INSTITUTE OF CURRENT WORLD AFFAIRS

IMW-12
Tanganyika's Three-Year Plan

P.O.Box 5113
Nairobi, Kenya
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Mr. Richard H. Nolte
Institute of Current World Affairs
366 Madison Avenue
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Dear Mr. Nolte:

Tanganyika is a poor country, one of the poorest countries yet to have attained independence. But unlike so many other economies dominated by peasant agriculture, it has maintained a satisfactory rate of growth during recent years, and there is widespread evidence of a general rise in living standards. Tanganyika has developed mainly through the growth of exports of agricultural products (about 80% of export earnings against 13% for minerals). Agriculture is central to the whole economy and comprises about 70% of the total output. Industrial development has been proceeding rapidly, but it will continue to depend upon the growth of the internal market and thus, to a great degree, on the development of agriculture. At the same time Tanganyika is better equipped than many other primary producers to cope with recessions and benefit from revivals. It is fortunate in having a relatively diversified economy with a variety of agricultural (at least seven important income earners), livestock and mineral products.

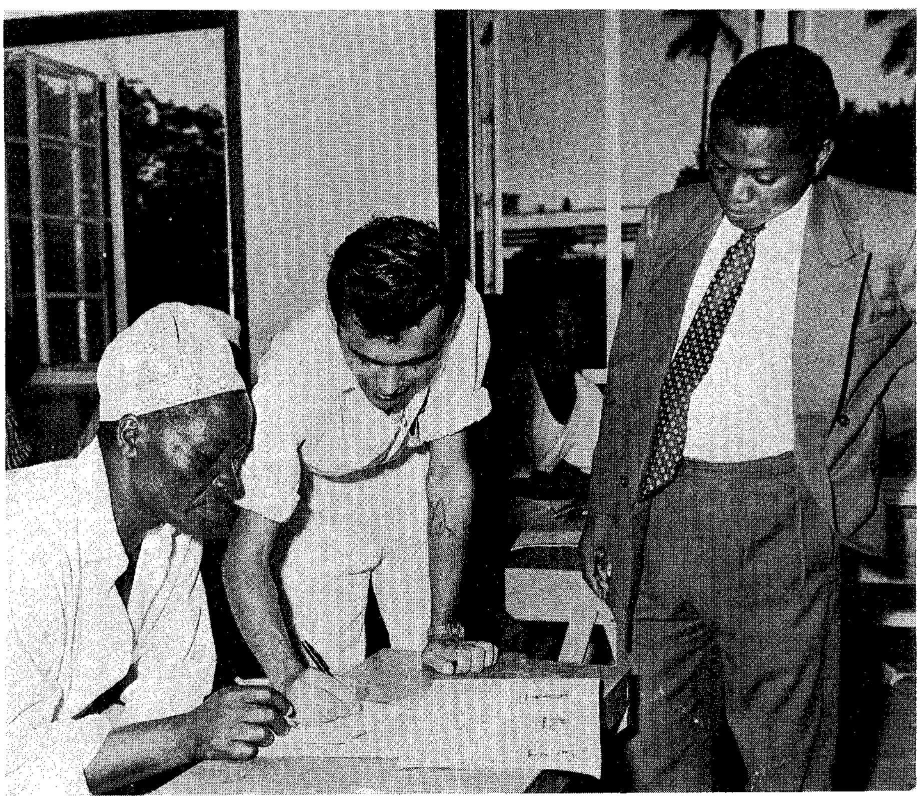
The rate of capital formation has been high, over 20% between 1954 and 1960. Of this one-third is made by the public sector and two-thirds by the private sector. Tanganyika's exports have been growing at an annual rate of 5%, and over the last seven years, all but one year showed a favorable balance of trade. Much of the development capital has come from these export earnings (1960: total value of trade £94.4 million, favorable balance £18.7 million).

Although the situation isn't unfavorable, it is obvious Tanganyika has a long way to go before achieving the stage of sustained economic growth. The problem now is to lay firm foundations for such growth. In 1959, with this in mind, the World Bank sent an Economic Survey Mission to Tanganyika with the following task: "To assess the resources available for future development, to consider how these might best contribute to a balanced program of social and economic development, to make recommendations for practical measures to further such development, and to indicate the financial implications of such recommendations."

The Mission's report (The Economic Development of Tanganyika) was published last March. Desirous of securing the maximum feasible increase of revenue-yielding economic activity through public expenditure, the Mission recommended that the main development effort should be concentrated on African agriculture. This has, of course, to be supported by other developments, such as water supplies, irrigation and communications. Increase in agricultural production is proposed by improving existing African methods, and supplementing this by a "transformation" approach to make more productive use of land by efficient farms of economic size to justify greater capital investment.

Dealing with the "improvement" effort, the report says this should be effected by means of extension work, and a revitalized program of agricultural credit, and measures to improve markets for African crops and to increase cash incentives. Immediate steps should also be taken to prepare a program of "transformation", largely in the form of planned settlement and partnership schemes. Plans should be made for an expanded program of irrigation and flood control works. Ranching and dairying schemes should be investigated and developed.

Education also should be given high priority, especially plans to improve and increase the education of girls and to expand technical training facilities. The Mission's recommendations also embrace forestry, fisheries, manufacturing, mining, transport, roads, tourist trade and game reserves and research. Finally, the Mission considered, "A more positive attitude should be taken toward non-African traders. The interests of the African consumers are best served by the maximum amount of competition between traders, and the growth of the economy is benefitted by the greatest possible availability of consumer goods and small implements. The desire to facilitate entry of Africans into trade should be met not by restricting others, but by such measures as training and provision of appropriate credit facilities."



Rashidi Kawawa, Minister Without Portfolio, visiting an Adult Literacy class (all photos courtesy Tanganyika Information Services).

The Mission pointed out that financial stringency and budgetary limitations would be the determining factors in any planning for the future. This is due to the small taxable capacity of Tanganyika's low-income economy. Moreover, the amount of money that can be borrowed is limited by the capacity of the recurrent revenue, since interest payments on loans and provision for repayment of capital have to be met out of recurrent expenditure. At the same time most development expenditures generate lasting increases in recurrent expenditures that also have to be met out of recurrent budgets.

The World Bank Mission came to the conclusion that Tanganyika, assuming the continuity of present expansion, could count on an average annual increase of central government revenue of about 4½% or approximately £1 million. On this estimate, the Mission recommended a total plan of £18 million over the 1961/62-1963/64 period and placed a limit on the balance to be met from external borrowing at a little over £11 million.

On May 15, 1961 the Tanganyika Government announced its Three-Year Plan aimed primarily toward the expansion and improvment of agriculture, education and communications. In the Introduction to this document, the Government states: "The reality of economic planning in the hustle and bustle of a fast developing African country bears little or no relation to the theoretical work on elegant models constructed in statistical laboratories of more developed countries. In Tanganyika, it has not even proved possible to follow the 'programming' approach....Generally, the final plan...reflects the main priorities of the Tanganyika Government at this stage of the territory's political and economic development."

The main theme of the plan is the laying of foundations for future growth. The main objectives are:

a) Development of agriculture and the livestock industry with its subsidiary task of development of water supplies and irrigation;
b) Improvment and development of communications; and
c) Development of secondary and technical education.

But industrial and mineral development is also important and so provision is made for a Development Corporation and for mineral surveys and geological mapping. The emphasis is firmly on economic development and within it on projects which are likely to yield quick returns. Over 60% is for economic development, and social services account for another 20%. The remainder represents either the continuation of existing plans (medical services, police force, etc.), or the implications of achieving independence (army, foreign service, etc.).

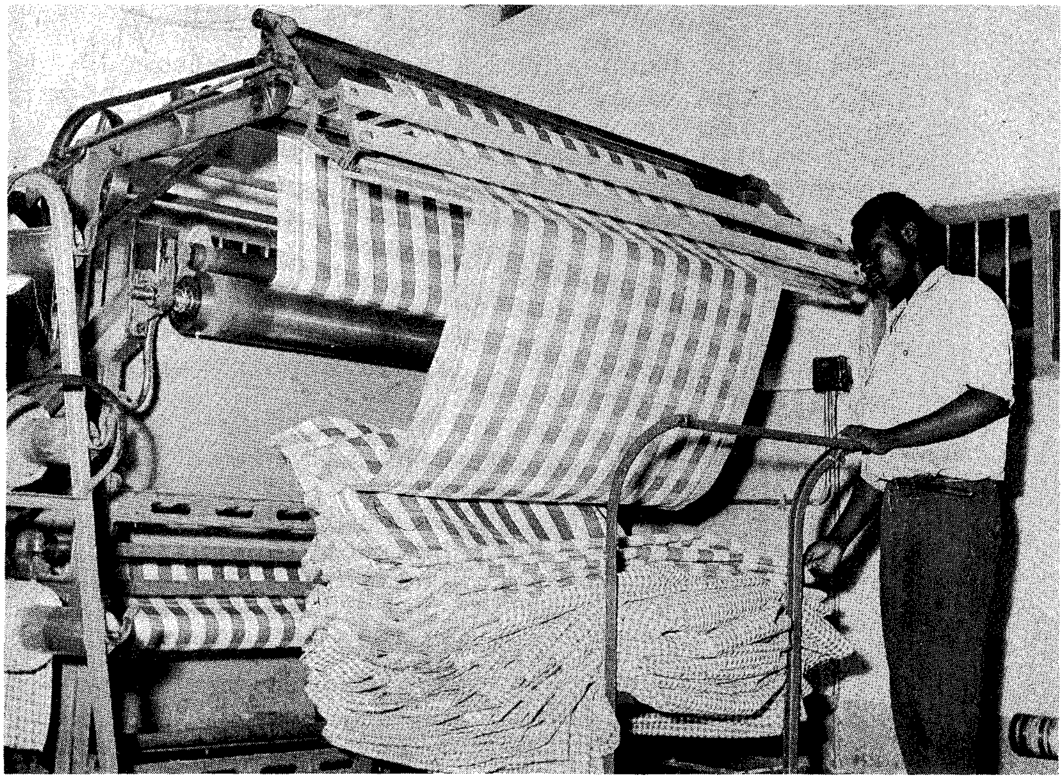
Tanganyika plans to spend £24 million on the Plan which was devised by the Development Committee of the Council of Ministers. The Committee carefully considered the financial limitation of £18 million recommended by the World Bank Mission, and decided that in view of recent trends and "somewhat more optimistic prospects concerning both the country's recurrent revenue and the total of grants and aid likely to be available", it would be justified in planning for the higher figure. The sources appear below (in £ million):

A. Grants:	
1) U.K. Colonial Development and Welfare	4.5
2) Other sources	3.0
B. Miscellaneous Local Revenue	1.0
C. Loans:	
1) Internal borrowing	4.0
2) External borrowing	11.5
TOTAL	24.0

"The Committee fully realizes that planning for an expenditure of this size involves taking a calculated risk based on an optimistic view of the future trend of events." The Plan will, of course, be subject to revision according to changing circumstances. A functional analysis of the Plan follows:

	£'000	%
Agriculture	2,355	9.8
Veterinary	319	1.3
Forestry	533	2.2
Water Supplies and Irrigation	2,291	9.6
Tanganyika Agricultural Corporation	507	2.1
Trunk Roads	3,217	13.5
Feeder Roads	950	4.0
Aerodromes	193	0.8
Power	1,800	7.5
Development Corporation	600	2.6
Industrial Credit	80	0.3
Geological Mapping	147	0.6
Mineral Surveys	125	0.5
Education	3,270	13.8
Health	954	4.0
Co-operative Development	265	1.1
Community Development	229	1.0
Township Development	1,154	4.8
Lands and Surveys	170	0.7
Game and Preservation of Wildlife	354	1.4
Police and Prisons	2,180	9.1
Army	200	0.8
Government Buildings	1,027	4.3
Housing	694	2.9
Information Services and Broadcasting	152	0.6
Miscellaneous	164	0.7
TOTAL	23,930	100.0

The framework and distribution of development expenditure is similar to that recommended by the World Bank Mission. The main differences are due both to political and economic factors. The political factors comprise expenses associated with independence.



Expansion continues in the knitwear and textile weaving industries.

The economic factors include a reassessment of the need of power for which no provision was made by the Mission, and a shift of emphasis from water development to agriculture mainly due to a greater emphasis on the development of main trunk roads rather than on feeder roads. This decision has been affected by the number of surveyors available as well as the fact that the Government does not accept the Mission's view that the main trunk road system is virtually complete.

Before concluding this brief summary of Tanganyika's Development Plan, I would like to draw attention to the Government's stated need for expatriate officers. "Since the expatriate officers form at present the backbone of all technical services of the Government on which the fulfilment of the development plan depends, any rapid decrease in their numbers could have a great effect on the plan itself."

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The man behind the Three-Year Development Plan is Sir Ernest Vasey, Minister for Finance since February, 1960. Sir Ernest, aged 60, first came to East Africa in 1936 to take up a commercial assignment. During his twenty-three years in Kenya, in addition to playing a prominent part in the Government, he held many directorships in industry, including manufacturing concerns, the hotel and cinema business and breweries. He served on the Nairobi City Council from 1939 to 1950 as Alderman and Mayor. Sir Ernest became an Elected Member of Kenya Legislative Council for Nairobi North in 1945, and in 1950 was appointed Member for Health and Local Government. In

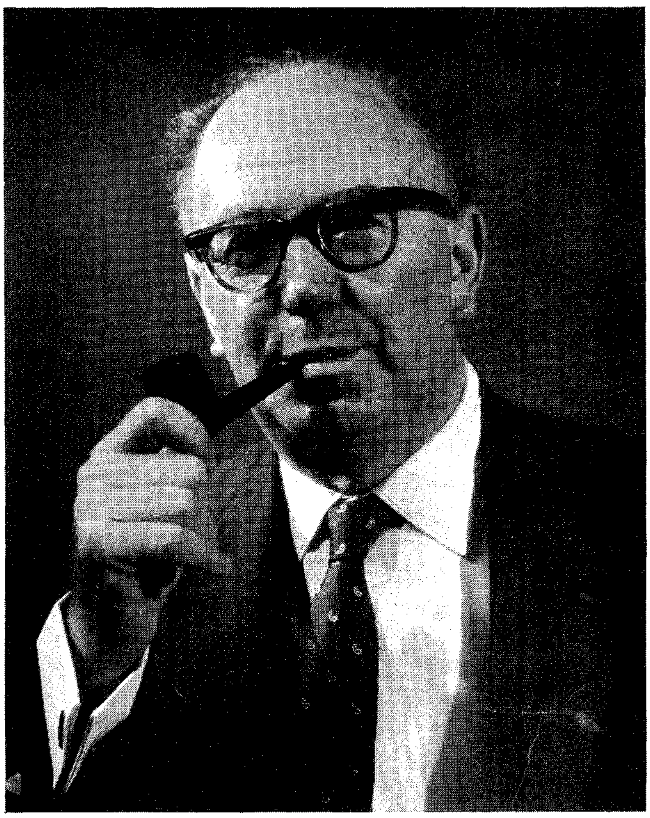
1951 he became Member for Education, Health and Local Government, and in 1952 he was appointed Minister for Finance and Development, which position he retained until 1959. Although Sir Ernest is neither a civil servant nor an elected member of the Tanganyika Government, he was nominated by the Governor at the request of the Chief Minister to be a member of its Legislative Council when he took up his appointment as Minister of Finance. His is an extraordinary position in that he is the only member of the new Government to have been nominated and not responsible to a constituency.

On the announcement of his appointment in late 1959, a member of Legislative Council said:

> I was delighted with this news. Sir Ernest has an international reputation and we felt we were very lucky to have him. His political views were well known and he would be suitable for Tanganyika....Some members had expressed concern at such a projected appointment as they felt that the portfolio of finance should be held by an elected Minister.
>
> Julius Nyerere explained to the members that, during his visit to London, he had told the Colonial Secretary that the control of finance must be in the hands of the elected government and that he and his colleagues could not accept a civil servant in the position of Finance Minister.... The Secretary of State had asked Julius Nyerere what his reaction would be to an appointment of an outside man, such as Sir Ernest Vasey....They had felt...if no agreement could be reached, they might find themselves faced with the appointment of a civil servant. Sir Ernest was a man who, had he been living in Tanganyika, would very likely have been a member of (Legislative Council), and would, in that case, have been their own choice for the financial portfolio....

Sir Ernest agreed to accept the appointment if the Governor were to offer it to him; but he made it clear that he would be doing so at the request of Julius himself, and would consider himself as working for him and for the elected members.

Sir Ernest Vasey, K.B.E., C.M.G.



Sir Ernest made his debut in Legislative Council with his 1960/61 budget on April 27. His speech was clear, concise and interesting and served to educate as well as to inform. In it he made the following statement regarding his approach to foreign economic assistance:

> During my recent negotiations with Her Majesty's Government I was given the assurance that financial help would be given towards approved recurrent expenditure if that help was needed. I feel, however, that a country moving towards independence must not grow to rely on outside assistance towards its recurrent budget. Nations, like individuals, are only truly independent when they can pay their way; though they, like individuals, may need help from time to time they should only take it to help them to get into a position to improve their lot and their ability to repay. Nations, like individuals, can only rely on having what they can pay for themselves. Therefore, although it is good to know that the assistance of Her Majesty's Government is available if necessary, we must try not to need it or use it.

This is a refreshing point of view, and his budget message was received with enthusiasm by the elected members.

We met Sir Ernest on his first working day after uhuru. His air-conditioned office in the ancient Treasury building was a relief from the oppressive December heat in Dar es Salaam. "I'm here to get the ball rolling," he said, "and once I have done just that I'll be happy to step down. Eventually I'll have to, because I'm a nominated member even though I enjoy Nyerere's and the Government's fullest confidence."

Just before uhuru the U.S. announced a loan of $10 million would be available for the development plan, and Germany announced a similar loan of £3.2 million. Nigeria gave an uhuru present of £20,000. "The American money will be used entirely for the plan if negotiations are successful. The German sum, however, will probably be used partly for projects within the plan and and partly for outside projects. Again negotiations have not yet been undertaken."

Concerning the availibility of funds, he said, "We will take money from any country which offers it to us with no strings attached." He told us that no country from the Eastern Bloc had yet offered a thing, although "virtually all the funds needed for the plan are now available".

"We are taking a calculated risk with the plan, but only insofar as recurrent expenditures are concerned. If the situation doesn't live up to our expectations, we will have to cut down on recurrent expenditures, but we don't think this will be necessary."

Some people consider the World Bank Mission's recommendations unduly cautious and feel Tanganyika would have little trouble in raising even more money. But almost everyone feels Sir Ernest Vasey has gotten "the ball rolling".

Sincerely yours,

Ian Michael Wright

Ian Michael Wright

P.S. Since writing the above, Julius Nyerere and Sir Ernest Vasey have resigned from the Tanganyika Government. Sir Ernest will become, however, financial and economic advisor to the Government. Commenting on the absence of Sir Ernest from the new cabinet, Mr. Nyerere said it was inappropriate to have in the Government a Minister who was not a Tanganyika citizen and who, unfortunately, was not even qualified for citizenship. Nyerere has asked him to continue to advise the Government because they would still need his experience. Nyerere emphasized the change had nothing to do with their confidence in Sir Ernest. Considering Sir Ernest's unique position in the Government and in spite of numerous reports to the contrary, his resignation was to be expected, although it probably was hastened by tensions within the Government over a situation as yet unknown. My initial reaction to the changes is that there has not been a significant change in the balance of power within the cabinet.

I.M.W.

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