

COMMANDING HEIGHTS

Jim Adams

1

After serving as the World Bank's country director for Tanzania and Uganda since the '80s, Jim Adams was appointed its vice president for Operational Policy and Country Services (OPCS) in 2002.

In this interview, Jim Adams takes a candid look at the World Bank's activities in Tanzania and reasons for the successes and failures of different programs. We then hear from two Tanzanian nut farmers on subjects ranging from modernization of African industry to the hardships faced by entrepreneurs in Tanzania.

The World Bank's Program in Tanzania

INTERVIEWER: For an audience that doesn't know a lot about the World Bank, ... what is the role of the World Bank in a country like Tanzania?

JIM ADAMS: Well, for the Bank, Tanzania's a fairly large African country program, which really means three things. We do a lot on the resource-mobilization side, working with other donors and providing the overall resource needs of Tanzania and coordinating that. We have an annual consultative group meeting where the donors get together and make commitments and review government performance, which structures the level and the content of those commitments. We then have our own program, which in a typical year involves between \$150 and \$200 million. It's a program fairly broadly spread across areas that the Bank invests in, and we do some balance-of-payment support, focusing on the macroeconomic program. We do considerable support for social services. We do considerable support in the rural areas where we provide both support to government activities and some support to NGO [non-governmental organization] activities. And then, finally, we do large infrastructure projects. We're heavily involved in power, in roads, in the water supply sector as well.

INTERVIEWER: Looking at the big picture, why are you here?

JIM ADAMS: Well, the role of the Bank in the donor community focuses both on working with the government to develop programs to provide financing for them and then looking at specific programs and investments to try to help the government implement its programs and ensure that both government resources and resources from outside are combined in a way that most effectively supports the development of Tanzania.

Tanzania's Socialist Past

INTERVIEWER: The title of our series is *Commanding Heights*. What does that phrase mean in the Tanzanian context?

JIM ADAMS: Well, in a Tanzanian context, it has a bit of a special meaning, because Tanzania is a country which from 1967 to 1985 was a very strong state-led economy. The government in the early '70s nationalized most industrial assets—many of the plantations, banking, and the infrastructure services. And since 1985 it has essentially been moving away from a state-led system towards a system focusing more on market economy, market developments, stronger integration with the outside world. And so in the old days, the commanding heights was used as a strong suggestion that the government was going to control things and manage the economy, and, as I said, since 1985, the government emphasis has been moving away from that orientation towards a market orientation.

INTERVIEWER: How effective was the government's efforts to manage the commanding heights?

JIM ADAMS: Tanzania's a complicated story in that respect. Essentially from 1967 through the '70s, the increased government investment in the economy, heavily supported by donors, resulted in a significant increase in government ownership. But unfortunately, by the late '70s, in concert with lower commodity prices, the economy in Tanzania deteriorated dramatically. When Tanzania got involved in removing Idi Amin from power [in Uganda in 1979], the military expenditures from that further aggravated the economy, and essentially by 1980 the economy was in significant decline.

The '80-85 period was a period of significant debate within Tanzania about which way the government should move. And with the election of the second president, the second-wave government, President [Ali Hassan] Mwinyi, the government began the restructuring of the economy and then moving towards stronger influence for market forces, a stronger role for the private sector. And then in the early '90s, the government began, in fact, selling off and privatizing some of the key entities that it had formerly owned.

Julius Nyerere and African Socialism

INTERVIEWER: How much of that attempt to manage the economy was influenced by the beliefs and objectives of [Tanzania's first president] President [Julius] Nyerere? Talk a bit about him as a man and the influence he had.

JIM ADAMS: President Nyerere was the father of the country. He was the first elected leader and basically ran the country, unopposed, through 1985. In 1967, with the Arusha Declaration, he started down the path of what he called African socialism, which did involve a stronger state-run economy, driven heavily by three strong views. One is that he felt that in the early years of independence, economic growth was not fast enough. He always talked about running while others walked. I think the second message was that he felt the economy was too dominated by outsiders. And I think thirdly he felt it particularly [important] to provide money for a stronger social program. He wanted to use the surpluses from the private sector to support that. ... He had what he called the ujamaa program, which was an attempt to organize the rural areas, which are the dominant areas in Tanzania, around villages where services could be provided by the state. The economic record unfortunately didn't live up to expectations, and by the late '70s, performance essentially didn't allow the sustaining of most of the programs that he'd put in place.

INTERVIEWER: But this was all done with donor support, and the World Bank was not alone [in Tanzania]. Why was there such support for what Nyerere was doing then?

JIM ADAMS: Why? There were a couple of aspects that people found attractive. One was this question of whether a very poor agrarian economy could be stimulated in this way to grow more quickly. And of course that idea was heavily influenced by some of the information about the success of socialist economies in other parts of the world, much of which turned out to be exaggerated. I think the second important dimension of it was when he looked at the social sectors in particular. [At its independence,] Tanzania had a very small education system, a very weak health system, [and the donors] simply wanted to give this much, much, much higher priority. And third, I think, is that there was interest in [Tanzania] having achieved independence and having an economy heavily dependent on the outside; the sense that if the domestic energies could be mobilized and stimulated through this, that [Nyerere's program] represented an alternative and was perhaps the more positive way to go.

Now, history unfortunately proved that some of these assumptions weren't realized. But I think all of these things were things that, when people looked at them from a development perspective, stimulated a lot of interest and, as you said, substantial support from outside.

INTERVIEWER: Did Nyerere come to believe that the managed economy was wrong?

JIM ADAMS: That's a hard question. Nyerere stepped aside, which is unusual in Africa. Nyerere stepped aside in 1985, and the reality is that most of the serious reform followed that. But two things are interesting. He was still the chairman of the major party, at that time the only party in Tanzania. And secondly, he certainly remained an active participant in political discussion from '85 to when he died [in October 1999]. And while he had views, and some of his views didn't support all the reforms, he never stepped in and actually attempted to stop those reforms. I think many people feel that if he had wanted to, he could have.

The other interesting thing is that the period 1980-85 was a period where the donors increasingly moved away from Tanzania.... And during that period there was a very robust internal debate about what should be done. And I think one can argue strongly that reforms came in Tanzania not simply because of the financial pressures, but in fact because there was a very strong consensus within a variety of groups in Tanzania that the change was necessary.

The university played a key role in that. Some of the key actors are still around, and what they'll emphasize is that what began as a very small activity within the university, discussing reform and what had to be done, in fact by the mid-80s became pretty much a national debate and dialogue about what had to be done. And most of the change came because that dialogue concluded that change was necessary.

Benjamin Mkapa and Tanzania Today

INTERVIEWER: Talk about the current president [Benjamin Mkapa], who came to power in late '95.... How did the reforms evolve after he came to power?

JIM ADAMS: There was an important report done in mid-95 by Professor Helleiner, an academic from Canada. Gerry Helleiner had been involved for a long period in Tanzania. At one point he was on the board of directors of the Central Bank, and so he came as a sort of

objective party to broker some of the disagreements between the donors and the government. He made three points. One, he felt that the macro program was definitely off track and that both the level of inflation and the level of deficit was undermining the government's credibility, particularly because a lot of that deficit related to government policy decisions with respect to tax exemptions. Secondly, he felt that the longstanding relationship with the donors was at risk, because donors provided a lot of support from [around] '85 to the early '90s and were getting frustrated. And third, he emphasized that he was worried that the government ownership of the program was at risk, that too much of the leadership was from the donor side rather than from the government side.

I think that in the five years President Mkapa's been in power, he's worked hard on all three of those issues. He's been clear from the beginning that he wanted to get the macro focus on track. He's been very clear that he wanted the government to be seen in the lead in this effort; he didn't want to see it coming from the outside, either from the World Bank and the IMF [International Monetary Fund] or from donors. And thirdly, he's emphasized the underlying importance of making the government programs, both government-financed and donor-financed, more effective in terms of their implementation and in terms of their impact on the poverty issues of Tanzania. And those are the themes that he's stuck with pretty consistently through the six years, and they've had a big impact.

I mean, the weather hasn't been kind to Tanzania over the last three or four years, but during every year of his regime there's been real economic growth in perceptible terms. Inflation is substantially down from the high 20s; now it's single digit. And while I think on the program side the president remains a little frustrated—I mean, he feels that performance can improve—I think the message is that there have been some improvements. And he's certainly put a lot of pressure on the bureaucrats and the technocrats to improve the performance of the government program. The Bank program is a good example of that. Five years ago, in an average year, we dispersed about 16 to 17 percent of the money we had available to disperse. We're now up around 25, 26 percent, which takes Tanzania from being a little below average in the African region to being well above average. So there is progress, but certainly there is more that can be done.

Capacity Building and Other Obstacles to Tanzanian Development

INTERVIEWER: We talked to some people who started businesses here, and they talk about enormous problems of bureaucracy—things like equipment coming in and then sitting in customs for months and then having to pay 50 percent duty and that kind of thing. Talk about that phenomenon. From where you see it, what can be done about it?

JIM ADAMS: There are a couple aspects of this that are important in the reform area—what the government has been able to do by passing legislation or changing the system. For example, the exchange rate system. Exchange rates used to be a managed government variable. You had to go to the Central Bank and put in requests for foreign exchange. Sometimes you got what you asked for; sometimes you didn't. The government was able to move to a market-based system on that by essentially changing the rules of the game. Everybody agrees that that works right now. There are no queues if you need foreign exchange; as long as you pay the market-determined rate, you get it. On those sorts of reforms, government performance has been excellent.

When you go to issues that involve what we call capacity building, increasing the capacity or the integrity of the system, those are much more difficult, and Tanzania has a double constraint. Certainly they still have a lot of capacity weaknesses where the actual availability of people to do certain jobs basically doesn't yet exist. Tanzania comes from a background of having virtually no capacity [at the time of its] independence, which is now almost 40 years ago, but it still needs time to develop the capacity experience to run modern systems. The second thing that Tanzania suffers from is the inheritance from the state-led system—that there's still a lot of regulation, laws, taxes on the books which can be abused. And when civil servants aren't paid very well—and civil servants aren't paid very well in Tanzania—one of the ways you compensate for that is using your authority ... at times through abuse, at times simply by delaying things, to manage the system in a way which is neither transparent nor always fair and honorable.

Now, you know corruption is not unique to Tanzania; government corruption exists everywhere, but I think in a low-income context like this, it's particularly problematic. And what I find interesting in Tanzania is that there are a lot of firms that simply say, "We're not going to play that game." You know, if you take Coca-Cola, the South African Breweries, which

is a large investor, they simply don't play those games. But if you're a smaller operator and your business depends on the availability of those goods coming through customs quickly and efficiently, and you get put into a position where you have to choose between paying and getting it quickly or not paying and waiting and perhaps suffering major losses or even the collapse of the business, this makes for a weak system. And it makes for a system where the abuse is, unfortunately, fairly widespread. Tanzania is an interesting case in that there's a lot of optimism in the business community on the one hand. Certainly people see that there have been major changes and major improvements. But then there is real frustration with the way some of the processes and the daily workings of business really do constrain and make business more difficult.

INTERVIEWER: And how does Tanzania rate [relative to] other African countries?

JIM ADAMS: Well, there are annual surveys on this, and the surveys tell a reasonable story about Tanzania, I think a fairly accurate story. On optimism about future development, Tanzania rates very highly. And last year in a survey that Harvard did, Tanzania was seen as the most improved economy in Africa. On the other hand, on the corruption indexes, Tanzania typically rates a little below average, and it's largely related to these holdovers from the old system which continue to dog the processes of doing business.

INTERVIEWER: Talk a bit about daily life here.

JIM ADAMS: Well, phone calls used to be impossible in Tanzania. When I worked in Tanzania in the '70s, you had to come in and book a call. We now have full access to the international system. We have a lot of competition, and we have cell phones for the first time. We have four [telephone system] operators. The government has just completed the partial privatization of the phone system, with a major commitment to increase service levels. But as you've indicated, phone costs are high, and they're very high in certain areas of the economy. You come to a hotel, and you pay exorbitant amounts for connecting to international calls. Rates are coming down, services are improving, but there's still a long way to go. And you certainly don't have the access and range of services you would have in Europe or in the U.S.

INTERVIEWER: When Clinton was here last year, he said something to the effect that he was committed to making sure that Tanzania was connected to the global economy. What will that take?

JIM ADAMS: Well, I think there are a lot of issues that this involves. I think three key things [are involved] for Tanzania. One is the whole international trade regime, and there are two aspects to that. One is that Tanzania has to increase its capacity to actually engage in the world trading environment. When I used to work on the developing [nations] committee for the Bank and we worked on these trade issues in the Uruguay Round [of world trade talks], it was always interesting to me: The Latin Americans, the South Asians, the East Asians all had good people in the room, working on the question of how to extract the maximum benefits from the [negotiations]. African countries were to a large extent absent, and so that problem has to be solved. The other dimension to it is that the comparative advantage of Tanzania and Africa is going to be in agriculture. But right now the controls and the subsidies that Europe, United States, and Japan have on agriculture really constrain the market. So clearly this market issue is an important one.

The second issue is the whole business of interacting and helping to build the capacity within Tanzania. This means bringing in more international firms with outside perspectives and developing the Tanzanian capacity to work with those firms. It's interesting to me that when a Citibank comes here—and other banks have come, because the banking system was opened to the outside for the first time in the early '90s—they have to bring in a lot more people from the outside than they want to. It's very expensive, but they do that because there's not the capacity in Tanzania. So opening up Tanzania to the world at the capacity level is important.

I think the final thing has to be communications. Tanzania didn't have a TV system when I worked in Tanzania in the late '70s. Now there are a couple of channels; there are connections to cable which allow you access to the international community and communications. You see the opening up of the phone system. A lot of this is what Tanzania has to do, but there are some things that the international community has to do, particularly, reducing agricultural protection and opening up their economies in that area for the African countries.

World Bank Failures in Africa: The Example of Cashew-Nut Factories

INTERVIEWER: We phoned up these privately owned cashew-nut factories, and [the workers] talk about government-funded and Bank-funded cashew factories that are basically all closed up.

JIM ADAMS: I think there are two aspects of this that are important. One is that during the period they were constructed, there was a dramatic fall in cashew-nut production in Tanzania. What happened was that the cashew-nut [industry] was a locally based industry, where people had trees that they cultivated. And with village-ization [a tenet of ujamaa], the people were moved away from the trees, so you had a dramatic decline in production. So the throughput wasn't there for the factories. And I think the second aspect of it was that whereas the private sector can bring in the managerial capacity to run this sort of business, the government was simply was not able to sustain it. We did two projects with cashew-nut factories, and in the Bank we do an evaluation of each project at the end. Those were both [deemed] failures. Production had fallen, and government didn't have the capacity to properly manage the capacity that was put in place.

INTERVIEWER: Is that a failure that has happened often to World Bank programs across Africa?

JIM ADAMS: Certainly Tanzania is a more extreme example, but I think that it's true that with what the Bank is doing today, as opposed to what it did in the '70s and early '80s, investment [has stopped] in public production facilities which is better done by the private sector. And I think that message is a very powerful message, the lessons of experience. And I emphasize "lessons of experience" because I think a lot of people like to argue that this was always known and obvious. I don't think that was the case. When I started working in the Bank in the 1970s, there was a sense that there was an opportunity to leapfrog and push. And I always remark that Margaret Thatcher and Ronald Reagan had a much more powerful impact on developing countries than [they did] on the U.S. and England. In England, there certainly was an increase in the role of the private sector, but in the U.S., the change has been very small. But in Tanzania and many other countries the decline in public-sector activities, in productive activities where the private sector can do a better job, has declined substantially. Now, in

Tanzania, it was marked by a very important debate, as I discussed, in the '80s. But for many other countries [across Africa], the change has been just as dramatic.

INTERVIEWER: Those ideas resonated with you?

JIM ADAMS: Well, I think in the increasingly global world the simple fact was that publicly managed facilities were not able to compete effectively with privately managed facilities. And that message has certainly had an impact on what the Bank invests in.

The Impact of Anti-Globalization Protests on the World Bank

INTERVIEWER: And when you see protestors outside the World Bank, ... a lot of them say, "You guys are hurting the developing world," and you've just spent your whole life working on these issues. How do you react to that?

JIM ADAMS: Well, there's a broad reaction, and there's a narrow reaction. We debate narrow issues, and certainly one of the issues that's heartily debated is privatization. I can say come to Tanzania, and look what happened at the brewery where a private-sector firm came in. There were no dividends, no profits, [when it was] under government ownership. Production had fallen. There was a whole factory that the government had bought in Czechoslovakia that the government was never able to assemble. Now substantial profits are being made; substantial dividends are being paid; the quality of the beer is consistent; the production levels are substantially increased. The factory which was in a warehouse in Czechoslovakia is now assembled on Lake Victoria producing beer. And we can point to enough success stories, I think, at the narrow level. One can simply make the case, the practical argument, that some of these things are better in the private sector is a pretty powerful one.

I think more broadly, with respect to adjustment, the argument I usually make is that everybody's been forced to adjust to the increasingly global world. It's not been only Tanzania, and that adjustment has come as a result of changes which have dramatic impacts in Tanzania, because Tanzania is very dependent on the outside world, not only for aid, but since it produces primarily agricultural commodities, it depends very much on international trade in tea and coffee and cotton. So Tanzania is very dependent on the outside world. Then the question is not whether Tanzania had to adjust; it was how Tanzania *should* adjust. And

Tanzania's economy was on its knees in the early '80s. I think most of the people who looked at the situation argued that the level of support that was coming from outside wasn't sustainable, so Tanzania had to change. And so certainly there were important debates about how you change. Certainly some mistakes were made in this change. Tanzania is a good case where the government has consistently associated itself with the change. It has not said that we're being forced to do this by the Bank and the Fund.

We have enough evidence of success now in terms of progress both of at the income level and at the service level that I think we can make the pro-change argument fairly strongly. It's interesting that within Tanzania, we don't have a lot of debate on the reform issues. There are some, but the big debate in Tanzania now is about maturing: that government services that are provided should be provided more effectively and have a larger impact. We provide substantial support to the education sector, but enrollment [in schools] has declined. How do you get the enrollment back up to the levels that were achieved in the '70s? I think the message on health is a little more positive, in that people do feel that the health system has improved marginally. But there's still an enormous amount to be done, and the question is, how you can combine government and donor resources in a way that increases the performance of the health system.

Opportunities for Diversification Throughout Africa

INTERVIEWER: Some have said that the challenge for Africa is to stop just producing raw materials that are then exported. Does Africa's problem stem from too much export of unprocessed raw materials?

JIM ADAMS: There are two challenges here. One is that in Tanzania specifically and in Africa in general, the percentage of trade in traditional commodities has fallen dramatically since the '60s. If Tanzania had retained its share of international exports that it had in the '60s, Tanzania would be a lot wealthier and a lot better off. So you can't turn your back on those commodities, and those are important commodities for Tanzania to improve performance in. And the cashew-nut story is now a more positive one. Cashew-nut production now had returned to levels similar to those achieved in the early '70s, before the village-ization program.

But the second issue is diversification of the economy. And here there's a mixed record, because as you privatize some of the firms, some of the activities that used to be done by the government are no longer viable in the private sector, so there's no interest [in taking them on]. So we have had some textile mills closed, and we talked about the cashew-nut factories closing. On the other hand, there are opportunities for diversification. Tanzania has a small but growing horticultural industry. The flower business around Arusha is growing quite nicely, and there are a number of very successful enterprises within that. Tanzania can do a lot more processing of agricultural commodities, and that's everything, [including] things for domestic consumption. Unilever, a multinational company that's been pretty active in the region, hasn't been very active in Tanzania. Now it's back in Tanzania, and it's producing soap, and it's producing oils in factories in Tanzania for domestic consumption. So the question is really a broad one: How do you get the signal so that people are prepared to come in and take advantage of the opportunities that exist? Certainly creating that environment becomes important to address, and that includes addressing some of the issues you mentioned with respect to corruption in the ports, as well as other interventions that make investment less attractive.

New Approaches to Development in Africa

INTERVIEWER: There have been headlines implying that the World Bank and IMF are discussing new approaches to Africa. Is that a fact?

JIM ADAMS: There are a couple of issues that were important in this discussion. One was that both the president of the World Bank [James Wolfensohn] and the managing director of the Fund [Stanley Fischer] felt that this was an opportunity to talk more openly about some of the constraints and issues that the governments felt were complicating their lives, making things more difficult. And actually it's a very interesting discussion on governance and on corruption, because one of the messages that all the [participating African] presidents gave was that they certainly all appreciated that these were major problems to the region, but they were worried that the expectations with respect to how quickly democracy could fully flower, how quickly corruption could be dealt with, were at times unrealistic. There was a lot of discussion of history, about how long it took in the United States to deal with some of these problems, how long it took in Europe, and they reflected on what was being expected in Africa in comparison.

At the same time, there was interest on the Bank's side and on the IMF's side in talking about some of the issues that perhaps haven't been discussed enough in the region—very significant discussion of AIDS and the challenges that's producing. And there was good back-and-forth on the [subject of] government. Part of the change was how to do capacity building better, how the Bank and Fund could better support governments in building their capacities to manage the economies. And a lot of the discussion, which took the form of a new dialogue, was about conditionality and the traditional approaches to conditionality, and how perhaps there were better ways to encourage government ownership [of responsibility] and reduce the need for conditionality with respect to policy change. So it was a pretty open discussion between 12 regional presidents and the heads of the two Bretton Woods institutions.

What was hard for me in the dialogue, or lack of dialogue, on these issues was that I have a son who's a graduate student, and he's well informed on some of the criticisms and concerns. At one level, certainly, there's sympathy with the concerns about this lack of international support for [combating] AIDS, you know, the financing of drugs and how that's going to be addressed. But at the same time, I think there's a lot of misunderstanding about what's going on in these countries. And somehow the assumption that you can cut yourself off from the world and that that's going to result in an improved environment is simply not consistent with my experience. I mean, Tanzania is going to remain very independent in the international community, and I guess I see our job as leveling the playing field a bit, both in terms of providing resources so that things can be done, that basic education can be provided, improvements in health can be made, but also on the other side—and certainly the president of the World Bank has been active on this—talking through some of the policy issues that have to be addressed in the United States and Japan and Europe in order to allow Africa to properly exploit its comparative [advantage]. The fact is that if you eliminated subsidies and allowed Africa to compete on a fair basis across a lot of agricultural products, that would produce much more income for Tanzania than increasing aid to Tanzania. So, you know, we had to try to deal with both sides of those issues. I do worry that the debate at times was shrill and a bit uninformed, and we have to figure out ways to open ourselves up, to improve the quality of that dialogue.

I think the concern that at times we've been too distant and haven't opened up is a fair concern. So on the one hand, you hope there's going to be better dialogue. On the other

hand, you know the evidence of that, so far, is not terribly encouraging. I think it's incumbent on both sides to figure out how to get a more constructive, honest dialogue. And it's not that you're going to agree on everything; I'm not going to suggest that it's always easy. But facts should be put on the table and discussed in a way that is more constructive. I think that has [already] happened with [the subject of] debt. I think the religious groups have been enormously effective in talking through the debt issue and really forcing the international community to respond more effectively than it would have otherwise. This has been an issue in the Bank since Wolfensohn joined. From the first time he was in the Bank, he was asking whether debt was a constraint, and he certainly has been active in changing the Bank's view.

You know, I worked on Uganda. Uganda was the first country to benefit from debt relief. There is no question in my mind that the role of the NGOs in general, and church groups, Oxfam, and others in keeping that issue on the table and improving the terms of that issue for the developing world has been absolutely critical. And my question, or my challenge, is how you get a similar constructive dialogue on issues like basic education, basic health, provision of resources, reducing some of the [agricultural] subsidies [in developed nations] which reduce the opportunities for agricultural production in Africa. And I think it's going to be critical to Tanzania's future that we're more successful in getting those issues discussed openly.

Business and the World Bank in Tanzania: Two Farmers' Perspectives

INTERVIEWER: Let's talk about the World Bank cashew factories that have been built in this country. What are those? How productive have they been? What are they producing now?

FARMER #1: Nothing. (smiles)

FARMER #2: I think there were about 11 or 12 cashew factories financed by the World Bank. Half of them have been [equipped with] machines from Japanese technology, and half of them have been supplied by Italian technology. Those machines have not proved to work very well. ... My personal opinion is that, first of all, the factories were mismanaged. Secondly, [the technology] gives you a higher rate of broken nuts as opposed to, say, our kind of factories. And in the cashew business, if your nut is broken, the value obviously goes much lower than the whole nut. Thirdly, our infrastructure [costs] in terms of electricity are very, very high, as

electricity costs are going up [throughout] Africa. ... Also, the machines require mechanical engineers or electrical engineers and spare parts. If there are spare parts missing from the factory, the factory will close.

INTERVIEWER: ... What's the state of [those factories now]?

FARMER #1: At the moment, all the factories are closed. I think the last time one of the factories was working was three years ago, when a foreign company tried to process [cashews] for about a year.... They lost \$1 million, so they just left. The results they were getting were just not [good] enough for the economics.

And then there's another two factories which also ... found out that the results which they are getting and the cost they were getting for the processing of the raw nuts was too high, so they just stopped. And now all of them are closed. The only thing which we have heard recently is that the Cashew Nut Board of Tanzania has started renovations of one of the factories in Masasi, one of the big areas where the cashew nut grows in the south, at a cost of around \$400,000. After the completion of the renovation, they will give this factory to a local company on a rental basis of about \$20,000, \$25,000 per year. How successful they will be at that, I don't know.

INTERVIEWER: To an outsider, the World Bank gave a lot of money on loan to this country.

FARMER #1: According to an article in yesterday's newspaper, the minister is saying that the World Bank used US\$600 million. I don't know how far that is true. ... But the machines [alone] must be around \$60 million. Plus the infrastructure there in the warehouses and all the other costs must be another \$60 million. So about \$100 million, \$120 million must have been spent during the 1980s to build these, and we have heard that out of that, two or three factories have never started production since they put in the machinery. So only about 80 percent of them started working. Most of them worked for maybe two or three, maximum five years, I think, and then they stopped production.

INTERVIEWER: And that's just one industry. I mean, the World Bank put a lot of money into this country. What went wrong?

FARMER #2: I think the World Bank put in the money in a time of socialism, and all the factories were obviously owned by the government or run by the government. There were no private people running the factories. And obviously there was mismanagement and theft. I don't think any of the factories in Tanzania which were owned by the government or World Bank system survive now.

FARMER #1: One other thing ... is that at that time ... the farmers did not know what the actual price of the cashew nut was. So when I saw the records, I found that the farmer was paid between 25 and 35 percent of the world market price. So when somebody's paid 25, 35 percent of the world market price, they've got a lot of room, even if the processing cost is maybe \$600 instead of \$300, which is what ours is at the moment. It can still work at the end of the day. But even after having a big profit like that, they still could not survive because of a lot more mismanagement.

INTERVIEWER: Talk about the day-to-day cost of living and doing business here—hotel expenses, phone expenses, infrastructure costs. I mean, you're a poor country here—[tell me] how much it actually costs to make a call abroad.

FARMER #2: You know, you would be surprised at the cost of doing business in Tanzania. The cost of living in Tanzania is extremely expensive. As I explained to you, electricity rates [are] probably [among] the highest rates in Africa, if not probably [one of the] top five most expensive rates in the world.

FARMER #1: Too many taxes.

FARMER #2: We have too many taxes. If you look at the cost of water, if it is available, it is also very expensive. Telephones are very expensive. Setting up a business in terms of getting a plot of land, finding some building, is also very expensive, and also cumbersome. Not only that, but if you are coming to set up, if you're starting to set up business in Tanzania, you've got to estimate what your income is going to be in the first year and pay advanced tax before you even start working, and you cannot estimate that you're going to make a loss. You've got to estimate that you're going to make a profit and pay tax on that.

COMMANDING HEIGHTS

Jim Adams

17

FARMER #1: (laughs)

INTERVIEWER: Some of the viewers in the U.S. who don't know the history of East Africa are going to say, "Why are there two Indian guys here in Tanzania, and frankly what business do they have talking about this country and speaking on behalf of Tanzania?" Talk about that, your own experience, and whether there is any sense of a [racial] divide between ... the haves and the have-nots, and maybe touch on this idea that you said before—that if there's not some kind of change in attitude from the government, this country could be heading towards disaster. Give us a sense of where things are.

FARMER #2: We are pure Tanzanians. My grandfather was born in Tanzania. My father was born in Tanzania. I was born in a small village in Tanzania. My children both are born in Tanzania. So we are basically three or four generations in Tanzania. We've had our hearts, our minds made in Tanzania. I could probably emigrate anywhere I'd want to go, but this is my home; this is my country. I've put in a lot of money; I've put in a lot of investments; I have a few businesses in Tanzania. This is my home.

Now, coming back to [what you might call] racial tension or something like that, Tanzania has always been a peace-loving country. But I think it probably is a struggle between the haves than have-nots rather than the color of your skin.

FARMER #1: Yes, yes, you are right.

INTERVIEWER: That's a global problem, too, isn't it?

FARMER #2: Yes, yes. So it's nothing to do really with the color of skin. I mean, it eventually boils down to people who have and people who haven't. ... When you have people who are educated, they've gone through an education system. They're coming out of the schools, they're coming out of the university, and they don't have jobs. When you have people roaming around who do not have jobs, obviously you're going to start to create social problems. So my personal view is that we need to process our material. We need to create jobs for people. Not only will that alleviate the social problems, but economically, it is the only way to go.