyses of the effects of sub-national autonomy in developing countries often show that decentralization leads to worse government performance, a direct refutation of arguments in favor of local autonomy. Part of the answer, I contend, is a result of imperfect mobility.

Although I am not in a position to rank the importance of mobility relative to the other four conditions MPF requires in order to function successfully that Weingast, et al. (1995) list, I would like to elucidate the standards a country needs to meet to satisfy this criterion. According to Weingast, et al. (1995: 55), effective MPF necessitates that the “national government has the authority to police the common market and to ensure the mobility of goods and factors across subgovernment jurisdictions.” This is a condition that does not exist in most developing countries and this deficiency has caused some scholars to doubt the efficacy of sub-national autonomy for promoting more effective government. While the political consequences of imperfect mobility have not received an enormous amount of attention, scholars who have considered the issue have reached pessimistic conclusions concerning the combination of sub-national autonomy and imperfect mobility. I review some of these studies below. Importantly, their conclusions are entirely consistent with what I observe in Tanzania.

Bardhan (2002) and Rodden and Rose-Ackerman (1997) address the consequences of imperfect labor mobility on sub-national autonomy directly. A central problem that these studies highlight is the consequences of segregated mobility (i.e., some individuals are more or less mobile than others). According to Bardhan (2002: 188)

...the crucial assumption of population mobility - fully informed citizens 'voting with their feet' in response to differential public performance - that enables governments in the Tiebout framework to overcome the well-known problem of inducing citizens to reveal their preferences for public goods largely fails in poor countries...Rural communities of poor countries, in particular, are often face-to-face, and social norms sharply distinguish 'outsiders' from 'insiders,' especially with respect to entitlement to community services.

Rodden and Rose-Ackerman (1997: 1556) contend that, "differential migration costs for productive versus needy people" is a source of segregated mobility and in this situation, according to Bardhan (2002: 189), "certain local areas will find it much easier to raise significant tax revenue than others." Along the same lines, Rodden and Rose-Ackerman (1997: 1567) conclude that if mobility rises with income (as it does in many countries), decentralization "will favor the demands of the wealthy, productive, mobile capital owners at the expense of the poor." Rodden and Rose-Ackerman (1997) further demonstrate that even in the United States imperfect mobility, specifically the movement of affluent individuals to suburbs over the past five decades, has caused the quality of urban services to deteriorate and those who are most affected by the decline in the capacity of these urban governments are less prosperous individuals who are unable to afford housing in more expensive areas. Consequently, Rodden and Rose-Ackerman (1997) and Bardhan (2002) conclude that sub-national autonomy and segregated mobility is far more likely to exacerbate inter-regional inequality than reduce it.

Data from Tanzania are consistent with the aforementioned observations. Evidence from that country suggests that mobility is highly segregated. Specifically, one's level of education appears to be the most significant variable determining a person's mobility because obtaining a secondary school education is an almost essential

prerequisite for migrating from the rural economy to the lucrative urban skilled sectors.¹³ The vast majority of Tanzanians are essentially immobile following the above criterion. Tanzania's 2001 census shows that approximately four percent of the nation's citizens have completed secondary school and according to the World Bank, the current secondary school enrollment rate is six percent. In the average rural district, where approximately seventy percent of Tanzanians live, recent census data show that only two percent of the population, including district government employees, has completed secondary school.

We have a significant amount of data that demonstrates the importance of attaining a secondary school education for the ability of a Tanzanian to obtain gainful employment. While Tanzanians are free to move from rural to urban areas, according to the 2001 Integrated Labor Force Survey (ILFS), approximately one-third of urban dwellers lack employment and nearly all of these individuals have not completed their secondary education. Moreover, while urban unskilled incomes typically are about fifty percent higher than agricultural ones, living costs in urban areas are also about forty percent higher than those in rural areas (URT 2001a, URT 2001b). Incomes in the urban skilled labor sectors, by contrast, are approximately six times greater than agricultural incomes (URT 2001b). Consequently, although all Tanzanians possess the right to settle freely within their country, those in rural areas without an education encounter few strong prospects for improving their lives through moving to an urban area. Unfortunately, while the ILFS contains data on incomes by location and level of education recent studies

¹³ See Rogowski (1989) for a general discussion of education and labor mobility.

that document the expected net benefits of rural to urban migration do not exist.¹⁴

Barnum and Sabot (1976) undertook such an analysis however the study is a bit dated as it occurred three decades ago. Nonetheless, given that Tanzania is at the same level of development today as it was in the mid-1970s, the results can provide some insight into contemporary urban migration gains and costs.¹⁵

Barnum and Sabot (1976) found that the probability of a rural migrant with a secondary school education finding employment in an urban area was five times greater than someone without this level of education. Moreover, the average monthly income of the former in urban areas was approximately four times greater than that of the latter. Not surprisingly, the rate of migration among rural residents who had completed secondary school was four times greater than those who had not been educated past primary school. The 2000 Afrobarometer Survey and the 2001 ILFS report similar results with regard to the income differences between urban and urban unskilled labor.

In theory, while rural to rural migration could allow full mobility for rural residents, this is not a realistic option for many because traditional authorities often have significant influence over land use in Tanzania and because the more formal property rights system strongly deters commercial land transactions (Coldham 1995).¹⁶ With regard to the latter, poor enforcement of land tenure laws discourage individuals from

¹⁴ We can use the ILFS and the HBS to calculate a very rough expected net benefit for an unskilled individual to move from a rural to an urban area however. If urban unskilled incomes are 50 percent greater than agricultural ones and if an unskilled individual has a two-thirds probability of finding urban employment (since the urban unemployment rate for unskilled workers is about 33 percent), that person can expect his or her income to rise by one-third by moving to an urban area (0.5×0.66). This is less than the forty percent greater cost of living in urban areas compared to rural ones. Thus, the expected net benefit is slightly negative.

¹⁵ According to Maddison's (2003) data, per capita GDP in Tanzania in 1976 was approximately twenty percent higher than it is today.

¹⁶ For example, the Heritage Foundation's 2006 Index of Economic Freedom rates Tanzania's property rights system as "Low," it's next to worst rating.

moving from the land they have been farming in order not to lose their occupancy status. Moreover, according to Sundet (2003: iii), in Tanzania the “land tenure regime relies on discretionary decision making by politicians and land officials and fails to provide workable procedures of checks and balances against malpractice.” Sundet (2003: iii) further concludes that recent reforms to devolve authority over land to village authorities have been “needlessly complex and beyond the capacity of villages to implement.” In addition, Sundet (2003: 128) observes that individuals who, despite the opaque system of land ownership, wish to acquire property “have little or no chance of finding a bank that will provide them with credit...or find they have bought a court-case with their newly acquired land.” Consequently, most rural farmers lack the capacity or incentive to sell their land and move to a different jurisdiction. While moving to an urban area would solve problems of land use, as I have shown above, seeking urban employment is a highly risky option for individuals who have not completed secondary school.¹⁷

Having discussed mobility in Tanzania, I would like to now turn my attention to district taxation. In the next section, I develop a model and hypotheses for how mobility and characteristics of the district economy affect the types of taxes local governments gather.

¹⁷ This may explain part of the reason why many working-age adults (especially males) move to urban areas without their families. Specifically, sending part of a family (i.e., working-age adults) to seek employment in an urban area allows a family to take advantage of the higher urban incomes without running the risk of forfeiting their land. According to the 2002 census, in urban areas fifty-nine percent of the population is working-age adults while in rural areas this share is only fifty one percent.

IV. Model and Hypotheses

In this section, I develop a model of taxation to generate hypotheses for when a government has an incentive to bargain in order to collect revenue following Bates and Lien (1985). Bates and Lien's model yields two conjectures concerning the government's motivations with regard to tax policy:

- The highest tax rates will fall on immobile factors.
- The government must negotiate with owners of mobile factors to tax them.

Their intuition is straightforward. Owners of immobile factors have no choice other than to pay whatever rate the government sets or refrain from the economic activity officials wish to tax.¹⁸ Alternatively, governments must make policy concessions in return for taxing mobile factors because owners of these assets enjoy the choice to operate in any jurisdiction. At the limit, if relocation is costless for all taxpayers, then government policy will reflect only their interests. Consequently, the capacity for factors to relocate determines the terms of the bargain. Bates and Lien's model has wide applicability and has been employed to analyze the effect of taxation on political accountability (e.g., Brautigam 2006 and Moore 2004) as well as to model the effects of international factor mobility on domestic taxation of capital and labor (e.g., Mosley 2000 and Swank and Stienmo 2002).

Applying Bates and Lien's predictions to local taxation in Tanzania requires that I take into account three pertinent Tanzanian economic and political properties that their

¹⁸ Bates and Lien do not allow for revolution, collective action, and/or elections in their model.

general model does not articulate: quantifying concessions, considering the effect of elections, and understanding the correlation between level of income and mobility. I examine each below.

Policy Concessions. To test Bates and Lien's model, I must identify a consistent measure of policy concessions (i.e., the government's degree of bargaining for taxes) for approximately one hundred local governments in Tanzania. I quantify these concessions as the service share of total taxes, what I henceforth also call the portion of *quid pro quo* taxes. Specifically, I define *quid pro quo* taxes as those where the government must offer a service prior to collecting the tax, such as water and garbage collection. It is important to note that the service share of taxes does not include earmarks, such as using property taxes to provide roads. Rather, the service share represents only those taxes where citizens obtain the benefit at the same time they pay the tax.

The service share of taxes is an empirically useful and conservative measure of the government's willingness to negotiate with its constituents for revenue. Most important, because the government must provide the benefit before it can collect the revenue, these taxes quantify the local government's minimum credible commitment to create services. Moreover, since the definition of this measure is consistent across local governments in Tanzania, it permits me to develop a common metric of concessions for all local governments in that country. Finally, defining policy concessions as the share of *quid pro quo* taxes is consistent with survey data that demonstrates citizens in Tanzania have an overwhelming preference for their local taxes to be employed to provide local services (e.g., Chaligha, et al. 2002, Fjeldstad, et al. 2004).

It is important for me to acknowledge that nothing prevents local governments in Tanzania from spending more on services than they collect from *quid pro quo* taxes. For example, local governments could use property taxes to build roads. However, after a citizen has paid his or her property tax, he or she has little capacity to affect how the government allocates the revenue. Rather, an individual's bargaining position is strongest before he or she pays taxes. Consequently, the service share of taxes is a clear articulation of citizens' minimal bargaining power because these taxes define the government's lower-bound commitment to provide services.

Finally, one important issue I must address concerning the link between Bates and Lien's theory and my empirical measure of *quid pro quo* taxes is the problem of ecological inference. Specifically, the theory I am testing derives from characteristics of individual taxpayers yet my empirical measure is district-level data. Consequently, I am not able to demonstrate definitively the sub-population within any district that pays the service share of taxes. However, employing the Methods of Bounds approach (e.g., Freedman 1999, Schuessler 1999) in my empirical analysis allows me to determine the minimum and a maximum possible service share of taxes that different groups within a district pay.¹⁹

Elections. Unlike in Bates and Lien's model, citizens elect their local governments in Tanzania and are free to engage in collective action more generally. Fortunately, because all local governments encounter the same electoral system, the effect of elections on the behavior of governments should be the same across districts.

¹⁹ Specifically, since the service share of taxes must be between 0 and 1 by definition, from data on the size of each population group and the service share of taxes, I can define the minimum and maximum share of services that each population can theoretically pay.

Specifically, if elections have any effect, they should reduce taxes that are not linked to any service since these are likely to be far less popular among tax payers than taxes linked to benefits the government provides to its citizens. As I discussed earlier in this chapter, the historical evidence lends strong support to this conjecture.

Income and Mobility. The majority of Tanzanians are *de facto* immobile peasant farmers because of the property rights system that exists in the country and because of their low level of education. Since these rural citizens are incredibly poor as well, the government may not be able to derive significant amounts of revenue from these individuals because they have very little income to tax.²⁰ Consequently, while the government may have an incentive to collect substantial amounts of revenue from its most immobile constituents, because of their poverty, the former is not likely to be able to derive a substantial amount of taxes from the latter.

Bates and Lien's model as well as the above modifications I make to it to account for idiosyncratic factors present in Tanzania suggests that two variables should determine the types of taxes that local governments collect: mobility and the income generated from the underlying economic activity, or size of the tax base. The former affects the type of taxes a government has an incentive to collect as a consequence of the ability of individuals living in a jurisdiction to relocate to districts with more favorable tax systems. The latter shapes local tax policies due to the capacity of people to pay taxes and their demand for government services. Specifically, when citizens can afford and desire services, the government may be able to maximize net revenue (total revenue minus collection costs) through providing services and allowing citizens to pay for them

²⁰ Average per capita GDP for rural residents in Tanzania is \$235 and median income is \$126.

voluntarily rather than monitoring its citizens activities to determine which taxes they must pay. Table 4.1 below identifies the economic sectors defined by mobility and tax base. Table 4.2 describes my hypotheses for when the government will utilize *quid pro quo* taxes (i.e., how much the government will bargain for revenue).

Table 4.1: Economic Sectors		
	Immobile	Mobile
Small Tax Base	Subsistence Agriculture	Urban Low Skill (e.g., petty traders, urban labor)
Large Tax Base	Export Agriculture, Forestry, Mining	Urban High Skill (e.g., finance, manufacturing)

Table 4.2: Hypotheses for Type of Taxes Government Collects by Factors		
	Immobile	Mobile
Small Tax Base	No Quid Pro Quo	Limited <i>Quid Pro Quo</i>
Large Tax Base	Limited <i>Quid Pro Quo</i>	Significant <i>Quid Pro Quo</i>

Where mobility is low and the tax base is small, citizens are not able to relocate and they have limited demand for government services (Wagner's Law). In this situation, I expect local governments to provide no services in return for taxation. Where mobility is high but tax base is small (e.g., urban unskilled labor, petty traders), I expect the government to supply some services because even though individuals in these areas possess limited capacity to pay for government services, they nevertheless have the choice to move to a different location if the government collects taxes and offers no

benefits in return.²¹ The combination of low mobility and a large tax base also should strongly discourage the government to provide services in return for taxation because the government can tax a lucrative income stream that people working in the sector are not able to avoid without relocating. However, the disincentive to provide services as a result of immobility may be somewhat offset due to the ability of people employed in these sectors to pay for them. Finally, I expect *quid pro quo* taxes to be most dominant where mobility is high and the tax base is large.

In this section, I have developed a model that identifies the types of taxes a profit-maximizing government should collect as well as the sectors where the government should collect them. In the next section, I categorize the specific types of taxes I expect different local governments in Tanzania to collect and present descriptive data for them. In the subsequent section, I examine these hypotheses empirically.

V. Taxation and Economic Sector Data

In this section, I first describe the taxes that local governments in Tanzania collect. I then employ the hypotheses I developed in the previous section to predict the types of local revenue I expect different districts to gather as a result of the mobility of the workforce and the size of the tax base.

²¹ By contrast, governments in these jurisdictions should have trouble collecting taxes employing coercive tactics. Specifically, if the local government in these areas attempted to obtain taxes through the use of force, mobile and poor citizens would have an incentive to move to a jurisdiction where taxation was more benign.

Districts in Tanzania rely mainly on five types of local taxes:

- *Charges and Services.* These are *quid pro quo* taxes because the government must first produce a service in order to generate the revenue. Specific services and charges vary across districts but among the most common are market fees, refuse collection, rental of government property and equipment, and bus station fees. Since this is the only tax where the government must provide a service prior to collecting the revenue, citizens possess more information about how the government employs these taxes than any other ones local governments collect.²²
- *Property Taxes.* These taxes are proportional to the value of the property but the government is not obligated to produce any service to collect the tax. Property taxes in Tanzania do not apply to land but to the value added to the land by the property owner. Thus, if two lots are adjacent to each other and equal in size, the more developed plot will be taxed a greater amount.
- *Licenses.* Licenses are largely a regulatory tax because these are fees that one must pay in order to conduct certain types of activities. While the majority of these taxes apply to business transactions, a number of licenses apply to individuals such as licenses to own a bicycle and a car. One can argue that licenses provide a service to their owners because regulating entry into a market reduces competition. On the other hand, since this barrier to entry may raise prices for the products the license covers and prohibit some individuals from earning an income in these sectors, the benefit of the license to its owner is a cost to the rest of the population. Since the net welfare gain the government creates by forcing individuals to pay for licenses is debatable, I examine these taxes separately from services where the welfare gains are more unambiguously positive.
- *Agricultural Taxes.* These are taxes that are a function of the volume and value of crops a farmer grows. They apply to all individuals selling agricultural products (including livestock). The central government fixes the rate of agricultural taxes as a maximum percent of the government-determined wholesale price of the crop and/or head of livestock.
- *Development levy.* This is a compulsory tax that it is not related to an underlying economic activity and the government does not need to produce any service to collect the tax. In most districts, the tax is highly regressive as well. In 2003, the central government began phasing out the

²² Citizens do not possess full information about how the government uses these taxes however since the cost of providing the service does not need to equal the price the government charges for it.

development levy due to overwhelming public pressure to eliminate the coercive manner that many local governments employed to collect it.

On average, these taxes account for about eighty five percent of total local government taxes. The only other common tax across districts is a land tax (essentially a land rental fee because the government owns all of the land in Tanzania) but the land tax on average accounts for only two percent of total local taxes and only more than ten percent (on average over 2001 to 2005) in five districts. There are a number of smaller taxes as well that vary widely across districts and therefore a difficult to characterize.

Table 4.3 below presents my predictions for the types of taxes I expect local governments in different districts to collect. I base these predictions on the mobility of workforce in the district, and the size and composition of the tax base. In districts where individuals largely are immobile and the tax base of the district is low (i.e., subsistence agriculture), I expect governments to rely primarily on the development levy and agricultural taxes. Alternatively, where mobility is high and the tax base is large (e.g., finance, manufacturing, transport, and trade), I expect local governments to collect taxes from charges/services, licenses, and property. Alternatively, where mobility is low and the tax base is large (e.g., forestry and mining), I expect governments to rely on the development levy, agricultural taxes, and licenses. Finally, where mobility is high and the tax base is small (e.g., unskilled urban labor, petty trading), I expect licenses to be a significant source of revenue. I also conjecture that these districts will collect taxes from charges/services but rely on them less than in districts where mobility and incomes both are high.

Table 4.3: Predictions for Specific Type of Taxes Government Collects by Factors

	Immobile	Mobile
Small Tax Base	Development Levy, Agricultural Taxes	Primarily Licenses; some Charges and Services
Large Tax Base	Development Levy, Agriculture, Licenses, some Charges and Services	Charges and Services, Licenses, Property Taxes

Table 4.4 below shows the average distribution of taxes plus their variation by mobility and type of economic activity. Before discussing the results, it is useful for me to explain how I quantify the four sectors. To define each sector, I utilize employment data from the 2002 census by aggregating employment by type of economic activity and level of education. I classify all districts that are above the median for agriculture as a share of the workforce (eighty percent) as low mobility and small tax base. This encompasses approximately fifty six percent of the districts in Tanzania (and seventy percent of the population); the other forty four percent of Tanzanian districts are spread (fairly) evenly among the other three types. I define high mobility and large tax base districts as those that are above the median for percent of the population that has completed secondary education and where formal sector employment accounts for at least fifty percent of the district work force.²³ Alternatively, I classify a district as high mobility and a small tax base when the district is below the median for percent of the population that has completed secondary education and where formal sector employment

²³ It is important for me to note that I am not defining formal sector employment according to the standard classification of businesses that operate in accordance with government legislation. Rather, I define the formal sector as all non-government, non-agricultural sectors. In the 2002 Tanzanian census, these sectors were manufacturing, trade, finance, construction, shop owners, street vendors, public administration, transport, electricity, gas, and water.

accounts for at least fifty percent of the district's total workforce. Finally, I categorize a district as having low mobility and a large tax base where employment in forestry and mining accounts for at least twenty percent of the total workforce.²⁴ While my classification is somewhat arbitrary, the tables I present below are mainly descriptive. In my statistical analysis, I utilize employment by share of workforce as explanatory variables to test for what types of taxes a government collects, not a rigid typology of districts.

Despite my crude classification criteria and the small number of districts in the three districts that are high mobility, high income, or both, the variation across districts largely conforms to my hypotheses, as table four below demonstrates. Table 4.4 displays the share of each tax. The most important point the table shows is the extreme difference in tax shares between high mobility/large tax base districts and those that are low on both factors. Specifically, while *quid pro quo* taxes comprise forty four percent of total taxes in the former, they account for only about thirteen percent in the latter. Similarly, the development levy provides only four percent of total taxes in districts where mobility is high and the tax base is large but account for more than one-fourth of total taxes in districts where these are low.²⁵ Moreover, as predicted, districts that possess an immobile workforce and a sizable tax base rely heavily on agricultural taxes and licenses. Finally, where mobility is high and the tax base is small, services, agricultural taxes, and licenses

²⁴ This encompasses the top decile for employment in this sector.

²⁵ Per person, individuals pay about fifty percent more in development levies in low tax/low mobility districts compared to high tax and mobility ones.

dominate the tax base.²⁶ Most important, services as a share of total taxes are higher in these districts than those with immobile individuals and a small tax base, as I conjectured.

Table 4.4: Average Tax Shares by Specific Tax and Factors

	Average	Low Mobility/ Small Tax	High Mobility/ Small Tax	Low Mobility/ Large Tax	High Mobility/ Large Tax
Charges and Services	26.1%	12.4%	20.5%	17.2%	44.0%
Development Levy	11.5%	27.7%	10.7%	19.0%	4.0%
Licenses	18.8%	12.6%	22.9%	18.2%	23.3%
Agricultural Taxes	21.5%	28.6%	29.6%	21.4%	3.7%
Property Taxes	7.2%	1.1%	6.4%	3.2%	13.7%
Other Taxes	13.7%	18.6%	7.5%	21.0%	11.0%
Percent of Districts		56%	11%	18%	14%

VI. Empirical Analysis

In this section, I examine the determinants of district taxation in Tanzania. First, I analyze overall levels of taxation in districts. Subsequently, I analyze the effects of different economic sectors on tax shares. Finally, I discuss the implications of the findings. Prior to demonstrating my results, however, I discuss how I translate the four sectors I described in the previous section into explanatory variables and the method of estimation that I employ.

²⁶ According to Tripp (1997), agriculture is a common source of income for many urban residents. On average, thirty percent of the workforce in urban areas engages in agriculture.

A. Data and Method

In the previous section, I defined economic sectors by their mobility and revenue potential for the government. However, I also observed that it is difficult to rigidly quantify districts by mobility and revenue potential. For example, individuals who work in high-skill sectors such as banks and large firms tend to live in the same areas as the people who construct the buildings that house these businesses. As a result, in my empirical analysis, I attempt to isolate high-skills sector employment as a share of the workforce from mobile low-skill to the extent the data permit. I characterize manufacturing, construction, trade, transport, finance, and retail as mobile high-skill sectors because these economic activities are not site-specific and because the most educated citizens in the country are concentrated in these sectors.²⁷ Quantifying low mobility and low income is far more straightforward and I utilize agricultural employment as a share of the workforce as my measure of this sector.²⁸ Finally, I also examine the effect of forestry and mining employment on taxation to attempt to identify the effects of a large tax base and low mobility on government revenue choices.

It is also important to discuss how I test the effect of employment by sector on taxation. Sector employment data comes from the 2002 census. Data on my dependent variables, the different types of revenue from 2001 through 2005, come from the Government of Tanzania's *Revenue Statistics for Local Government Authorities on*

²⁷ The correlation between the share of the workforce in these occupations and the percent of the population who have completed secondary school is 0.94. The results I present below if I utilize the share of the population that has completed secondary school as my measure of mobile high-skill labor.

²⁸ The correlation between the share of the workforce in agriculture and the percent of the population who have completed secondary school is -0.82.

Mainland Tanzania. It is critical to note that I have only one observation per district for employment data but five for revenue. However, given that employment by sector changes slowly compared to revenue and that data on the former come from the beginning of my sample period, employing these data are not problematic. Considering that I have only one employment observation per district, I am not able to utilize a standard panel regression. Instead, to estimate the effect of employment by sector on taxation, I use a Between Effects regression, which is equivalent to testing the effect of employment by sector on the average amount of revenue in the district over the five-year period.²⁹ Since revenue per year is highly variable, especially agricultural taxes where exogenous factors, primarily weather and regional prices (i.e., those in Eastern and Southern African markets), strongly affect the capacity of local governments to tax farmers, employing a multi-year average of taxation is likely to capture the structural relationship more realistically than any single year of observations.

B. Results

Table 4.5 below presents the effects of high-skill sector and agricultural employment (in separate models) on taxation as a share of district income. In addition to including the sector employment data, I also utilize two control variables: population growth (annual rate from 1990 through 2000) and regional fixed effects.³⁰ Population growth accounts for the change in the number of potential tax payers and also provides a

²⁹ The Hausman test rejects the null hypotheses that a Random Effects model is appropriate for my models.

³⁰ I do not report the coefficients on the fixed effects but the F-test rejects the null hypotheses that the coefficients are equal to zero in all models.

crude measure of where economic opportunities are expanding and contracting.³¹

Finally, I employ regional fixed effects (not shown in table) to account for a number of important but difficult to quantify factors, primarily variation in land quality, weather patterns, and price structures in local economies.³² I utilize regional fixed effects as opposed to district ones because the Between Effects regression uses district mean values for each variable and it is not possible to use district fixed effects if I only have one effective observation per district.

The results of table 4.5 show that employment by sector has a large effect on total revenue as a share of district income. Specifically, the results demonstrate that taxes as a share of district income rise with high-skill sector employment and fall with agricultural employment.

³¹ The correlation of population growth with high-skill sector employment is 0.23 and the correlation with agricultural employment is -0.27.

³² Specifically, Tanzania's very poor road system leads to highly variable prices for similar products across the country. For example, data from the Ministry of Agriculture and Food Security show that prices for staple crops, such as maize and rice, typically vary by a factor of two.

Hypothesis Test in Table 4.5:
District Workforce Affects Level of Taxation

Table 4.5: Determinants of District Revenue as a Share of District Income		
High-Skill/Workforce	0.882 (6.09)***	
Agriculture/Workforce		-0.487 (4.96)***
Population Growth	0.024 (1.62)	0.027 (1.76)*
Constant	0.295 (2.97)***	0.617 (5.48)***
Observations	462	462
R-squared	0.54	0.48

Robust t statistics in parentheses

* significant at 10%; ** significant at 5%; *** significant at 1%

The graph below presents the effect of changes in high-skill sector employment on district tax revenue. The figure demonstrates the extreme variation in local revenue that results from employment by sector. In particular, the graph makes clear that we can decompose Tanzania into two types of districts: approximately seventy percent of the districts that have a very low tax base while the other thirty percent are dominated by high-skill sector employment and enjoy a comparatively large tax base.

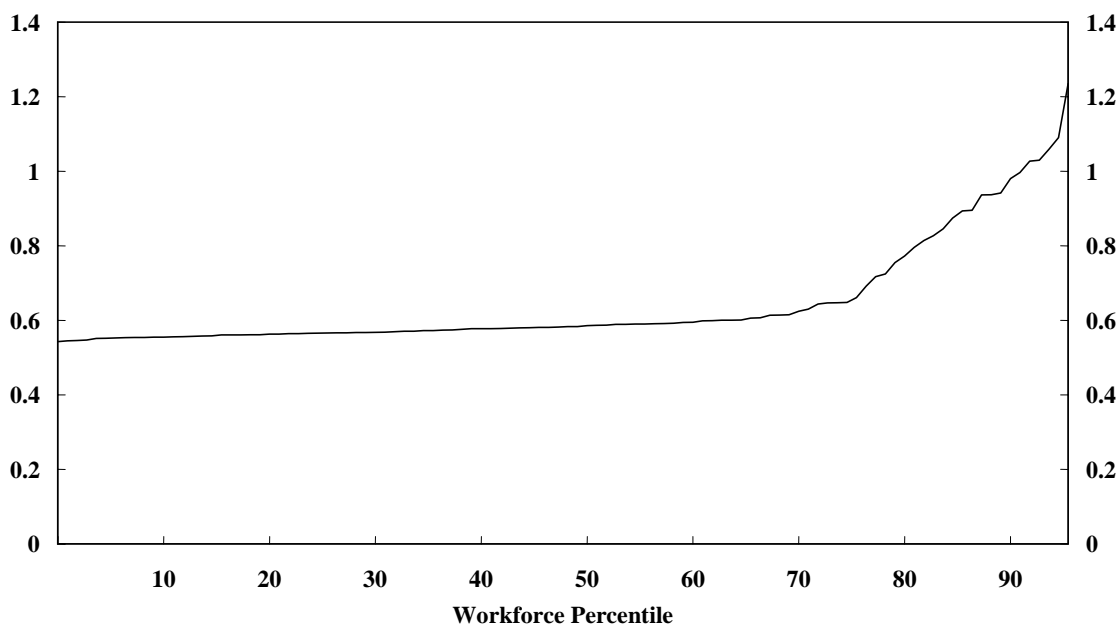


Figure 4.3

**Effect of High-Skill Sector Employment on
Revenue as a Share of District Income**

Table 4.6 below presents the effect of sector employment on the shares of the five main taxes that districts collect. Since shares of employment are highly (negatively) correlated, I test each sector separately. In these models, I also include total revenue as a share of district GDP and regional fixed effects as explanatory variables (not shown). As with the models that examine overall revenue as a share of GDP, I estimate these models employing a Between Effects regression.

The models largely support the data on tax shares that I examined in the previous section. Specifically, high-skill sector employment has a strong and positive effect on charges and services as a share of total taxes and the opposite result on the development levy as a share of total taxes. Alternatively, agricultural employment has a strong and negative effect on charges and services and a powerful and positive effect the

development levy as a share of total taxes. Finally, the share of employment in forestry and mining (i.e., low mobility and large tax base sectors) has a statistically significant effect on licenses as a share of total taxes but not on charges and services. Although the effect is modest in comparison with the effects for high-skill sector and agricultural employment, it is important to recall that forestry and mining constitute more than twenty percent of total employment only in about twenty percent of the districts and in all of these districts, agriculture remains the dominant economic activity. Given these constraints, even a modest positive result on forestry and mining on revenue from licenses and lack of a significant effect of these sectors on charges and services provides support for the hypotheses that mobility and size of the tax base both affect how district governments raise taxes.

Hypothesis Test in Table 4.6:
District Workforce Affects Shares of Taxation

Table 4.6: Effect of Economic Sector on Tax Shares

	Charges and Services	Agricultural Taxes	Licenses	Property Taxes	Development Levy^a
High-Skill	0.536	-0.831	0.197	0.350	-0.421
T-Statistic	(4.87)***	(5.82)***	(1.97)*	(9.36)***	(5.68)***
R-Squared	0.49	0.59	0.37	0.70	0.64
Agriculture	-0.332	0.570	-0.181	-0.198	0.277
T-Statistic	(4.46)***	(6.10)***	(2.80)***	(6.99)***	(5.49)***
R-Squared	0.47	0.60	0.40	0.61	0.63
Forestry and Mining	-0.001	-0.156	0.253	-0.042	-0.157
T-Statistic	(0.09)	(0.80)	(2.22)**	(0.69)	(1.50)
R-Squared	0.34	0.42	0.38	0.38	0.51
Observations	489	489	489	489	315
Districts	105	105	105	105	105

Robust t statistics in parentheses

* significant at 10%; ** significant at 5%; *** significant at 1%

^a These regressions have fewer observations than the others because not all governments collect the development levy.

The graphs below examine the effect of shares of taxes moving across percentiles of different sectors. The results reflect the segmentation of districts in Tanzania between high mobility/large tax base districts and those that are low in both. For example, a move from a district at the tenth percentile in high-skill sector employment to one at the ninetieth percentile is associated with a twenty percentage point rise in charges and services as a share of total taxes. Likewise, when moving from a district at the tenth percentile in agriculture to a district at the ninetieth, the share of the development levy rises by seventeen percentage points. Finally, the graphs also demonstrates that the share of licenses rises by eighteen percentage points over the same interval when examining districts according to the proportion of employment in forestry and mining.

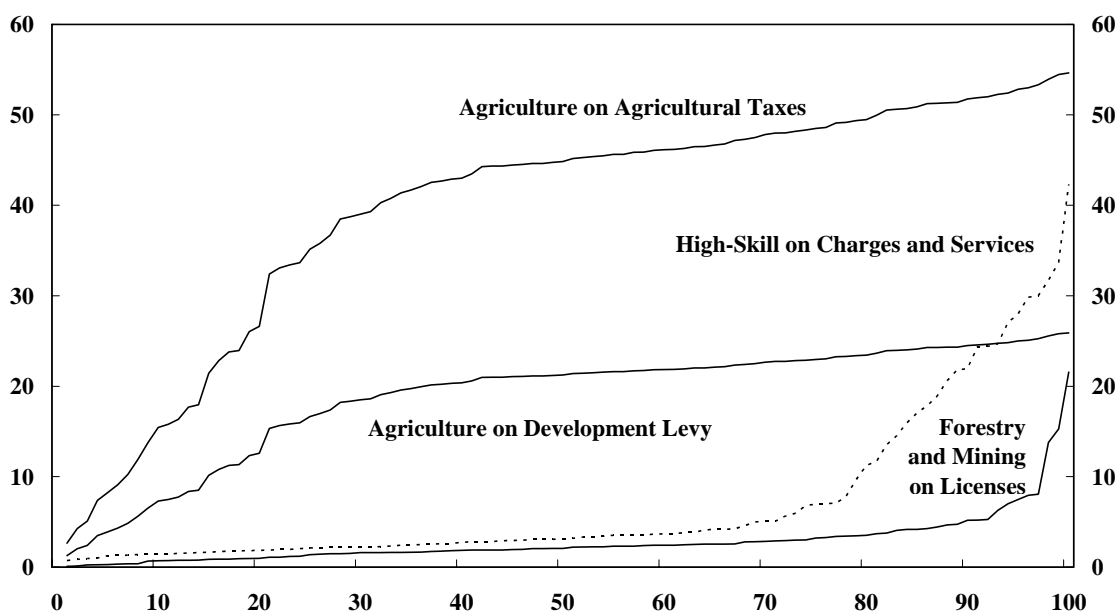


Figure 4.4

Effect of Economic Sectors on Tax Shares by Percentile of Workforce

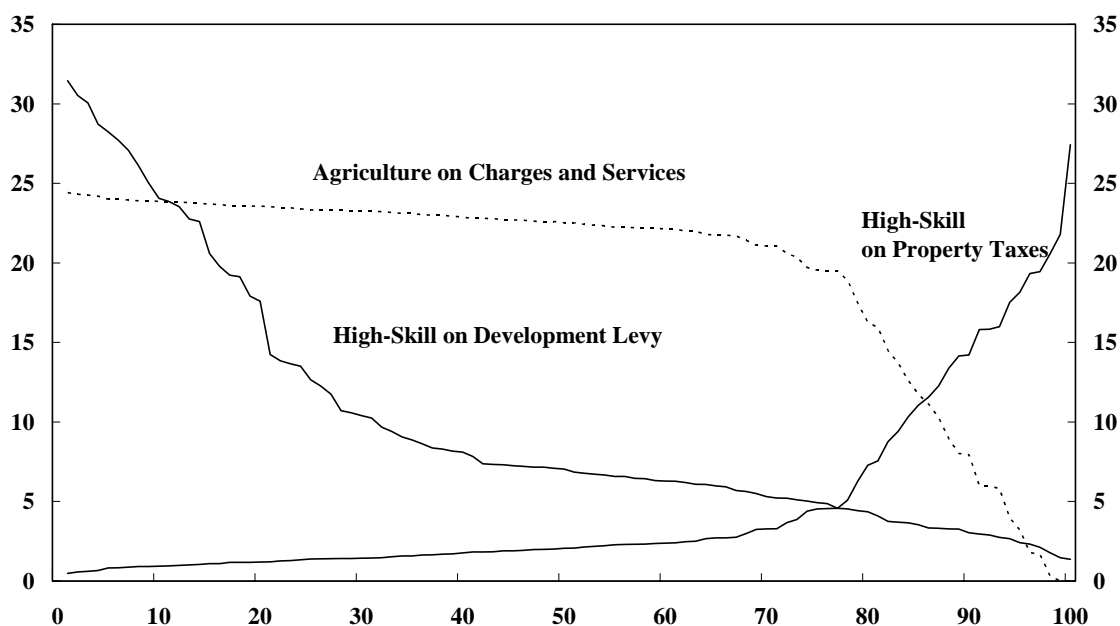


Figure 4.5

Effect of Economic Sectors on Tax Shares by Percentile of Workforce II

It is important for me to note some of the limits of what I can infer from the above results due to the problem of ecological inference that I discussed in section IV. On the positive side, due to the large number of districts that have eighty percent or more of their workforce in agriculture, the interval between the minimum and maximum theoretical tax rates that this sub-population can pay is quite narrow. For example, with regard to the development levy, in the top decile of agricultural districts, the maximum theoretical rate farmers can pay is twenty seven percent and the minimal rate is eighteen percent. Moreover, concerning charges and services for the same decile of agricultural workers, the interval between the minimum and maximum tax rates they can pay is bounded by one percent and three percent. On the other hand, because high-skill workers comprise more than sixty percent of the workforce only in two districts, the range defined by the

minimum and maximum theoretical rates this sub-population can pay is significantly wider.

Before I conclude this section, I would like to discuss two alternative explanations for these findings. One conjecture is that I am only capturing the effects of the size of the tax base, not mobility. If the revenue base or the level of development more broadly is the only factor that affects local governments' decisions over taxation, it is difficult to understand how predatory taxation exists. At their core, theories of mobility posit that governments must negotiate with owners of mobile factors for taxes and that they are not able to prey on them. Consequently, I have difficulty conceiving that small farmers in Tanzania are mobile and that they accept the coercive taxation (i.e., the development levy) I described earlier in the chapter. Moreover, while resistance to taxation is common in rural parts of Tanzania, such opposition is relatively rare in urban areas as I discussed in this chapter as well (e.g., Fjeldstad and Semboja 2001, Fjeldstad and Therkildsen 2006). Since exit is typically far easier than collective action for mobile individuals, sustained resistance to paying the development levy in Tanzania is difficult to reconcile with citizens who face few constraints on their ability to choose where to live. A second hypothesis is that factor scarcity, not mobility, drives the behavior of local governments. However, the relative abundance of unskilled labor does not clarify why some local governments can tax their populations and offer no benefits to them in return even if competition for scarce skilled individuals explains why some local councils offer their constituents services in return for taxes.

C. Discussion and Implications

While the results of this analysis are interesting on their own, their implications for development policy in Tanzania are perhaps more important. Tanzania, like many countries, is pursuing a decentralization policy (the Local Government Reform Program, LGRP) that includes greater fiscal decentralization as a primary objective as I analyzed in Chapter III. Donors and many Tanzanians hope that the LGRP will result in a more responsive local government. The data I have presented demonstrates and the history of local government in Tanzania suggests that we should be wary that decentralization inevitably will result in improvements in the performance of local governments. In this section, I discuss the potential effects of greater decentralization.

Scholars of decentralization typically attempt to adjudicate between two hypotheses that I reviewed in Chapter I. On one hand, proponents of decentralization argue that governments should become more responsive as they become more locally accessible. Alternatively, skeptics of decentralization contend that decentralization facilitates elite capture of the local government. Moreover, empirical evidence exists to support both hypotheses within the same country (e.g., Bardhan and Mookherjee 2004, Galasso and Ravallion 2005, Galiani et al. 2005, Reinikka and Svensson 2004). While Tanzania's low level of rural inequality suggests that elite capture is not likely to be a salient problem in the rural parts of the country, the results in this chapter present an additional reason why decentralization can have divergent effects even within the same

political unit.³³ Specifically, my results suggest (but do not prove) that the effect of increasing local government autonomy in Tanzania will largely be a result of local mobility and the size of the local tax base. Fiscal decentralization (i.e., enhancing tax power of local governments and reducing tax authority of the central government) could have a beneficial effect in districts where the population consists of a large number of highly-educated Tanzanians. Alternatively, I contend that granting greater revenue authority for local governments where the population is largely immobile could lead to a more parasitic and/or predatory local government. Thus, while a larger revenue base could provide a profit-maximizing government with an incentive to provide *quid pro quo* taxes this is far from clear and certainly is highly unlikely to occur in districts where the population is not mobile and/or the tax base is low. While I do not have the data to prove that decentralization will inevitably increase inter-district inequality, support for this hypothesis seems far stronger than evidence to maintain the conjecture that decentralization should mitigate within country variation.

An important point to consider is why electoral competition should not necessarily lead to a higher share of services in total taxes. Most important, taxing individuals through services requires that individuals can afford and desire them. Given that incomes tend to be far lower in immobile districts (and that about half of per capita incomes in these districts are allocated to basic survival needs), and given that small farmers do not depend on local government services (e.g., electricity, refuse removal) as

³³ Tanzania's Gini coefficient is 0.31 in both rural and urban areas, about the same as Canada's level of inequality.

much as business owners and their employees, the demand for services and ability to pay for them may be quite low in Tanzanian districts with poor and immobile populations.

The results of my analysis also demonstrate why coercive taxation can exist even when citizens elect local governments democratically. In districts where mobility and incomes are low, local governments possess a tax base derived from individuals who do not have the capacity to relocate to escape a coercive tax regime and are unlikely to be able to afford government-provided services. Since these district governments encounter few incentives to produce useful services for their constituents, in the eyes of the average tax payer, their local council may appear to do little more than collect taxes to fund a recurrent budget and thus citizens are likely to be dissatisfied with local tax policy. However since these people are not mobile, their only method of reducing their tax burden is to resist taxation. Although no elected leader is likely to publicly acknowledge authorizing the use of force to collect taxes, it is reasonable to conjecture that councilors who are under pressure to ensure that their employees receive their salaries (not to mention the interests of councilors to collect their allowances), may face no other realistic option for raising revenue than countenancing intimidation. When combined with the collective action problem that all councilors vote on the budget but each councilor has an incentive to seek exemptions for his or her constituents, this may explain why councilors pass financial plans that require civil servants to employ force to collect taxes but publicly condemn the practice.

What I derive from my analysis of Tanzania is that while there are better and worse ways to structure decentralization in order to facilitate economic development and/or political accountability, there are limits to the efficacy of technical policy. Even if

the governments possess a genuine political interest in decentralization and develops policies that are tailored to specific local exigencies, the resource base of districts in Tanzania with poor and immobile populations does not justify the hypothesis that financial autonomy should lead to a more accountable local government, consistent with the conclusion of Fjeldstad and Semboja (2000). If political interest in decentralization is genuine, the government of Tanzania could devolve greater authority only to those districts that already are generating a significant portion of their own-source revenue from producing services.³⁴ Given that a large tax base and demand for services citizens can afford exists, greater decentralization in these areas could lead to a more accountable local government in these districts, as occurred in urban areas during the first period of local government. I conclude that decentralization is likely to be most effective in those districts where governments already are producing services.

VII. Conclusion

In this chapter, I have examined the effect of mobility and resource bases in Tanzanian districts to develop hypotheses for the types of taxes I expect local governments to collect. Specifically, I predicted that only in those districts where the population is mobile (i.e., highly educated) and where the underlying economic activity is lucrative to tax will local governments utilize *quid pro quo* taxes. In all other cases, I conjectured that local governments will provide few services in return for taxes. My

³⁴ It is important to point out that the government is doing this informally. Specifically, government grants to some urban councils have been declining over the past few years whereas they have been rising for rural ones.

empirical analysis from all districts in Tanzania from 2001 through 2005 largely supports this hypothesis.

The results of this analysis have important economic and political implications. Economically, the results demonstrate that local governments in Tanzania are willing to invest their revenue in producing public services that can potentially encourage development only when they stand to benefit financially from such investments in the short-term. Politically, the analysis provides evidence that the link between taxation and accountability is strongest when the underlying economic activity the government is attempting to tax is lucrative and mobile. Alternatively, even freely elected local governments have an incentive to employ coercion to collect taxes if their constituents are poor and immobile. More generally, the results suggest that the ability of citizens to discipline the fiscal behavior of their local government depends crucially on their capacity to choose where to seek employment. Unfortunately, because the vast majority of citizens in Tanzania (approximately seventy percent) lack the skills to be able to obtain employment in the relatively well-paid high-skill sectors and because a market for property does not exist in rural areas, effective mobility for most Tanzanians is very low. As a result, the vast majority of that country's citizens are unable to escape living in areas where local governments provide their constituents with few useful benefits in return for their taxes.

From this analysis, I contend that greater fiscal decentralization in Tanzania will have a bifurcated effect. Those governments that already act as if they are accountable may become more responsive while those that currently do not collect a large amount of *quid pro quo* taxes are likely to encounter at best only marginal incentives to shift to a

greater reliance on these taxes as a consequence of decentralization. Rather than ameliorating problems of poor local government accountability in Tanzania, greater decentralization in districts where mobility is low and the tax base is small - seventy percent of the country - could exacerbate them. Finally, the findings in this chapter are consistent with my results in Chapters III and V that those governments possessing a sizable source of local revenue tend to act in the interests of their own citizens more than those who lack such resources.

Chapter V: Fiscal Governance and Public Services

I. Introduction

In Chapter IV, we observed that local governments with a large revenue base and mobile workforce provide a significant amount of services in exchange for local taxes. By contrast, districts that possess a shallow tax base and immobile work force offer few services in return for local taxes and in many instances resort to the use of force to obtain revenue. In that chapter, we defined the services share of total taxes as the level of negotiation that local governments are willing to undertake in order to obtain taxpayer funds because it quantifies the government's up-front commitment to provide benefits in exchange for revenue. After the government has collected taxes, however, it must decide how to allocate them. In this chapter, we examine how local governments distribute their expenditures between public services and government consumption.¹

To understand the variance in the behavior of local governments in Tanzania with regard to these expenditures, consider Arumeru and Monduli Districts, two districts that share many similarities. Both are overwhelmingly agricultural, relatively free from ethnic conflict, and have the same set of formal political institutions. In fact, these adjacent districts possess comparable attributes on nearly every dimension that social

¹ It is important to note that the share of services in total taxes and the share of services in expenditure measure distinct concepts in Tanzania for two principal reasons. First, many important services that local governments provide, such as maintenance of public spaces, provision of basic health care, and construction of roads, are not captured fully in the service share of local taxes because the government does not finance them through user fees or charges. Second, there is no mechanism that ensures the cost to the local government of providing a service, such as garbage collection or water, equals the cost to the consumer. Rather, governments may make profits from and/or subsidize services.

scientists and development practitioners define as important for development - geography, climate, factor endowments, and social and economic structures.

Despite their similarities, the local governments in the two districts could not behave more differently. A trip to the government offices in Monduli, for instance, is a distinct disappointment: government officials are often absent, their offices are routinely closed, and community notice boards are bereft of information. When visiting Arumeru's government offices, on the other hand, one finds open offices, officials rushing from meeting to meeting, and notice boards full of information about the district's budget, community meetings, and local development projects. The gulf between activities of local governments in Arumeru and Monduli is one example of the large variation that exists in district government expenditures across Tanzania and Zambia: some districts steer more than two-thirds of their budgets to providing public services, while others channel the majority of their funds to local public officials' salaries and administrative costs. Below, we seek to explain why some local governments produce more services for their constituents than others in these two countries, or why some local governments in Tanzania and Zambia are more accountable to their electorate's interests than others.

In this chapter, we test the whether sources of revenue can explain the expenditure patterns of local governments in Tanzania and Zambia. Employing data from district level governments in Tanzania and Zambia, we find that local governments who obtain more revenue from taxpayers allocate a larger share of their local budget to public services than those who tax their constituents more lightly. Alternatively, districts that rely more on central government transfers and foreign aid devote less of their local budget to services than their more autonomous counterparts. Our results remain after

accounting for variation in local socioeconomic factors and differences in the local political economy.

This study furthers our understanding of the politics of development in several important ways. First, since we examine the effects of revenue on public expenditure under identical political institutions, our approach isolates the fiscal relationship between the government and the governed from larger institutional linkages. Second, because local level political institutions do not vary within either country but local level political institutions vary widely between the two countries - local governments in Tanzania are fiscally dominated by the center while Zambia's district governments enjoy greater financial autonomy - we are able to explore the strength of revenue effects on policy outcomes under two different sets of institutions. Third, since we use the entire local government budget in our analysis we reduce the probability of reaching misleading conclusions compared to existing studies in this area that explain sub-national variation in public policy outcomes by examining single sectors. Research that focuses on the latter could produce mistaken conclusions because demand for various types of public services varies widely across sectors and local government units. These disparities manifest themselves in wide differences in expenditures across different types of public services.

We present our study in six parts. In section two, we provide background information on the countries we use to test our hypotheses. Section three presents our hypotheses. In section four, we discuss the data and methods that we use in testing our hypotheses. We discuss the results of our tests in section five. In the final section we consider the implications of our analysis for achieving a more general comprehension of how sources of revenue affect the expenditure incentives of local governments.

II. Tanzania and Zambia

Tanzania and Zambia are excellent cases for this study because they share many similarities (see table 5.1) but differ in the degree of political power enjoyed by local governments. Both countries are in the same agro-climactic region, and exhibit similar economies and levels of development (the United Nations Development Program's Human Development Index ranks Tanzania at 162 and Zambia at 164 out of 174 countries). Given their poverty, it is not surprising that both countries are also very large aid recipients. Both countries also have broadly similar political histories, as they experienced British colonial rule, independence in the same period (Tanzania in 1961; Zambia in 1964), one-party quasi-Socialist regimes in the 1970s and 1980s, and democracy in the early 1990s. Moreover, the countries also possess few ethnic or religious hostilities.¹ In addition, Tanzania and Zambia have very similar ratings in terms of the two most popular measures of democracy, Freedom House and Polity. Finally, the two countries have similar electoral systems at the national level and local level. Both have direct elections for president, elect members of parliament in single member districts using a first-past-the-post system, elect district councilors at the local level, and allow for reelection at all levels.

¹ The Minorities at Risk (MAR) database does not view any sub-national group within mainland Tanzania or Zambia as an immediate risk for rebellion. However, it is important to note that MAR data suggest Zanzibar in Tanzania and the Lozi in Zambia could be future threats.

Table 5.1: Economic, Political and Social Comparison between Tanzania and Zambia

	Tanzania	Zambia
Population	36 million	10 million
Urban Population as a Share of Total Population	34%	40%
Life Expectancy	43	37
Fertility Rate	5%	5%
Infant Mortality Rate	10%	10%
Adult HIV Infection Rate	9%	16%
Adult Literacy Rate	78%	80%
Net Primary Enrollment	68%	69%
Primary Completion Rate	58%	58%
Per Capita GDP (Nominal)	300	380
Per Capita GDP (PPP)	580	840
Agriculture as a Percent of GDP	44%	22%
UNDP Human Development Rank (out of 174)	162	164
Polity Score*	2	1
Freedom House Rating	Partly Free	Partly Free
Democratic Transition	1995	1991
Corruption (Transparency International)*	2.8	2.6
ICRG Composite Investment Risk**	58	48
Index of Economic Freedom (Heritage Foundation)	Mostly Not Free	Mostly Not Free
Aid/GDP	13%	18%
Aid/Per Capita	47	54

*Scale -10-10 (worst to best)

** Scale 0-100 (highest risk to lowest risk)

Sources: World Bank "World Development Indicators", Polity IV Database, UNDP "Human Development Report".

An additional similarity between the two countries is that local governments in both of them collect the bulk of their taxes with methods that are easily observable by their constituents.² In Tanzania and Zambia, on average, approximately 70 percent of local revenue comes from licenses, fees, service charges, and agricultural cesses. From a political point of view, the salient feature of such taxation is that it is highly visible because the local government collects the tax directly from the individual and often in public. For example, it is common for local governments to gather market fees from

² Importantly, our revenue data covers the period following the abolishment of the development levy (or head tax) in Tanzania, a particularly coercive source of revenue (see Fjeldstad and Semboja 2001), that I discuss in detail in Chapter V.

traders in the markets. These highly visible forms of tax collection create clear links between citizens and local governments in Tanzania and Zambia.

The key institutional difference for the purposes of our study between the two countries is the level of central government transfers to district government budgets. On average, Tanzanian and Zambian district councils receive 80 percent and 10 percent of their revenue from the central government, respectively. This difference allows us to explore whether the logic of fiscal governance operates under two quite different sets of center-local financial structures. A second relevant difference between the two today is whereas the ruling party in Tanzania during the single-party regime has won its first three multi-party elections (1995, 2000, and 2005), Zambia's single party was replaced through multiparty elections in 1991 and multi-party competition is dynamic. For example, whereas there are only 1.3 effective legislative parties in Tanzania's parliament, Zambia's contains close to three.³

III. Hypotheses

In chapter I, we discussed the evolution of fiscal theories of governance. We noted that these theories advance two general claims. First, governments should become more attentive to their constituents' concerns the more they rely on their local population for revenue (e.g., Bates and Lien 1985, Levi 1988). Alternatively, governments that do not rely on their citizens for revenue encounter few compelling reasons to consider

³ The effective number of legislative parties is an inverse Herfindahl Index and we calculated it here as one divided by the sum of the squared seat share of all parties.

seriously their citizens' policy preferences. Second, different groups of taxpayers benefit from government policies roughly in proportion to the share of the budget they finance (e.g., Bates and Lien 1985, Lindert 2004). In this chapter, we test the first implication to explain patterns of local government expenditure in Tanzania and Zambia. We hypothesize that local government which collect more revenue from constituents will allocate a greater share of their discretionary budget to public services than those who gather fewer. We also hypothesize that districts that receive greater central government transfers and foreign aid increases will devote fewer of their own resources to public services.

Importantly, we do not assert any claims about the quality of local government expenditures. Neither does our argument seek to link greater provision of public services to faster economic growth. Rather, our contention, following fiscal theories of governance, is that local governments who collect more revenue from their citizens will face greater pressure to expend those funds on government activities relating to service provision than those that tax their constituents more lightly. Our hypotheses are consistent with survey data we discussed in Chapter II that demonstrated individuals define political accountability of local governments primarily in terms of the amount of visible and tangible services they provide (e.g., Fjeldstad, et al. 2004, Kelsall et al. 2005, Mmari et al. 2005).

IV. Data and Methods

In this section we describe the data and methods we use to test our hypotheses. First, we describe our data sources. Next, we define our dependent and central explanatory variables. Subsequently, we explain the methods we employ for our empirical tests.

A. Unit of Analysis and Data Sources

Our unit of analysis is the district. As in Tanzania, districts in Zambia are the equivalent to the county in the United States. On average, the population of districts in both countries is approximately 200,000. In Tanzania, we use data from the Medium Term Expenditure Frameworks (MTEFs) from each district. MTEFs typically include detailed budget information that identify the source of revenue (local, central government transfer, and external assistance) and expenditures by individual components.⁴ In Zambia our data sources are local government budgets. As in Tanzania, local governments in Zambia produce detailed budgets on district revenue and expenditure.

Budgets in Tanzania and Zambia report three general categories of local government expenditure. The first is personal emoluments, composed of salaries and other direct employee benefits. The second is administrative costs, such as supplies, maintenance, and vehicles. The sum of personal emoluments and administrative costs is

⁴ The MTEFs also review past budget performance by examining actual expenditure compared to estimated expenditure and whether the district fulfilled its project objectives as stated in under the estimated expenditures. MTEFs vary in quality. The two areas with the least detail tend to be (1) detailed local government expenditures from own-source revenue; and (2) donor/NGO expenditures.

total recurrent costs or what we label government consumption. The third category of expenditure is public services. These expenditures encompass all expenses aimed at district improvement. While public services include public-type goods, such as constructing health clinics, they also include narrowly-targeted benefits, such as bus shelters and grants to certain community groups.

We do not equate government consumption with government waste or lack of accountability. For example, governments must pay public employee salaries and benefits to operate schools and health clinics. However, we believe public service provision is a reasonable and cautious measure of local government accountability for two reasons. First, the data in Chapter II revealed that citizens in these countries tend to equate accountability of local governments in terms of their provision of visible public services (e.g., Chaligha, et al. 2002). Second, local government budgets likely understate the effective level of public services since nothing classified as a public service provides benefits only to government employees, while parts of government consumption could be reclassified as public services (e.g., nurses and teachers),

In addition to expenditures, district budgets in Tanzania and Zambia also report three general categories of revenue: central government transfers, foreign aid, and local taxes. District governments in general have discretionary power to spend only the funds they raise from their own constituents while nearly all transfers from donors and the central government are earmarked for specific expenditures as we discussed in Chapters II, III, and IV. Since district budgets identify these earmarks, we can easily separate expenditures financed by local revenue versus those financed by central government transfers and donor funds.

A substantive issue we need to consider prior to undertaking our analysis is the correlation between sources of revenue. For example, if donors condition the majority assistance on matching revenue from local governments, we would not be able to separate the independent effect of each source of revenue on local government discretionary expenditure. Empirically, however, neither donors nor the central government appear to condition significantly their transfers on any sort of matching revenue from district governments. Table 5.2 below displays the correlation between sources of revenue for local governments in Tanzania and Zambia. Most striking, in Zambia the correlation between per capita local revenue and per capita aid is negative.⁵ In Tanzania, the positive correlation between central government transfers and sources of revenue suggests that the central government may condition its transfers on the revenue efforts of local governments. However, Appendix Table 5.1 shows that local taxes do not have any causal effect of central government transfers.⁶ Consequently, we consider these three sources as independent revenue streams.

**Table 5.2: Correlations among Sources of Revenue
(Per Capita)**

Tanzania			
	Taxes	Transfers	Aid
Taxes	1.00		
Transfers	0.31	1.00	
Aid	0.10	0.01	1.00
Zambia			
	Taxes	Transfers	Aid
Taxes	1.00		
Transfers	0.00	1.00	
Aid	-0.19	0.06	1.00

⁵ This negative correlation could indicate that more donor resources flow to poorer districts.

⁶ The correlation between the two is a primarily a consequence of the independent effects of population on local taxation and central government transfers.

B. Dependent Variables

The dependent variables we employ seek to measure local government expenditures funded from local (discretionary) revenue. Recall that we have no trouble identifying expenditure from different sources of revenue (local taxes, central government transfers, and foreign aid) because local government budgets identify expenditure from sources of revenue.

Our ideal dependent variable is public services provided from locally-generated revenue. In Zambia, fortunately, this is a line-item in local government budgets. In Tanzania, on the other hand, many districts do not report how much of their own-source revenue they spend on public services. While it is tempting to infer that the share of the budget not allocated to government consumption must be used for public services, such a conclusion is not entirely accurate because the central government encourages districts to maintain budget surpluses and districts can run small and temporary budget deficits if they can borrow money. For these reasons, our dependent variable for tests using Tanzania is the share of own-source revenue expended on government consumption. To be cautious, we also test a variable we call administrative costs which we construct by subtracting public employee benefits from government consumption.

Since we must employ different dependent variables for each country (government consumption for Tanzania; public service provision for Zambia) due to data constraints, we must also construct specific hypotheses for each case. For Tanzania, we expect (1) a negative relationship between local revenue and local government consumption and (2) a positive relationship between external sources of revenue and

local government consumption. For Zambia, we expect (1) a positive relationship between local revenue and local services and (2) a negative relationship between external sources of revenue and local services. We expect the sign of our key explanatory variables to differ in each country as Table 5.3 shows. It is important to reiterate that we are testing the same hypotheses in Tanzania and Zambia; the different signs we predict result only from the data we test in the two cases.

Table 5.3: Expected Signs on Explanatory Variables for Tanzania and Zambia

Explanatory Variable	Dependent Variable	
	Locally-Funded Government Consumption (Tanzania)	Locally-Funded Public Services (Zambia)
	Local Revenue	-
External Revenue (Central Government and Donors)	+	-

We express our dependent variable as a proportion of total own-source expenditure for theoretical and empirical reasons. Most important, because our hypothesis does not concern absolute expenditure but relative expenditure, our theory suggests that the best way to capture the effect of revenue sources on types of expenditure is through measuring our dependent variable as a share of expenditure. We do not argue that increases in revenue should lead to a rise in expenditure only for services; we expect that expenditures on consumption and services both will rise with local taxes. Rather, we contend that the districts who raise more funds from their citizens should expend a larger share of their budget on services. Moreover, employing expenditure shares drastically reduces the correlation between local revenue and type of

expenditure. For example, the correlation between per capita expenditure on services and per capita revenue is 0.93 while the correlation between the share of expenditure on services and per capita revenue is 0.23. Consequently, our dependent variables for Tanzania are the share of locally-generated revenue used for (1) total government consumption and (2) administrative costs (i.e., government consumption minus employee benefits). For Zambia, our dependent variable is public services as a share of locally-generated revenue.

C. Explanatory Variables

The key explanatory variables for our study are the three sources of revenue for local governments: local taxes, central government transfers, and foreign aid. In both countries, revenue from local taxes is the easiest to identify. Central government transfers are somewhat more problematic to ascertain because donors partially finance funds that central governments in both countries use for transfers. Our criterion for categorizing central government transfers is if parliament or the executive branch -- not donors -- decides on the allocation of funds across districts. We categorize these items as central government transfers, even if they are financed partially by donors, because from the point of view of the local government these transfers originate from the central government.

The third category of revenue we need to identify is foreign aid. In Tanzania, local governments record two types of donor flows. The first are direct donor transfers for local projects. The second, total donor transfers, includes direct transfers plus

programs donors finance and that independent government agencies distribute, not parliament or the central government.⁷ In Zambia, local governments do not comprehensively record donor transfers. Instead we utilize the Zambia Social Investment Fund (ZAMSIF) transfers as our measure of foreign aid. ZAMSIF is a subset of donor funds extended to districts, but offers two advantages for this study. First, the data are comprehensive. Second and more important, local governments must develop projects with community involvement to obtain ZAMSIF funds (ZAMSIF 2004). Considering that one of the primary objectives of ZAMSIF is to increase community participation and oversight, ZAMSIF is explicitly designed to increase local government accountability (ZAMSIF 2004). As a result, ZAMSIF aid provides a particularly rigorous test of our foreign aid hypotheses: if ZAMSIF projects correspond to increased government consumption out of own-source expenditure, foreign aid extended through programs that require less community participation as a condition for the funds is likely to result in even larger shares of government consumption from local revenue.

Since our dependent variables are expressed as shares of expenditure, it would seem logical to express each source of revenue shares of total revenue. However, we have theoretical and empirical reasons not to express the variables as expenditure shares. Theoretically, using shares of total revenue for our central explanatory variables (sources of revenue) ignores the magnitude of taxes and transfers. Shares would treat districts that have high levels of taxes and/or transfers the same as those that have low levels. Studies of individuals' perceptions of taxation in sub-Saharan Africa, including Tanzania, clearly

⁷ This includes programs like the Tanzania Social Action Fund and the Local Government Capital Developments Program. Since classifying the latter category as a donor transfer could be a debatable point, we use both measures (in separate models).

demonstrate, however, that citizens are cognizant of the amount of taxes they extend to the government and that they expect services to increase with the taxes they pay (e.g., Fjeldstad 2004, Fjeldstad and Semboja 2001, Fjeldstad, et al. 2004). Consequently, we hypothesize that the level of per capita taxes, not their share of the budget, affects citizen demand. Moreover, citizens are far more likely to be aware of the amount of taxes they pay rather than the share of the budget they finance. Along the same lines, we expect that the level of transfers will affect the behavior of local governments far more than the ratio of transfers to local taxes. Empirically, using shares of revenue as the denominator for our central explanatory variables does not address the problem that the denominator of our dependent variable (total local expenditure) would be different than that of our central explanatory variables (total local taxes plus total transfers plus foreign aid). For these reasons, we express aid, central government transfers, and total local revenue in per capita terms. In Table 5.4 below we provide the definitions we use for budgetary terms. In Table 5.5, we summarize and define how we construct our dependent and explanatory variables.

Table 5.4: Definitions of Budget Terms

Total Expenditure = Own Source Expenditure + Central Government Expenditure +
Aid Expenditure

Own Source Expenditure = Government Consumption (Recurrent Expenditure) +
Public Services + Net Surplus

Government Consumption (Recurrent Expenditure) = Salaries and Employee Benefits +
Administrative Costs

Total Revenue = Local Revenue + Government Transfers + Aid

Table 5.5: Dependent Variables and Central Explanatory Variables

	Tanzania	Zambia
<i>Dependent Variable</i>	1. Government Consumption (i.e., employee benefits plus administrative costs) 2. Administrative Costs (i.e., government consumption minus employee benefits)	Public Services
<i>Explanatory Variable: Own Source Revenue</i>	Local Revenue	Local Revenue
<i>Explanatory Variable: Aid</i>	1. Direct Donor Transfers 2. Total Donor Transfers (i.e., aid disbursed by independent government agencies + direct donor aid)	Zambia Social Investment Fund
<i>Explanatory Variable: Transfers</i>	Total government transfers	Total government transfers

We also include a number of possible demographic and economic variables in our models related to level of development and district size (total population and total area) to test for plausible alternative explanations. Structural economic variables are especially important, since one could argue that more economically developed districts possess more accountable governments as modernization theory might predict. We test this argument by including economic variables in our models. For Tanzania these variables come from their national census (2002); for Zambia we use their national census (2000)

and a living conditions survey (2000). The exact structural measures we use in our models differ slightly due to these different data sources.

Our models must also take into account that an omitted factor could affect local taxes and shares of local government expenditure. A more politically engaged electorate, for example, might be willing to pay more taxes and also demand a greater level of services from their local government than a politically apathetic one. Similarly, the economic structure of the local economy may also affect demand for government services. For example, owners of small businesses are likely to be more dependent on local government services, such as garbage collection and street maintenance, than farmers and livestock herders who reside far from urban markets. Moreover, a number of scholars suggest that ethnically fragmented jurisdictions may have a lower demand for public services compared to ethnically homogenous constituencies (e.g., Alesina and LaFerrara 2005). To account for these possibilities, we add the structure of the district economy (employment by profession), district political engagement (voter turnout in Tanzania and the number of parties in Zambia), and district level ethno-linguistic fractionalization to our models.⁸

Finally, we must consider that causation could run from expenditures to sources of revenue. We believe that budgeting procedures obviate against reverse causality. District governments in Tanzania and Zambia operate under cash budgets. As a consequence, they must collect local revenue prior to committing any expenditure. Thus,

⁸ For Tanzania, we have data for the structure of the district economy and voter turnout but lack data on the ethnic composition of each district. For Zambia, we have data on the ethnic composition of each district and voter turnout but lack data for the structure of the district economy. We employ voter turnout to measure political engagement in Tanzania rather than the number of parties since the country remains largely a one-party state.

while it is possible that district governments may identify sources of funding so that they may undertake certain expenditures, chronologically local governments cannot disburse funds prior to collecting them. Further, while district governments might commit to funding certain expenditures in order to receive certain central government transfers or aid, they still must collect the revenue prior to undertaking the expenditure. Appendix Table 5.1 reveals no statistically significant evidence that the central government conditions its transfers on local revenue efforts.⁹ Given these results and the cross sectional data we use, we test our hypotheses using OLS with robust standard errors.

V. Results

A. Tanzania

Table 5.6 presents the results tests using Tanzanian district level data for both our dependent variables, government consumption as a share of total expenditure and administrative costs (government consumption minus employee salaries and benefits). We highlight several points. First, and most important, districts that raise more taxes from their constituents allocate a smaller share of their local budget to government consumption, employing either government consumption or only administrative costs. The p-value of the t-statistic for local taxes exceeds .01 in both cases. Second, districts that possess greater central government transfers devote a larger share of their local

⁹ This does not imply that no the central government and/or donors never conditions transfers on revenue efforts by the local government only that such projects are a small minority of the total local government budget. We only test the effect of local revenue on transfers for Tanzania in Appendix Table A because these are the only two series that we have a multi-year panel of data to examine.

budget to government consumption in all models, also exceeding the .01 threshold. Thus our hypotheses about the effect of local taxes and central government transfers find support in Tanzania.

Hypothesis Test in Table 5.6:
Sources of Revenue Affect Expenditure Allocation
between Government Consumption and Public Services

Table 5.6: Results for Tanzania				
	Administrative Costs/ Total Expenditure		Government Consumption/ Total Expenditure	
Local Taxes Per Capita	-1.502 (3.70)***		-1.845 (3.89)***	
Total Government Transfers Per Capita	2.328 (3.11)***	1.509 (4.38)***	2.807 (3.10)***	1.801 (4.33)***
Donor Transfers Per Capita	0.316 (2.40)**	0.164 (0.94)	0.417 (2.55)**	0.230 (1.07)
Log Population	0.816 (2.79)***	0.954 (2.65)**	0.990 (2.83)***	1.160 (2.64)**
Log Road (KM)	-0.355 (1.19)	0.605 (1.32)	-0.383 (1.05)	0.796 (1.43)
Adult Literacy Rate	0.007 (0.52)	0.012 (0.69)	0.008 (0.52)	0.014 (0.69)
Constant	-13.929 (2.62)**	-19.413 (2.68)**	-17.157 (2.63)**	-23.892 (2.71)***
Observations	49	49	49	49
R-squared	0.52	0.17	0.54	0.18

Robust t statistics in parentheses

* significant at 10%; ** significant at 5%; *** significant at 1%

While the signs and significance of our coefficients support our hypotheses, we also find economically significant effects of revenue sources on expenditure decisions, as we depict in Graph 1. For example, in Tanzania, model three in Table 5.6 predicts districts at the 25th percentile of local taxes should allocate about 88 percent of their local budget to government consumption while those at the 75th percentile should devote approximately 57 percent of their budget to these expenditures. The results for total transfers are equally as important. In that same model, the results suggest that a district at

the 75th percentile of total transfers will devote ten percent less of its budget to services than one at the 25th percentile. It is interesting to note in this regard that the results show local government expenditure is affected far more by local taxes than transfers even though the former comprise a far smaller share of the local government budget. This seems to suggest that citizen pressure is a more significant influence on how local governments spend revenue they collect from their constituents than central government transfers.

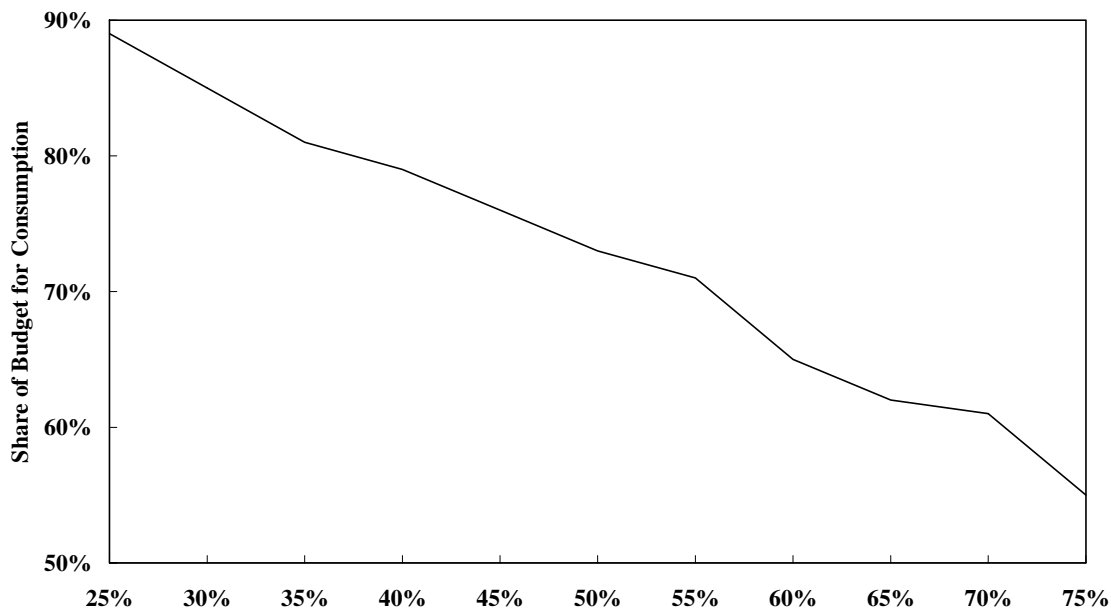


Figure 5.1

Effect of Local Taxes on Consumption as a Share of Local Expenditure in Tanzania

Donor flows, on the other hand, display no systematic effect on government expenditure. These funds have a negative and statistically significant effect at the 0.05 level in the full

model but their significant vanishes if we drop local taxes.¹⁰ Although these findings run counter to our hypothesis, the results using Zambian data below as well as the evidence present in Appendix Table 5.3 suggest that aid flows may not be sufficiently predictable for district governments to react to them.¹¹ Finally, development indicators (literacy rates and kilometers of road per district) have no effect on local government expenditure after accounting for local taxation, allowing us to reject the hypothesis that the effect of locally-generated revenue is a proxy for level of development.¹²

Table 5.6 examines whether the effect of sources of revenue on government expenditure is simply an artifact of the structure of the district political economy. Neither the composition of the district economy nor voter turnout are important predictors of district government expenditures, and the significance of local taxes and central government transfers remains at less than the $<.01$ level of significance and in the directions we predicted.¹³

¹⁰ Alternatively, the results and significant level on taxation do not change significantly if we exclude donor funds. Moreover, the significance of donor funds vanishes if we exclude transfers but this has no effect on the importance of taxation.

¹¹ Specifically, this table shows that while poverty and population explain about 85 percent of the variation in transfers from central governments to districts, these same variables explain only about 13 percent of the variation in transfers from donors. This does not demonstrate that distribution from donors is unpredictable for any single district. Rather, it demonstrates that donors lack a clear and transparent formula derived from district need for allocating funds across districts.

¹² Overall budget effects do not dominate our results for individual sources of revenue (see Table B in the Appendix).

¹³ The results of the regressions do not change if we examine the share of employment in agriculture and/or business individually.

Hypothesis Test in Table 5.7:
Sources of Revenue Affect Expenditure Allocation
Between Government Consumption and Public Services

	Administrative Costs/ Total Expenditure	Government Consumption/ Total Expenditure
Local Taxes Per Capita	-1.35 (3.31)***	-1.65 (3.35)***
Total Government Transfers Per Capita	1.76 (3.63)***	2.12 (3.70)***
Total Donor Transfers Per Capita	0.04 (0.27)	0.08 (0.41)
Log Population	0.59 (2.45)**	0.77 (2.61)**
Voter Turnout	3.83 (1.20)	5.51 (1.49)
Share of Agriculture/Total Employment	-0.01 (0.84)	-0.02 (1.22)
Share of Business Owner/Total Employment	0.01 (0.01)	-0.01 (0.33)
Constant	-10.89 (2.62)**	-13.62 (2.79)**
Observations	73	73
R-squared	0.45	0.45

Robust t statistics in parentheses

* significant at 10%; ** significant at 5%; *** significant at 1%

B. Zambia

We present our tests using data from Zambia in Table 5.8. The results also provide evidence that supports our hypotheses. Districts that raise more taxes from their constituents allocate a larger share of their local budget to public services. Alternatively, districts that receive more central government transfers devote less of their local budget to public services than their more autonomous contemporaries.¹⁴ As with Tanzania, the

¹⁴ We employ different structural explanatory variables in Tanzania and Zambia primarily due to data constraints. In Zambia, in particular, we do not have data for the kilometers of road in the district. In

results are similar when we test for total budget effects (see Appendix Table 5.2).¹⁵ One key difference between the results from the two countries is that unlike donor transfers in Tanzania, districts that have attracted large amounts of ZAMSIF funds allocate fewer local taxes to public services than those with fewer ZAMSIF resources, as we predicted. We believe this result is due to the fact that Zambian district authorities are able to anticipate ZAMSIF transfers with a much higher degree of certainty compared to donor transfers in Tanzania. ZAMSIF informs each district about how much funds will be available to them and districts subsequently propose projects to draw on those funds. This may help account for our divergent results for the effect of donor funds in Tanzania and Zambia. Moreover, as we mentioned, since ZAMSIF is explicitly designed to increase local government capacity, our finding that ZAMSIF funds actually decrease public services as a share of the local budget provides additional support for our hypothesis. Finally, dropping one source of revenue from the regression (e.g., ZAMSIF transfers) does not affect the significance of our other two sources of funds (not shown).

Table 5.8 also reports the effects of other variables regarding political competition and ethnic fragmentation. Unlike in Tanzania, Zambia has a competitive multiparty electoral system with two main parties the incumbent Movement for a Multiparty Democracy (MMD) and the United Party for National Development (UPND); other smaller parties also exist. Column three shows that neither the effect of political competition (the number of parties) nor ethnic composition of districts affects

addition, we add total area and population density of districts in Zambia to our model to test for the effect of basic district factors because unlike in Tanzania population alone had no impact.

¹⁵ Specifically, they do not weaken the significance of local taxes. However, unlike in Tanzania, replacing local taxes with the total budget dampens the effect of central government transfers. Nevertheless, central government transfers represent a very small share of the local budget in Zambia compared to local taxes.

expenditure. Columns four and five show the logic of fiscal governance holds even after accounting the effect of political competition by adding each party's seat share on local councils.¹⁶ These models show some evidence that districts with a higher share of ruling-party MMD seats devote more of their budget to government consumption while districts with a higher share of the primary opposition-party UPND seats are more concerned with public services. More interesting, however, the share of party seats reduces the significance of central government transfers, not local revenue, suggesting that party affiliation may affect central government transfers, not taxpayer oversight.¹⁷

¹⁶ Because of the fairly strong negative correlation between the share of local government votes from each party, we could not put both parties in the same equation.

¹⁷ Simple correlations provide tentative support for this hypothesis. There is a positive correlation between MMD seat shares and transfers while there is a small negative correlation between UPND seat shares and transfers.

Hypothesis Test in Table 5.8:
Sources of Revenue Affect Expenditure Allocation
between Government Consumption and Public Services

Table 5.8: Results for Zambia					
Services as a Share of Local Government Expenditure					
Local Taxes Per Capita	0.005 (2.65)**	0.008 (4.30)***	0.008 (4.41)***	0.009 (4.33)***	0.008 (4.08)***
Transfers Per Capita	-0.023 (2.30)**	-0.021 (2.04)**	-0.021 (1.90)*	-0.01 -0.86	-0.018 (1.79)*
ZAMSIF Transfers Per Capita	-0.020 (2.44)**	-0.019 (2.53)**	-0.021 (2.66)**	-0.02 (2.60)**	-0.02 (2.58)**
Adult Literacy	-0.003 (1.31)	-0.004 (1.91)*	-0.004 (1.85)*	-0.004 (1.80)*	-0.005 (2.12)**
Log Population	-0.058 (1.60)				
Log Population Density		-0.042 (2.37)**	-0.041 (2.31)**	-0.066 (2.90)***	-0.037 (2.00)*
Number of Political Parties			-0.001 (0.04)		
Ethic Fragmentation			-0.065 (0.79)		
MMD Seat Share				-0.005 (1.85)*	
UPND Seat Share					0.002 (2.16)**
Constant	1.022 (1.79)*	0.873 (5.96)***	0.923 (5.95)***	1.052 (6.54)***	0.845 (5.50)***
Observations	46	46	46	46	46
R-squared	0.20	0.22	0.23	0.22	0.29

Robust t statistics in parentheses

* significant at 10%; ** significant at 5%; *** significant at 1%

As in Tanzania, we find that effects of revenue sources on expenditure decisions are economically significant in Zambia, as the graph below shows. Model two in Table 5.7 suggests that local governments at the 25th percentile of taxes expend 47 percent of their budget on services while their contemporaries at the 75th percentile apportion 57

percent of their budget on these expenses. The effects of government and ZAMSIF transfers, alternatively, are less dramatic. A district at the 25th percentile of government and ZAMSIF transfers spends approximately eight percent and five percent more on services than one at the ninetieth. However, the less powerful effect of these sources of revenue compared to local taxes is not surprising given that they each account for only approximately ten percent of the average district’s local budget in Zambia. Nonetheless, it is interesting to note that this conforms to the pattern we observed in Tanzania.

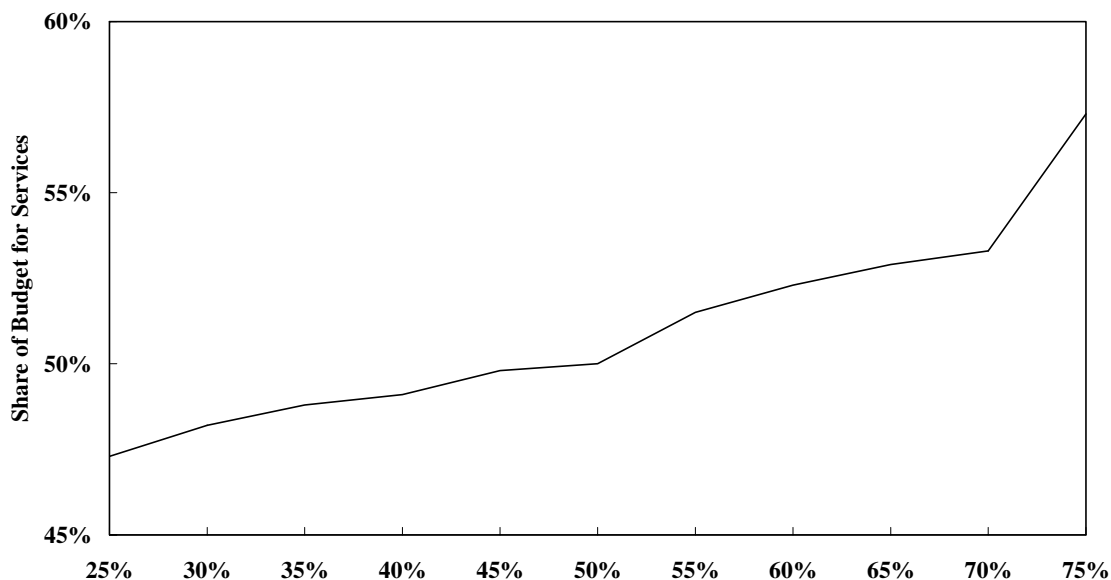


Figure 5.2
Effect of Local Taxes on Services as a Share of
Local Expenditure in Zambia

VI. Conclusion

In the beginning of this chapter, we described the frenetic energy that characterizes council offices in Arumeru compared to the apathy one finds in Monduli

district's offices. The differences in the activities of Monduli's and Arumeru's district council may not depend only on the personal attributes of their members, their electoral promises, or the areas' level of development. Rather, in this study we argue that the political accountability of district governments to their citizens is greater in districts where citizens pay higher taxes while the opposite exists in districts that rely significantly on central government and donor transfers. We found support for our hypotheses about the effects of the different revenue streams using district level data from Tanzania and Zambia. We also established that in both countries, the effect of local taxes on expenditure was far more significant than the consequences of transfers, suggesting that citizen pressure may be a more influential factor on government expenditure of local revenue than external funds. While our sample included data from dozens of districts, perhaps it is no coincidence that Moduli's government receives about 25 percent more transfers from the central government and its citizens pay 10 percent less taxes than their counterparts in Arumeru.

In this study we have employed insights from fiscal theories of governance to examine political accountability at the local government level. While accountability derives from many sources, most notably electoral institutions, we argued that the relationship between a government and its citizens also emanates from their fiscal link. Using district level data gave us a significant advantage over other studies of political accountability. Sub-national budgetary data from Tanzania and Zambia allowed us to isolate fiscal from institutional factors in a way mostly unavailable to conventional cross-national studies. Our empirical tests led us to infer that a government's provision of public services is in part a consequence of its fiscal connection with its constituents.

One of this study's central benefits was our ability to test the logic of fiscal governance under two institutional structures. Local governments in Zambia are far more fiscally autonomous than those in Tanzania. In addition, whereas Tanzania remains essentially a one-party state, Zambia has vigorous multi-party competition. Consequently, we have some evidence that the fiscal incentives we observed are not idiosyncratic to one political or party system. Rather, the motivations that sources of revenue create seem to function across different types of institutional structures.

Please note that I wrote this chapter with Clark C. Gibson.

Appendix Table 5.1: Determinants of Transfers in Tanzania 2001-2005

Log of Per Capita Lagged Transfers	0.61 (5.96)***	0.62 (5.89)***
Log of Per Capita Revenue	-0.01 (0.16)	
Log of Per Capita Lagged Revenue		-0.01 (0.47)
Observations	412	412
R-squared	0.99	0.99
Fixed Effects	Yes	Yes

Z statistics in parentheses

* significant at 10%; ** significant at 5%; *** significant at 1%

Method: Panel-corrected standard errors corrected for panel-specific auto-correlation and heteroskedasticity.

Appendix Table 5.2: Total Budget Effects for Tanzania and Zambia

	Tanzania: Government Consumption/ Total Expenditure	Zambia: Public Services/Total Expenditure
Local Taxes Per Capita	-0.754 (3.30)***	0.021 (2.31)**
Total Government Transfers Per Capita	0.154 (2.71)***	-0.002 (0.21)
Total Budget Per Capita	0.007 (0.25)	-0.018 (2.07)**
Log Population	1.258 (2.97)***	-0.072 (2.21)**
Constant	-15.992 (2.80)***	1.400 (3.75)***
Observations	50	46
R-squared	0.24	0.17

Robust t statistics in parentheses

* significant at 10%; ** significant at 5%; *** significant at 1%

Appendix Table 5.3: Determinants of Transfers to District Governments in Tanzania that Report Donor Funds

	Employee Benefits	Administrative Costs	Development	Direct Donor
Log Population	0.607 (14.04)***	0.659 (12.73)***	0.956 (41.23)***	0.536 (2.06)**
Literacy Rate	0.012 (4.19)***	-0.003 (1.44)	-0.001 (0.35)	-0.014 (1.37)
Log Road (KM)	0.128 (2.69)***	-0.048 (0.88)	0.119 (3.75)***	0.207 (0.65)
Constant	5.555 (8.99)***	5.947 (7.58)***	-1.994 (4.50)***	6.209 (1.99)*
Observations	56	56	56	53
R-squared	0.88	0.82	0.97	0.13

Robust t statistics in parentheses

* significant at 10%; ** significant at 5%; *** significant at 1%

Chapter VI: Conclusion

I. Introduction

In this dissertation I have examined the factors that determine political accountability at the local level in Tanzania.¹ I have undertaken this task by analyzing three core functions that all local governments in that country must execute: implementing development policies and projects, raising revenue from their constituents, and allocating local taxes. In this final chapter, I would like to present my concluding remarks. This chapter contains three additional sections. First, I place my study in the broader context of political science. Second, I provide a review of my argument and briefly summarize the results of my investigation. Third, I discuss the relative current performance of local governments in Tanzania as well as the likely outcome of extending them greater autonomy.

II. Placing the Study in Context

Political accountability is central to political science because the relationship between a principal and an agent is arguably the most significant factor that determines the abilities and incentives of governments to undertake actions on behalf of their citizens. Increasingly, scholars and practitioners of development also recognize the

¹ I also briefly examined local government in Zambia in Chapter V.

importance of political accountability for encouraging governments to implement policies that benefit their citizens. The 2006 edition of the World Development Report, the World Bank's most influential publication, unequivocally endorses this new direction by stating that "politicians have the correct incentives to provide public services only when they have to appeal to the broad mass of citizens (World Bank 2005: 108)." In my dissertation I have focused on the conditions that strengthen and weaken the accountability of elected officials to their constituents at the local level in Tanzania.

In my dissertation, I have relied on two broad sets of theories to develop hypotheses on the factors that should provide councilors with the incentive and capacity to act in the interests of their constituents, institutions and fiscal governance. I noted in Chapter I that empirical studies testing these contrasting approaches tend to be cross-national, which means that they cannot fully isolate the effect of political institutions on accountability from consequences that derive from fiscal relationships because these factors are often closely intertwined across countries. By contrast, district governments within Tanzania are identically structured, thereby allowing me to isolate how different sources of revenue affect accountability from variations in political institutions. As far as I am able to ascertain, no other study combines a similar research design with exhaustive data to examine these issues in sub-Saharan Africa. Below I review my argument and my results.

III. Review of the Argument and Summary of Results

In this dissertation, I have examined how accountability functions at the local level in Tanzania through examining the core responsibilities that councilors must undertake. I argued that two factors, (1) political and party institutions, and (2) sources of finance strongly influence the motivation and capacity of locally-accountable officials to address the concerns of their constituents. I demonstrated that the country's institutions allocate minimal power to locally-accountable officials as compared to district civil servants and executive branch officials. As a consequence, I hypothesized that the principal factor that should affect variation in the ability and incentive of councilors and MPs to act in the interests of their voters is the source of local government revenue. In general, I observed that local governments with a sizable resource base enjoy greater autonomy from the central government, provide a higher level of services to their citizens, and tax their constituents more benevolently than their less financially autonomous counterparts. Below, I summarize my central results from each chapter.

In Chapter II, I analyzed the structure of accountability in Tanzania. By examining the country's political institutions, I determined that locally-accountable officials possess limited authority compared to senior bureaucrats at the local level. By studying its party structures, I concluded that CCM representatives encounter strong motivations to support the party's policies and that non-CCM elected officials lack the capacity to serve their constituents effectively without adhering to CCM's policies. The survey and ethnographic data I examined demonstrated that Tanzanians' perceptions of the quality of their local authorities closely follow allocation of political power.

Specifically, the data showed that peoples' trust in public officials correlates with their ability to hold these individuals accountable. Finally, the data also confirm that voters tend to evaluate the effectiveness of locally-accountable officials based on the tangible services they provide.

In Chapter III, I analyzed how the central government executes its poverty reduction policies at the local level in order to ascertain the role of councilors in that process. In that chapter, I conjectured that councilors face a potential accountability dilemma because the priorities of the central government may differ from those of a councilor's constituents. I hypothesized that only the executive branch has the ability to resolve this impasse because of its political control over local government affairs. I also conjectured that only senior government/party officials possess the incentive to solve this dilemma due to their concern for maintaining the national popularity of CCM. The data supported this hypothesis. Specifically, I found that the central government/CCM senior officials strongly influence the development projects local governments implement and that locally-accountable officials lack the motivation or capacity to challenge the center's ability to exercise this authority. Moreover, I demonstrated that the electoral benefits locally-accountable officials derive in return for accepting the unbalanced allocation of influence further reduces their incentive to contest the authority of the executive branch. Finally, I provided data to support the contention that only those districts possessing a significant source of local revenue can challenge the political power of the central government at the local level.

In Chapter IV, I examined the methods district governments employ to raise taxes from their constituents. This is an important issue to examine in Tanzania as some local

governments collect revenue by producing services while others resort to extreme forms of coercion to obtain taxes. The central question I asked was under what conditions do district governments have the ability and incentive to commit to utilizing taxpayer funds to provide services in return for revenue? I argued that the mobility of the district workforce and the size of the tax base determine their capacity and motivation to provide services. In particular, I demonstrated that in jurisdictions with a mobile workforce and a sizable resource base, local governments possess the incentive and capability to collect revenue through producing a substantial amount of services. Alternatively, I showed that in districts characterized by stationary citizens and a shallow tax base, local governments have little motivation and capacity to generate services in exchange for taxes. I further showed that many of these districts resort to intimidation to collect revenue as well.

In Chapter V, I examined how sources of revenue affect the incentives of local governments in Tanzania and Zambia to expend local taxes on government consumption versus public services. Employing insights from fiscal theories of governance, I argued that the motivation of local governments to allocate local revenue for public services should increase as local taxes rise and decrease as transfers increase. The data largely supported my hypotheses. Specifically, from that analysis I learned that districts which obtain significant revenue from their constituents devote a larger share of their local budget to public services than those who tax their constituents more lightly. By contrast, I found that local governments which receive larger central government transfers and foreign aid allocate fewer of their own tax revenues to services than their more financially autonomous counterparts.

Having reviewed my argument, I would like to conclude with two brief implications of my study. I examine these in the following section.

IV. Implications

Having summarized my findings, I examine briefly what I might be able to infer from them with regard to previous periods of local government in Tanzania and the benefits of greater local government autonomy in that country. My general conclusion is that despite the many problems that exist with local government in Tanzania today, their performance has been far worse in the past. Moreover, I possess substantially more evidence to support the conjecture that greater decentralization would lead to less effective local government in general than I do to maintain the opposite hypothesis. Overall, most district governments may be performing adequately given the constraints they encounter and extending greater authority to them is unlikely to improve their performance.

One of the recurring findings in my dissertation has been that the unclear principal-agent relationship between elected councilors and senior district civil servants creates an enormous amount of tension between these officials and provides the district bureaucracy with substantial leverage over councilors. Consequently, it would seem logical that clarifying the relationship's hierarchy is an essential component for catalyzing more effective local government. However, in Chapter IV I demonstrated that both of the alternatives, greater local autonomy or more centralization, have produced far more disastrous outcomes than the current system in Tanzania. Moreover, considering

that the vast majority of local governments lack the resources to be able to finance a wide range of projects from local revenue, a more autonomous system of local government alone is unlikely to permit many local governments to be more effectual, as the history of local government I presented in Chapter IV makes clear. Rather, most local governments encounter a situation where they can only undertake activities that benefit their voters if they receive the funds for these projects from the central government.

Unfortunately, the above result presents a policy dilemma when considered in the context of other findings I have discovered in the course of my investigation. On the one hand, as I observed in Chapter V, currently, districts that receive significant central government transfers possess less of an incentive to utilize local taxes to provide services than those who are more financially self-sufficient. On the other hand, as I demonstrated in Chapter IV, the first period of central government belies the simple notion that greater transfers will inevitably undermine efforts of local governments to produce services with their own taxes. On the contrary, during that period, urban councils that received significant subventions from the central government grew their tax bases and appreciably increased citizens' access to services utilizing their own revenue. Alternatively, tax levels and provision of services stagnated in rural self-sufficient councils. Although these findings seem contradictory, it is important to recall that during the first period of local government, rural districts with few internal resources were more autonomous than comparatively wealthy urban ones whereas the opposite exists now.

I draw two conclusions from these results. First, aspects of the local economy, specifically the size of the tax base and the mobility of the population, may be essential considerations when conjecturing about the effects of external funds on incentives of

local governments to collect revenue from their constituents and to produce services from those taxes. Second, and most important, regardless of the consequence of external transfers on local tax collection, as I demonstrated in Chapter IV, most districts, primarily in rural areas, possess few lucrative activities to tax and hence encounter limited incentives and abilities to provide services from local revenue. Without external sources of finance, development in these districts is likely to stagnate as it did during the first period of local government. Since poverty reduction in most rural parts of Tanzania is unlikely to occur without significant central government resources, officials that represent this branch of government must hold some authority at the local level if for no other reason than to ensure that district officials do not mismanage the center's funds.

It may seem surprising that an unclear principal-agent relationship combined with limited autonomy is a reasonable method for organizing local government in Tanzania. It is the country's economic context that leads me to this conclusion. In this dissertation, I have observed consistently that locally-accountable officials who preside over a significant resource base possess the capacity and incentive to act in the interests of their constituents. However, I also demonstrated that most elected officials at the local level in Tanzania do not enjoy this privilege. Rather, most councilors govern an electorate composed of poor and immobile farmers. As the first period of local government in rural areas demonstrates, fiscal autonomy in such a situation does not necessarily provide a local government with the incentive or the ability to provide services and may leave district officials few choices other than employing force to raise revenue to finance their obligations, the antithesis of more accountable local government. As a consequence, I conjecture that in the absence of a mobile population and a sizable tax base, greater

decentralization is likely to lead to less effective local governments. However, it is also important for me to point out that in those jurisdictions that do possess a sizable resource base and an mobile population enhanced self-sufficiency may lead to a more effectual local government as greater autonomy would provide them with the ability and incentive to address the concerns of their constituents.

The most important observation I take from my analysis in this dissertation is that institutional structures alone are not sufficient for designing effective local government, even in the absence of high levels of inequality and/or ethnic or religious conflict. Rather, the economy that local governments encounter creates serious constraints to their incentive and capacity to act in the interests of their constituents. If local governments are unable to be economically self-sufficient, a system of where elected local officials possess limited autonomy but hold the capacity to articulate their constituents' demands to central government officials and rely on them to finance local projects, as currently exists in Tanzania may be a reasonable division of authority.

Finally, it is important for me to note the limits of this examination. Tanzania is a unique country in many ways. The nation is very poor, has low levels of inequality, lacks ethnic or religious tensions, and enjoys political stability. For these reasons, I am not able to predict with much confidence that the findings in this examination would hold in countries that have greater sources of internal social friction. At the same time, because these potentially confounding factors are not present in Tanzania, I have greater confidence that the variables I have isolated are affecting the outcomes I have observed.

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