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**CAPACITY BUILDING IN POLICY : Challenges and Options**

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# **CAPACITY BUILDING IN POLICY**

## **1.0 INTRODUCTION AND CONTEXT**

Capacity building in the context of development poses fundamental challenges. The challenges here are: in charting out a framework of key development goals; creating a system of nation wide legitimacy and credibility that would permit mobilization of the populace towards implementation of development programmes that are consistent with the framework of development goals; building the human capacity to design and implement development programmes; and building and evolving appropriate institutions through which individuals' efforts can be organized to realize the development goals.

Capacity building must be defined in relation to the mission or vision of development of an institution or an economy. The kinds of capacities that are build are influenced by the nature of development goals that a national (or part of it) has set for itself. Human and institutional capacities therefore are built with a view to managing policy towards attainment of specified goals by weathering through particular internal and external conditions. In this context when development goals change or when the environment changes usually the kinds of policy capacities that must be built change in response to the changing conditions.

## **2.0 NEW CHALLENGES FROM A CHANGING ENVIRONMENT**

Three categories of developments have posed new challenges for capacity building. There are economic liberalization, political liberalization and globalization processes.

### **2.1 *Economic Liberalization***

On the economic front there is a transition towards a more market oriented economy and private sector led development. A market economy requires a change in the regime of policy influence from direct controls to eliciting responses indirectly via incentive instruments. The demand for in depth knowledge of how different markets function in specific Tanzanian contexts has increased. In the new policy environment, economic management has to contend with the dual task making both the government and the market function more effectively and efficiently; a situation which generates demands for more information and a greater capacity for collecting, analysing and using the information for policy analysis and economic management. The capacity for managing a market economy differs substantially from the capacity for managing an administratively controlled economy. Managing policy for a market economy involves a greater understanding of how markets work and often involves establishing or reorienting the institutional foundations for markets to function. Institutions such as the legal and regulatory system, capital markets and banking systems and information management institutions need to be reoriented to the requirements of a market economy. In some cases even missing markets many need to be developed.

Simultaneously occurring is the shift from the public sector led economy to a private sector led economy. The changing position of parastatals has also meant a dilution of a major source of information for reviewing the performance of the previously parastatal-dominated sectors. Reliance on indirect sources of information has increased exerting demands for a new skill profile for basing policy advice on new and less direct sources of information. Here, the challenge is to create a strategic division of responsibilities between the public and the private sector which will be pragmatic and not preconceived but rather, relevant and suitable in the prevailing situation. In this context, one issue that is missing and urgently needs attending to is public-private sector partnership. Under the new circumstances it is expected that the government will explore avenues in which it can contract out policy analysis to other parties outside the government. Arrangements should be made to borrow people from the private sector to work for sometime in the government (as is done in other countries).

To date there have been various reforms which have attempted to articulate appropriate policy measures (e.g. interest rate levels and exchange rate determination) to accommodate these changes. However, there still remains a more difficult task of carrying out institutional changes

which will, to some extent if not absolutely, delineate the complex boundary between the public and private sector. The pluralistic institutional structure should enable the state to play its role of creating a favourable environment and efficient infrastructure so as to foster the efficiency of productive enterprises.

Furthermore the process of devising this symbiotic relationship between the public and the private sector is made more complex by the fact that this division does not end merely at the respective responsibilities of the state and private sectors, but also division among central authorities, local governments and local communities, as the state gives way to the private sector. The argument for decentralization is based on the premise that development initiatives and basic services (e.g. water supply and primary education) are best managed at the local level. The aim is to enable ordinary people to take charge of their lives and to make communities more responsible for their development process.

## **2.2 *Political Liberalization***

Tanzania is undergoing a transition from a more closed political regime under one party to a more open and liberalized multiparty political system in which various groups in society can organize in political parties or in other forms of associations whereby they can articulate their interests more explicitly. The influence of the mass media has also increased considerably bringing up many more policy issues to the public domain and creating conditions for greater level of accountability in policy performance.

Political changes have emerged in the form of democratization and political liberalization. Various groups in the society have greater freedom to articulate their positions on various issues and hence make an impact on policy analysis and policy making process. Under the new multiparty politics various political parties are free to articulate a variety of positions and policies, in addition, various social groups such as, private sector, the civil society, youths and women are better posed to articulate their interests. This has been accentuated by the significant increase in freedom of press which facilitated an increase in the media involvement in the process of bringing policy issues to the public domain thus enhancing public awareness and facilitating greater public scrutiny of policy performance. It is becoming politically more risky and costly to make policy mistakes and to ignore the views of these groups which are slowly but surely gaining the strength and ground to impact the policy making process. It is becoming increasingly clear that, in this new socio political environment policy making is no longer an monopoly of the government. Currently, there are still perceptions among the various groups of stakeholders, actors such as the business community, traders and farmers' associations that their views have not been adequately incorporated in the policy making process. It is suggested that greater attention should be paid to devising the most appropriate ways through which all actors can be

given the opportunity to present their views on policy proposals so that they can be incorporated in the policy making process. There is a need therefore to increase the ability of the state to manage and mediate diverse interests, which are a natural result of groups which are different in nature, size, and the degree of pressure that they can exert on the policy making process.

This new political setting has at least two implications on policy capacity building. First, capacity building has to address the challenge of enhancing the ability of the government to manage the interest of these various groups. Second, there is greater need to enhance the capacities of various groups in society to enable them to locate their own interests in the broader context of societal interest.

### **2.3 Globalization Processes**

The international stage is undergoing changes which are rapidly opening the world market to competitive forces. Customers are increasingly demanding an adequate, timely and quality delivery of goods. Globalization is increasing (rather controversially) hand in hand with regionalization. Recent years have seen the formation of new trade blocs (e.g. NAFTA and Pacific Rim) and strengthening the ones which are already existing (e.g. European Union). Although these have been instrumental in facilitating competitiveness, they also signal the existence of protectionism in these various blocs. It is becoming increasingly difficult, at least for those on the outside of these blocs, to penetrate these markets.

The rapid advance of science and technology, is having profound effects on almost all spheres of life. On the production sphere, production conditions are continuously changing to allow a more efficient, cost and resource saving production process. The rapid advancement of information technology has facilitated rapid information, money and commodity transfers across the globe. National borders are fading away as it becomes easier for the effects of these changes to percolate through national frontiers.

The challenge here is to build the individual and institutional capacity to accommodate the implications of such changes. It requires developing the ability to accommodate these changes by building the capacity to read signals from the changing world, and making the necessary policy adjustments to cope with these changes. Effective accommodation of these changes implies ability to forecast, assess and tap the benefits from these global changes, at the same time minimizing losses and keeping the costs to be borne by these changes at minimum.

To cope with the dynamic internal and external environment individuals and institutions alike are challenged to think globally (and regionally) and act locally.

### 3.0 CAPACITY BUILDING IN POLICY PROCESSES

The policy process involves several stages in which policy analysts and policy makers have different roles but also have considerable areas of interaction. Policy capacity building applies to policy analysts and policy makers.

#### 3.1 *The Policy Process*

The policy process for sound economic management refers to the sequential process of identifying problems, analysing them, formulating appropriate policies to options to solve them, articulating these options clearly, deciding upon which of the options to take, implementing these policies and finally evaluating the implementation process. Capacity building in policy analysis requires instilling where there isn't and increasing where it is not adequate the ability to manage this sequential process. It will, therefore, require action to enhance the ability to:

- ***Identify problems:*** This means establishing the causal factors of the problem which may be systemic (i.e. inherent within the system) individualistic (i.e. within actors in the system) or exogenous, that is, caused by external shocks.
- ***Analyze problems:*** In so doing, assessing and understanding the problem in terms of its magnitude, causes, complexity and effect, in order to facilitate the formulation of appropriate policies and establishing a good order and priority in which to solve them.
- ***Formulate appropriate policies:*** This involves identifying and measuring the impact of various proposals and policy options as solutions, assessing trade offs, and weighing alternatives for solving problems which are more often than not, complex. It is a process which is done under conditions of uncertainty, competing and sometimes conflicting interests, and, within a constrained time frame.
- ***Present policy options:*** Having formulated the policy options, these have to be presented to policy makers in way which is clear and which will persuade policy implementers to carry them out. Strengths and weaknesses of these various options need to be clearly spelled out, and specific courses of action which are relevant and applicable given the prevailing social, economic and political situation should be recommended.
- ***Make policy decisions (Policy Making):*** Selecting the course of action given that the above considerations have been taken care of. This has to be done in good time, avoiding time lags which might render otherwise appropriate policies, ineffective.

- ***Implement these policies:*** This involves a careful planning and sequencing of actions which need to be carried out.
- ***Evaluate the outcome of the implementation process:*** This refers to taking stock of the relative success and failure of the policies pursued in terms of achieving the aim for which they were designed. For either outcome, it is useful to analyze on one hand the extent to which the success /failure of the policy is attributed to limitations in the policy itself, reflecting some weakness in the process above, and on the other hand the extent to which the implementation of the policies itself has contributed to the outcome.

Failures in policy implementation may arise from several angles: the policy itself may be the wrong instrument for addressing the problem; the policy may have been appropriate for a previous problem under previous conditions which may be different from new conditions; the implementation of the policies may have been given rise to further problems which had not been anticipated; or the supervision and preparation at the implementation stage may have been inadequate.

Lessons from policy implementation should be used to make the necessary modifications and improvements in the process of policy analysis and economic management. In occasions of success, concerted efforts should be directed at sustaining the situation, and duplicating these efforts in other areas where it may be relevant. As for the event of failure, an evaluation of the limitations which may have occurred in any of the above mentioned areas and processes is needed, strategies need to be reviewed and where necessary, the policies should be revisited.

### ***3.2 The Interactions : Capacity of Policy Analysts and Capacity of Policy Managers***

It is worth noting at this point that policy analysis and economic management are distinct but interactive and interdependent processes. Policy analysts are not necessarily economic managers and each has to be equipped with requisite skills to carry out their functions, as well as to interact successfully with the other.

#### ***3.2.1 Policy Analysts***

The first four of the processes of policy analysis (i.e. problem identification, analysis, policy formulation and presentation of policy options) presuppose the skills of policy analysts which are founded on the ability to research, synthesize and weigh various policy alternatives. However, it also requires an insight into the practical, political and bureaucratic options, creativity and imagination as well as effective communication. These skills can be found in individual

researchers with an interest in a variety of areas related to policy making, in various government departments, formal training institutions, academic as well as non academic research institutions, and of late, various NGOs and private consultancy firms with a vested interest in policy related research.

### *3.2.2 Economic Managers and Policy Makers*

The process of policy decision making and overseeing the implementation of those decisions is the task of economic managers and policy makers, who, need to be politically sensitive, well versed with the principles of public administration and task management. These may be ministers, principal secretaries, or heads of departments.

### *3.2.3 The Interaction*

Policy analysts and economic managers interact at several points. However, the interaction is often at its highest during the stage of presentation of policy options for decision making. The policy analysts well equipped with above mentioned skills are confronted with the task of presenting clearly and persuasively their policy options to economic managers. Economic managers should be able to grasp these options and make informed choices and decisions as to which policies to implement.

The process of capacity building in policy entails enhancing the capability of both policy analysts and economic managers and putting in place a smooth and efficient institutional mechanism for these groups to interact. Policy analysts often work on demands from economic managers so the capacity of economic managers in demanding analysis is very important.

## **4.0 NATIONAL CAPACITY ASSESSMENT : THE STATUS**

Policy capacity needs to be built not only in government but also in various other groups in society to enable them make their contributions in a more informal and effective manner. In this context it is important to address the issue of policy capacity in government and outside government. A recent study which was coordinated by the Economic and Social Research Foundation has made a national capacity assessment in public sector economic management, civil service, regional and local administration, private sector, civil society and in the educational system.

The results of that study indicate that the policy capacity in these sectors / groups is to a large extent weak. It needs to be enhanced to enable the various groups / sectors play their appropriate role in the policy process. The results of that study are presented in the following sections:

### **4.1 *Public Sector: Economic Management***

Capacity building in the public sector should involve reorientation of the structures, organisation and skills to cope with the redefined role of government in managing a more market oriented economy in the new era of openness and globalization. This implies rationalization of functions and structure of public institutions, improving organization and efficiency, pay reform, improving the operational environment and supportive work facilities and organizing appropriate training and retraining.

With some of the few qualified Tanzanians taking jobs abroad and those remaining obliged to function under adverse working conditions, the country's capacity for strategic thinking and planning has been weakened. Thus Government on several occasions takes action without having formulated long-term plans or stipulated adequate guiding principles.

The public institutions that are responsible for economic policy formulation and financial planning, management and control are the Planning Commission, the Ministry of Finance (including the Accountant General's office in that Ministry), the Bank of Tanzania, the Controller and Auditor General's office and the Revenue Authority. Of these institutions, the Bank of Tanzania has successfully implemented a programme of rationalization and incentive improvement, and operates at a good level of effectiveness. The Revenue Authority is a recent innovation, intended to transform government's revenue collection capacity. The other key institutions are still in need of reform to achieve satisfactory levels of performance.

The quality of the information system for economic data is an important element in developing the capacity for economic and policy analysis. The challenges of collecting and analyzing

economic data in market economy, with a large part of activity in the informal sector, are enormous.

Yet the capacity of the Bureau of Statistics has not been upgraded especially in the regions to cope with the new challenges of timely data collection and analysis.

The responsibilities for financial planning, management and control lie with the Ministry of Finance, the Revenue Authority and the Exchequer and Auditor General's Office. The capacity of the Ministry of Finance is particularly wanting in the areas of budget management, fiscal policy, and financial management (Exchequer and Auditor General's office and the Accountant General's Department).

#### **4.2 Civil Service**

The civil service in Tanzania has greatly expanded over the years from about 90,000 in 1961 to about 316,000 in 1994. Of these civil servants, professionals and administrators represent 5 per cent while, middle level technicians and lower cadres represent the remaining 95 per cent. Also in 1961, about 60 per cent of the civil servants had an educational level of up to primary school only. Besides, available data show that 44 per cent of the civil servants were assigned duties for which they had no skills and that 51 per cent of the civil servants assigned supervisory and administrative responsibilities at various levels did not possess the required supervisory and administrative skills.

Intra Civil Service training capacity is low due to lack of adequate teaching staff, systematic training programmes and teaching facilities. Enhancing capacity in this sector should consider:

- (i) Skills for managing private sector participation in the economy to ensure a fair conduct of business by the private sector.
- (ii) Ability of the Government to manage the interests of the various groups in the society and at the same time enhancing their capacities for locating their interests in the broader context of interests of the society at large.
- (iii) Capacity for keeping abreast with the fast changing technology.
- (iv) Policies ensuring that the public service is staffed by enough qualified people in all spheres.

### **4.3 Local Administration**

Capacity Building in local government poses challenges of training and retraining of staff to cope with greater responsibilities of development management. All the three levels of the local administration namely councils, wards and villages require revamping in terms of equipment, staff and revenue collection capacity. These efforts should focus on:

- (i) Administrative capacity to facilitate attainment of development objectives namely ability of staff to comprehend and interpret government policies and understand the scope of their responsibilities at the regional level and ability to maintain peace, order and good government and promote social welfare and economic well-being at the local level.
- (ii) Revenue collection and utilization
- (iii) Planning and programme evaluation
- (iv) Tax assessment
- (vi) Manpower planning and incentive package.

### **4.4 Private Sector**

The private sector in Tanzania is fragile due to many factors, including a fragile state-owned banking and financial system, uncertainty about the direction and the sustainability of the macro-economic policy framework, apprehension on the genuineness of government ideological shift to favour the private sector, the declining standards of education at all levels, absence of an equity capital market, and technological obsolescence. Also, many private businesses are family owned. Informal private sector entrepreneurs lack the business and marketing skills they need for success and are further frustrated by officialdom and bureaucratic obstacles including uncertainties in support services. The private sector organizations and business associations were also found to be very fragile.

The important issues to be examined should include formation of a strong and sustainable national forum to facilitate dialogue between the government the business community, establishment of venture capital financing institutions, development of entrepreneurial capacity through appropriate education and training and promotion of research-and-development (R & D) projects and programmes, establishment of stock markets to encourage broad ownership of the enterprises, establishment, by the state of an enabling environment for the private sector, sensitization of the general public on the roles of public and private sectors, as well as on the role of cooperatives as engineers of private sector development, especially in the rural areas.

#### **4.5 *Civil Society***

The current changes in the world socio economic characteristics have influenced the emergence of even more NGOs. Service institutions have sprung up composed of institutions which are not government agencies and are not profit-making. However, thus far, little or no attention has been paid to this sector, its economics, management, performance, and impact. One reason may be due to the fact that the sector is such a mixed lot and includes all kinds of people from all walks in the society.

The existing capacity of NGOs is still low. Local NGOs are weak. Due to problems of raising enough funds to sustain their activities, a number of NGOs operating in the country are affiliates of NGOs registered elsewhere. This leads to erosion of autonomy in determination of their direction and in priority setting, and can be a hindrance to the development of local capacity, depending on the nature of activities they are involved in and personnel recruited. There is a tendency to choosing activities which are amenable to support from outside rather than those which are important to the local economy.

The civil society requires capacity to mobilize and inform its constituencies and to communicate and negotiate with Government and private sector interlocutors. The areas for examination should include a definition of the civil society, the role of the civil society on matters of government, the relationship between local and foreign NGOs and capacity needs (human and financial) to foster autonomy in the activities of NGOs.

#### **4.6 *Education System***

The educational system is the key source of supply of human capacity for policy and development management. Yet education has been neglected at every level and effective access to quality education is limited for a large part of the population. The quality and relevance of secondary and tertiary education is generally unsatisfactory and, combined with shortage of vocational and technical training, it has led to an underskilled workforce. The schools and universities are producing large numbers of graduates without the requisite skills for performing adequately both in the public and private sectors.

Accessible and high quality education and training necessitates capacity for managing the education system. Primary and Secondary Education requires an examination of the curriculum to make it more amenable to the recent public social and economic developments in the country and congruent with the recent classification for secondary schools according to career paths and in consistency with the concerns for quality and efficiency implied in the current move towards

privatization of education delivery systems. Other areas of examination include capacity of teaching staff, availability of basic infrastructure and teaching materials, and funding.

In the area of tertiary education the issues to be examined should include the enrolment level, female representation, allocation of funds, coordination of the tertiary institutions, teaching methodology, student output (numbers and relevance for employment) and the establishment of a facilitating and incentive structure for capacity retention.

## **5.0 CHALLENGES OF CAPACITY BUILDING IN POLICY**

### **5.1 *Stop Capacity Erosion***

The little capacity that exists has been subjected to several sources of erosion rather than building. The first challenge is to check these processes of capacity erosion. The following are some of the sources of capacity erosion.

First, the shift from medium term and long term planning of the 1960s and 1970s to short term (and often crisis management) programmes of the 1980s and 1990s has blurred the main mission on the basis of which policy capacity could be built.

Loss of ownership of the development agenda as manifested by the practice of responding to donor initiatives rather than pursuing well defined national initiatives has played a role in diverting policy capacity away from consistent capacity building to achieve national development goals. In this context two recent initiatives are encouraging. First the initiative which is being taken to chart out a development vision. Second, the initiative taken to redefine Tanzania-donor relations to allow for greater ownership of the development agenda by Tanzania. These initiatives should be pursued with a view to defining a mission on the basis of which policy capacity can be built.

Second, in some cases technical assistance personnel has been allowed to replace rather than complement local technical capacities. This has resulted in eroding the little local capacity that exists.

Third, there is the practice of creating projects as separate islands from the rest of the administrative machinery. These project islands are often better equipped and personnel there are better paid. This erodes the capacity of the regular government administrative capacity in two ways: by diverting some of the human capacities from the regular government machinery to projects and by demoralizing those left out of the projects. In addition, administrative machinery for aid projects operating parallel with the regular administrative machinery of government contributes to eroding the institutional capacity of the government departments.

Fourth, too many donor demands on the local capacity especially of local senior officials keeps them too busy meeting donor requirements rather than consistently pursue well defined national development goals. This also undermines the on-the-job training of junior staff as the senior officials are too busy to attend to capacity building of the junior staff. This process of shifting from one donor requirement to another has the effect of eroding capacity in relation to the national development goals.

Fifth, erosion of coordination within Ministries and departments and between them is partly attributed to practice of aid programmes as separate activities from the programmes which are financed from the regular budget.

## **5.2 *Utilize More Effectively Existing Capacity***

Efficient utilization and effective utilization of existing capacities is an important aspect of capacity building. Effective utilization of capacities requires a conducive environment politically, economically, and socially.

### **5.2.1 *A conducive political environment***

A conducive political environment presupposes good governance and good leadership. Good governance requires accountable state officials. These should selflessly pursue the economic well being of the society by striking a strategic balance between institutional/national and personal interest. Good governance entails transparency in government procedures, and transactions process investment decisions, contracts and appointment. This not only keeps the system honest but also creates an informed public hence increasing their broad participation in the policy making process. The rule of law must be adhered to by government and its citizens. This implies that individuals, government and institutions alike should be subject to rules and regulations which are understood by all in the society.

Good leadership prevails in a situation where managers set standards for their staff which means they must have clear expectations of work to be done. Staff must be encouraged and held responsible and accountable for results, such that merit is rewarded and bad performance sanctioned.

### **5.2.2 *A conducive economic environment***

This entails creating and maintaining favourable working conditions as well as appropriate incentive structures which together will first, encourage people to be more productive and second, prevent all forms of brain drain. Inadequate salaries divert public (and private) officials to unprofessional forms of behaviour like collecting bribes, misappropriating public funds etc. In short, incentives are created to do jobs in ways which are inconsistent with national and /or institutional interest. Furthermore it also contributes to brain drain of massive proportion as frustrated professionals opt to work either in foreign countries or in fields where their expertise is not used efficiently, in search of suitable remuneration packages. Recruitment and promotion should be based on merit and competitiveness to encourage professionals to remain in the country and in their professions in so doing retaining and effectively using local capacity .

### *5.2.3. Conducive social environment*

This entails having the support and the acceptance of the civil society. Important social actors e.g. political leaders, bureaucrats, legislators, businessmen, and religious leaders, labour leaders etc. must be convinced of the value of the capacity being put in place. Their support and appreciation of performance of officials can have positive effect on capacity building.

### *5.3 Creating New Capacities*

Capacity building is a continuous and multidimensional process of creating new capacities in individuals and institutions to enable them to undertake quality policy analysis and economic management given the complexity and the continuously changing nature of the national and international environment. It therefore requires an establishment of a strong training foundation which will facilitate a rapid learning process and enhance adaptability which will increase the ability to deal with the dynamic environment. This kind of foundation is needed in both formal training institutions and informal on the job training. This can be complemented by establishing various fora and other opportunities for policy dialogue. For instance, professional networks and associations may provide opportunities for professionals to interact so as to facilitate policy debates and a peer review process at the national, regional and international level. In the long run this enhances the quality of the work done and research undertaken by these professionals, broadens the range and increases the depth of skills for policy analysis and economic management. It also increases the capacity and confidence of the professionals. These can provide the link between research and policy communities and enhance the dissemination of research results and other relevant information to more diverse groups of people.

The national responses still largely lack comprehensiveness and the necessary coordination to rationalize the utilization of the available capacities in policy analysis. There is a need to pursue a strategy for strengthening the capacity for policy analysis at national level. Such a strategy should consider five elements:-

- (i) to augment the existing capacities in policy analysis through appropriate formal training programmes and enhancing the dissemination capabilities (e.g. economic journalism) for research results to reach a broader audience;
- (ii) to instil professional confidence for rigorous and credible analysis;
- (iii) to put in place an appropriate incentive structure for encouraging the retention and fuller utilization of the available capacity;

- (iv) to enhance professional exchange and interaction among professionals and between researchers and policy makers; and
- (v) to coordinate and keep an up-to-date data base of the existing capacity, research outputs and avoid the wasteful duplication of efforts.

#### **5.4 *Institutional Capacities***

The institutions (within government or outside government) which are carrying out policy analysis can best perform their tasks if they are imbued with managerial effectiveness, commitment and complementarity among them. The current status of policy analysis is fragmented. Fragmentation of policy analysis has implications on the institutional aspects. The capacities of local institutions are too scattered; there is a need to bring them together and create a critical mass that can work more effectively. The implication here is that policy analysis should be managed more effectively and in a more integrative manner. In order to ensure this, there is a need to design and engage in networking in the policy analysis exercise and integrate the approaches adopted in such an initiative.

In this context, it is important to enhance institutional autonomy in capacity building at various institutional levels such as central economic management institutions (e.g. Planning Commission, Treasury and the Central Bank), line ministries, local governments and research and training institutions in the government and non government sectors. This type of autonomy does not mean that these units operate in isolation, rather it means the different policy analysis and economic management units (line ministries, central economic management units and think tanks, local government levels as well as research and training institutions) have the freedom to carry out objective analyses which, incorporate effective consultations, interaction within and between these units as well as cross fertilization of ideas with other organizations.

Overall, the reform process needs to be accompanied by appropriate institutional reforms. Institutions must adopt routines, attitudes, values and missions which are consistent with the new conditions in terms of development goals, the internal political and economic conditions and the imperatives of the globalization process. Institutional restructuring and reorientation remains the greatest challenge in policy capacity building.

## **6.0 CONCLUSION**

Capacity building in policy must incorporate actions to stop capacity erosion, initiatives to utilize more effectively existing capacities, initiatives to reorient existing capacities to cope with the demands of managing a reoriented economy and efforts to create new capacities to cope with new problems and complexities.

### **6.1 *Policy Capacity for a Purpose***

Sustainability of capacity building presupposes a unanimous development vision through which all development plans and programmes as well as policy analyses and policy actions can be linked and coordinated. Capacity building is a function of demand. A clear development vision will facilitate the determination of each sector's nature and magnitude capacity building requirements. Without a vision it is easy to concentrate on demands of a particular sector at the expense of declining capacities in supporting sectors, without which no matter how advanced the strengthened sector becomes it might well fail to deliver the goods. A development vision through which a consensus on the basis of which policy formulation and implementation can be effected is therefore crucial for the planning, coordination and organization of sustainable capacity building for policy analysis and economic management.

### **6.2 *Reorientation of Policy Capacity***

Management and policy making in a market economy in private sector led development calls for policy sector led development calls for policy capacity reorientation towards greater understanding of how markets function, how to create missing markets and how to facilitate the workings of the market to achieve national development goals. The approach to regulation of parastatals is very different from the approach to management and regulation of private enterprises. The policy regulatory capacity to manage and guide private sector development needs to be built.

### **6.3 *Democratization of the Policy Making Process***

The changing conditions in Tanzania's society entail first, a broader participation of the different groups in the policy making process and requires that the state recognizes this and, takes the necessary steps to ensure that the views of these stakeholders are incorporated. Care needs to be taken to put in place mechanisms which mediate the diverse interest groups in a way which guards against any single group pushing its interest at the expense of others. There is a need for policy dialogue between these various groups and between these various groups and the government. An institutional arrangement which will facilitate such a form of communication

will increase the individuals' and institutions' ability to understand, discuss and reach some form of consensus on their different view points, and hence perform quality economic analysis and economic management. Secondly, the shift from a centrally planned economy to a market economy occurring simultaneously with the move from public sector led development to a private sector led economy is calling for a reorientation in the way policy analysis and economic management is approached.

#### **6.4 *Policy Capacity to Cope with Globalization***

Furthermore, rapid changes in the market conditions of the world economy and the rapid advances in technology are posing a challenge to these various groups and the state to equip themselves with the ability to recognize and plan in good time on the one hand, how to make the best the opportunities that may arise as a result of these changes, and how to minimize the threats on the other.

#### **6.5 *Continuity of the Policy Capacity Building Process***

Lastly, capacity building is a continuous process in that it is not possible to start and have it completed within a set time frame. The dynamic nature of the environment in which these policies are made, requires that at all times, institutions and individuals alike upgrade their capacities to cope with such an environment. To cope with such a demand, the process of capacity building has to be sustained. The state and various stakeholders in the policy formulation process have to make a commitment in terms of allocating the human, and financial resource for this area in order to create and strengthen local capacity, and in so doing, facilitate the local ownership of the research agenda. Efforts must be made to ensure that the institutional set up and general working conditions encourages local experts to stay in their country and in their professions, for efficient capacity utilization. Training institutions (e.g. the Universities), which provide the foundation on which capacities are build should be strengthened simultaneously with cooperation between these and emerging non university research institutions so that they can complement each other in the capacity building process.

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