

**PAY REFORM AND CORRUPTION  
IN TANZANIA'S PUBLIC SERVICE**

**By**

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## **1.0 INTRODUCTION**

The title of this paper differs from what the seminar organizers had requested me to address. I think the organizers worked on the assumption that there is a strong correlation between pay and corruption. As I focused on the paper and reviewed the literature on pay, pay reform and corruption, I came to the conclusion that the link between pay and corruption is tenuous. Given the fact that this seminar series are intended to give opportunity for policy debates rather than academic discourses, I felt that pursuing the tenuous link between the two issues would not be a productive endeavour. In the paper, therefore, I address the two subjects independently and only deal with the link between them in terms of exploring whether the pay reform efforts are contributing to arresting the corruption scourge in the country. The paper is divided into five sections: Introduction; Pay and Performance in the Public Service; Corruption in Tanzania: Status and Challenges; Pay and Petty Corruption; and Concluding Remarks.

## **2.0 PAY AND PERFORMANCE IN PUBLIC SERVICES**

### **2.1 Theories on Employee Motivation**

It is generally assumed that performance of any employee (public or private) will depend, to some measure, on how he/she is compensated. Based on that logic any sensible government needs to give priority to the issue of pay. There is, however, a counter proposition that monetary rewards to public servants, in and of itself, cannot act as a motivator for enticing public servants to maintain and improve their performance.

Generally there are two theoretical trends on the subject of employee motivation. The first trend, initially enunciated by Frederick Taylor (1911), argues that man is an economic animal who is motivated by material rewards. His effort will depend on the level of compensation; therefore, employers should pay their employees in accordance to level of effort. The one who works harder should be paid more.

Mayo (1964), who is commonly referred to as the main founder of human relations school and his followers, criticize Taylor for being too mechanistic in his approach to motivation. The main criticism is that Taylor tends to equate and reduce a human being to a machine, who can be mechanically controlled and managed. While acknowledging that pay is important and organizations ought to compensate their employees adequately to have them perform, they contend that effectiveness in job performance is a function of other factors also, including job satisfaction, which stems from realization by an employee that he/she is having other personal needs such as personal fulfillment, known as self actualization in one's work fulfilled by his employer. To motivate workers, therefore, the organization should provide opportunities to satisfy these higher order needs. Herzberg (1968) in particular emphasizes the elusory nature of motivation systems that are motivated on pay. He suggests that systems which rely solely on monetary rewards have little to offer employees once their monetary needs have been satisfied.

Critics of this line of thinking point to the complex nature of pay and note that pay remains an essential element in satisfying basic needs for most people; and in societies where poverty is endemic and few people ever reach the self- actualization zone, material rewards are an important/essential element in motivation(Victor Vroom 1964)

Other analysts are of the view that it is futile to focus on whether pay is a motivator to productivity or not. It is more fruitful to address the consequences of low pay on employee behaviour and how that impacts on organizational performance. They point out that the costs of low pay or inadequate pay to an organization are not always overt and could harm the organization insidiously, before they come to light. When an employee perceives that an employer has breached the contract (implicit or explicit) he adopts deviant behavior which often include a number of income maintenance strategies.

There is a perception that income maintenance strategies and deviant work behaviour are a developing country/public sector phenomenon. This is erroneous; such tendencies are universal in work places all over the world and manifest themselves in both public and private sectors. However, when one takes into

consideration the increased economic deprivation that many public servants in developing countries face, and their perception that their employer (the state) often renege on its social contract, the high incidence of such behavior in those countries public services is to be expected.

From the foregoing review of motivation theories, pay, and performance, there is consensus that pay is a critical, but not a sole determinant of an employee motivation to work and perform. Other factors including the work environment and level of supervision are also important. However, when an employee is paid a wage which is inadequate to meet basic needs and does not have the option of the opting out of the job, he/she will tend to adopt deviant work behavior which could include strategies to supplement his income. In the next section, we address what we call Pay Crisis in the Tanzania Public Service, before dealing with the Government response to that crisis.

## **2.2 A Crisis in Public Service Pay**

As Tanzania embarked on serious reforms of the public service in the early 1990s which was vital to realizing improvements in capacity and improvements in service delivery it quickly realized that those efforts could not succeed because public service pay levels were too low and uncompetitive in comparison to pay by other employers. Information on real pay trends in Tanzania public services for various categories of personnel for the period 1975 to 2000 paint a plain picture. The period 1975-1985 was a period of uninterrupted real wage decline. Although the situation was not very different in most of Sub-Saharan Africa, with most countries experiencing double-digit real wage declines on an annual basis, Tanzania's decline was more drastic than most other countries apart from those experiencing political instability. Average basic salaries in the public service provided only one fifth of the purchasing power of equivalent salaries in the 1970s. In addition, there were gross distortions and inequities in the compensation structure of public service pay.

The second period covers the years 1985 to 1994, when the real pay of most civil servants fluctuated, though showing an increasing tendency. During this period the GOT embarked on successive Structural Adjustment Programmes which, in the

absence of a comprehensive reform programme, met with limited success (Wangwe et al., 1998). Still by 1994, at the onset of the comprehensive civil service reform programme, the real average pay in the civil service was only slightly more than half its 1969 level.

The third period covers the years from 1994 to 2000. This period saw substantial improvements on the real average pay in the civil service. Nonetheless the trend is misleading because part of the rise in pay is accounted for by the consolidation of allowances into the salary structure, and in spite of that, the resultant salary levels left the government at a competitive disadvantage in its efforts to attract, retain and adequately motivate qualified professional and technical personnel.

The consequences of the decline in real pay and weakening of the incentive regime have been disastrous. It has led to depletion of scarce motivational capital in the public service giving rise to:

- Demotivation of civil servants at all levels;
- Reduced work efforts, declining levels in performance;
- Weakening of accountability and control mechanisms;
- Diminished ability to recruit and retain qualified managerial, professional and technical personnel, and
- Reduced commitment to the public service.

In addition to the reduced work effort, low and declining pay may reduce good will, increase ill-will and motivation to engage in counter productive behaviour not supporting increased production, service delivery, good fiscal management and tolerance for “deviant behaviour” including time theft and corruption.

Over time, public servants began to adopt various income maintenance strategies in their attempts to offset the effects of real pay reductions on their standards of living. They combined the resources that they control internally and externally and obtained the necessary subsidies to their salaries. The income maintenance strategies took various forms with some having no direct bearing on work performance, although

affecting commitment to employment and motivation. Those with impact on service delivery took the following forms:

- Work sharing, where public service personnel agreed informally between themselves to share work loads to allow workers to pursue other income maintenance activities during official work time, lowering actual work time and generating personnel rotations at staffing levels for below those formally expected;
- Cost sharing; where public servants solicited payments directly from customers/clients before providing otherwise free services.
- Revenue sharing, where revenue from formal user charges were misappropriated, mismanaged for individual gain; and
- Resource sharing, where public resources, supplies and equipment were misappropriated, pilfered or mismanaged for individual gain.

Employing such income maintenance strategies had significant negative implications for service delivery, quality and accessibility, as well as on the government's fiscal situation and on capacity building in the public service, including increasing the cost of providing public goods and services, reducing the quantity of publicly provided goods and services, increasing the incidence of user charges on public services that had hitherto been provided freely.

### **2.3 Policy and Operational Responses to the Public Service Pay Crisis**

To address the foregoing crisis, Tanzania adopted in 1999, as a part of the Civil Service Reform Programme (CSRP), later to become the Public Service Reform Programme (PSRP), a pay reform policy and strategy. Until then, the drivers for addressing pay issues consisted of pressures to consolidate allowances with salaries, to achieve some salary decompression and to increase minimum wage. The rationale for developing an explicit pay policy was to enable government to make choices in a more rational way, basing them upon a clear long-term agenda rather than short-term pressures.

In adopting an explicit rational pay reform policy, the Tanzania government had a number of long- term primary goals.

- First, to raise the minimum basic salary (MBS) of its employees to the minimum living wage (MLW); and
- Second to raise the salaries and other compensation benefits of its top public servants to levels consistent with the requirement to recruit and retain the best qualified and skilled Tanzanians in its service.

These twin goals were to guide the long term restructuring and decompression of the public service salary structure. The minimum living wage for all categories of employees could not be affordable in the short to medium term under the prevailing budgetary constraints, as well as the fact that the government's minimum basic salary for unskilled workers was already significantly higher than those for most employers in the country. In those circumstances, the overriding objectives in reviewing public service pay in the short- to medium- term was to enhance the prospects for the government to recruit, retain and motivate a critical mass of technical and professional staff.

To implement the above medium–term objective the government adopted a medium-term pay strategy, which included three major elements:

- The adoption of a medium term target salary structure that systematically enhances pay for all public servants, particularly those who were disadvantaged as a result of the consolidation/ elimination of most allowances. Annual salary adjustment plans were proposed for achieving the medium-term target salary structure;
- The undertaking of a job evaluation and re-grading (JERG) exercise expected to facilitate improved link between pay and performance. By appropriately rank-ordering jobs in a line with perceived value of each job's content, the fairness of the compensation can be improved in the eyes of most employees. Changing rate compensation through rationalizing job-grades can alter workers' perception of the system's fairness. Among other things, the JERG was expected to result an improved pay of professional and

technical staff relative to others in the civil service, as many of these positions were under-graded relative to other positions.

- The adoption of a Selective Accelerated Salary Enhancement (SASE) scheme. The scheme targets salary enhancement to key professional, technical and managerial personnel whose efforts are critical to the improvements of service delivery, management of the reform efforts, and the production of strategic government outputs.

As the name suggests the scheme is selective in two ways. First, it is selective in the sense of targeting posts that are likely to have the greatest impact on service delivery, the reform effort and the strategic outputs of government. Second, the scheme is phased-in, starting with public service ministries, departments, and agencies that have;

- Leading roles in change management and potential impact on the socio-economic well being of the average citizens;
- Well advanced formulated strategic plans and are poised for implementation of their respective reform programmes;
- Already been selected for inclusion in the first phase of the implementation of the performance improvement model (PIM); joining SASE in the first phase of the SASE would complement their performance improvement effort.

## **2.4 Assessing Implementation of the Medium-Term Pay Reform Strategy (MTPRS)**

The Medium Term Pay Policy and Strategy which was developed in 1999 with the objective of rationalizing compensation and accelerating the pace of salary enhancement in those areas where the government had the most difficulty in attracting and retaining suitably qualified professional and technical manpower has now been operational for close to five years. How well has it been implemented?



As noted earlier, the major aspects of the MTPRS that should be noted here were:

- The adoption of a medium-term target salary structure that systematically enhances pay for all public servants, particularly those who were disadvantaged as a result of the exercise that consolidated/eliminated most allowances. Annual salary adjustment plans were proposed for achieving the medium-term target salary structure;
- The undertaking and recent completion of a job evaluation and re-grading (JERG) exercise is expected to facilitate improved links between pay and performance. By appropriately rank-ordering jobs in line with the perceived value of each job's content, through JERG, the fairness of the compensation system can be improved in the eyes of most employees (though probably not for those whose jobs are downgraded). Changing relative compensation through rationalizing job-grades can alter workers' perceptions of the system's fairness. Among other things, implementing the JERG is expected to result in improved pay of qualified professional and technical positions relative to others in the civil service, as many of these positions are under-graded relative to other positions;
- The Selective Accelerated Salary Enhancement (SASE) scheme was adopted. This scheme targets salary enhancement to key professional, technical and managerial personnel whose efforts are critical to the improvement of service delivery, management of the reform efforts, and the production of strategic government outputs.

In implementing the strategy for accelerating public service pay, the Government considered four options as follows:

- Aim to maintain a constant Wage Bill/GDP ratio of 4.4% over the first MTEF period, with the assumption that this ratio would be maintained over the course of PSRP eleven year time frame;

- Aim to maintain a constant 4.6% Wage Bill/GDP ratio over the course of the MTEF period also with the assumption that this will be maintained over the course of the PSRP;
- Aim to adopt a Wage Bill/GDP ratio of 4.9% which is the ratio that prevailed in FY96/97 when the revised salary structure was introduced;
- Aim to realize a Wage Bill/GDP ratio that would gradually be raised over the medium-term to finance pay reform priorities. The ratio would start at 4.4% in FY99/2000, rise to 4.6% in FY2000/01, and then rise by 0.1% per annum until it reaches 4.9% in FY03/04. This option was adopted for the purpose of implementing the strategy. Consistent with this option, it adopted a medium-term target pay structure, with annual salary adjustments over the period *FY2000/01* through *FY2004/05*

In the following account, we assess progress achieved in the implementation of the MTPRS to date.

With regard to the first aspect of the MTPRS the Government decided to adopt a planned approach to maintaining the real value of public service pay and maintaining appropriate salary differentials rather than continue with the approach of *ad hoc* adjustments to public service pay, and the narrowing and widening of salary differentials on a year-to-year basis. The major issue was the extent to which annual target salary scales guided actual adjustment in public service pay.

Available data<sup>1</sup> on actual pay scales for the period 2000/01 to 2004/05 indicate that on average actual salary scales for all grades were 84% of the target salary or 16% less than the target scales proposed by the MTPRS. For all salary grades, the actual salary scales were below the targets. The most adversely affected were middle level management and professional personnel in grades TGS.9 through TGS.16, who were also the most adversely affected by the consolidation of allowances in 1995 - 1998. The least affected were personnel in TGS.1, TGS.2 and TGS.21 -TGS.23; those at the bottom and those at the top of the salary scale.

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<sup>1</sup> Information on pay target and actual pay was obtained from PO-PSM Documents

The Government took the decision to adopt the MTPRS pay targets on the basis of number of assumptions and some of these assumptions have not been sustained; as a result the targets could not be realized. The assumptions included the following:

First, the MTPRS salary scales were based on the assumption of rapidly declining levels of employment in the public service which would in turn release resources for enhancing pay. These were:

- Attrition in low skilled level positions would not be replaced;
- Attrition at the professional, technical, managerial personnel would be replaced;
- Increased private sector participation/contracting out of non-core services activities which are generally undertaken by auxiliary personnel would be intensified, which would thus reduce numbers of lower level personnel; and
- Some designated government departments would be transformed into autonomous executive agencies.

Second, as a result of the foregoing, it was expected that public service employment would decline from about 262,000 personnel in FY99/00 to about 225,000 by the end of FY04/05. The actual employment trends have been quite different. Employment data shows that at the outset in FY 00/01 there were 262,000 employees in civil service. By FY 04/05 mainly due to the need to recruit primary school teachers to deal with MEM objectives the number had risen to 287,000 employees. The rise in employment noted above does not necessarily mean backsliding by Government on its commitment to MTPRS, rather it reflects a re- thinking as to what constitutes a right-sized public service in Tanzania, given the commitment to improvements in the quantity and quality of social services, and the need to build capacity among the professional and technical personnel to meet poverty reduction and Millennium Development Goals.

Third, the MTPRS salary targets were based on the assumption that the Wage Bill/GDP ceiling ratio would progressively rise from 4.4% to 4.9% to finance the

general pay reform objectives. The actual trend has been quite different. Rather than rising consistently, the Wage Bill/GDP ratio has been fluctuating; starting at 4.4% in FY99/00, it fell to 4.2% in FY01/02, rose to 4.5% in FY04/05 and is poised to rise to 4.8% in FY05/06. (United Republic of Tanzania, PO-PSM 1999, 2001, 2004, 2005). While the difficulties faced by the Government in raising revenues to finance public service pay are recognized, the fact that it has not met the agreed pay target remains and it therefore could raise questions regarding the level of its commitment to pay reform.

Fourth, salary differentials/relativities were expected to be decompressed. This would be achieved through:

- Annual salary adjustments set out in the MTPRS, which would accord priority to enhancing pay of managerial, professional, and technical personnel;
- Upgrading of many of the managerial, professional and technical positions which was expected to result from the implementation of the results of the JERG exercise;
- Payment of SASE to managerial, professional and technical personnel. This would accelerate and enhance the levels of pay of these personnel and thereby decompress pay differentials

The results of the JERG exercise have been implemented. Among the major findings of the JERG exercise for the public service as a whole was that in the previous grading system many professional posts (e.g., engineers, economists, doctors and nurses) were seriously under-graded relative to their responsibilities and job content (KPMG, 1999). Conversely low-level technical, clerical and manual posts were often over-graded.

As the JERG was implemented the above anomalies in the grading structure have been rectified and on the whole, the imbalances have been resolved. In addition, initial pay levels for engineers, economists, doctors and nurses have been

significantly raised. It is believed that those measures have had significant positive effect on work motivation in the health, education and other sectors, where government employs technical and professional personnel.

In concluding this part of the paper we would like to note that on the overall salary levels for all grades have improved significantly although they are still below what was envisaged in the MTPRS. Also, government has met the MTPRS targets by 86% which is significant, and in the past two years it has raised consistently the proportion of the wage bill relative to GDP and in 2005/06 it is poised to raise it to 4,8%. On the issue of salary differentials/relativities, it also has made some progress standing at 1 to 15 on the average and 1 to 23 between the lowest and highest pay, although there is still room for more decompression. The most significantly afflicted grades in terms of pay relativities are the middle and senior management and professional staff (lawyers, teachers, doctors, accountants) who are in great demand and need to be motivated to join and remain in the public service.

On the issue of controlling the growth of employment in the public service, apart from minor incidences of laxity, the only growth that has been sanctioned relates to expanding the employment of teachers and health personnel, who are necessary to achieve the objectives of reducing poverty. Regarding the need to achieve attrition as a result of contracting out some activities to the private sector as well as arms-length based executive agencies we have yet to establish whether the results are positive since the process is still on- going.

Concerning SASE, which was conceived and adopted by the Government of Tanzania in 2000, as a critical element of its pay reform policy and strategy, and as an innovation that would give a sizeable pay enhancement to critical personnel in the public service and induce them to increase their productivity, implementation started off well but for a number of reasons, it has had to be put on hold except for the four ministries where the innovation was first piloted.

While no objective study to assess its impact on performance has been undertaken (one is currently taking place) anecdotal evidence suggests that there has been some slight improvement in the performance of affected employees (commitment to

work, productivity), although one cannot conclude effectively that the improvements are related to the adoption of the pay reform strategy and SASE in particular. On the other hand, there is evidence that public service delivery is improving, GDP and other macro economic indicators are showing very positive trends, which could not have taken place without the contribution of the public service.

Despite adverse press report and Parliamentary debates which on a number of occasion seem to suggest that overall performance in the public service has not improved I would want to conclude this part of my paper by saying that good steady and good progress is being made on pay reform and it is translating itself into improved performance on part of public servants.

Have the reform of the public service system over the past five years been translated into reducing grand and petty corruption in the country? In the next part of the paper we spend time of the issue of corruption in the Tanzania public service.

### **3.0 CORRUPTION IN TANZANIA: STATUS AND CHALLENGES**

#### **3.1 On Corruption**

Hodd and Theobald (1996:277) distinguish two types of corruption. On the one hand, there is routine or petty corruption; what is sometimes referred to as “bureaucratic corruption; and, on the other hand, there is what is termed ‘grand’ corruption. The former refers to the acceptance or extortion of bribes, embezzlement, or the illegitimate or illegal use of public resources by low-level government employees. The latter denotes, ‘the misuse of public power by heads of state, ministers and senior officials for private pecuniary gain, resulting in large-scale misappropriation, contract-kick-backs, and the like’<sup>2</sup> In this paper we will not always distinguish between the two forms of corruption but we do, all the same, concur with the Hodd and Theobald’s distinction at a conceptual level.

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<sup>2</sup> George Moody-Stewart (1995) *Grand Corruption in Third World Development* (Berlin, p. 1).

### 3.2 The State Of Corruption in Tanzania: 1995 to Date

The 1996 Warioba Commission on corruption in Tanzania had the following to say on the state of corruption in the country and I quote:

*'... There is no doubt that corruption is rampant in all sectors of the economy, public services and politics in the country. There is evidence that even some officers of government organs vested with the responsibility of administration of Justice namely the Department of National Security, the Police, the Judiciary and the Anti-Corruption Bureau are themselves immersed in corruption. Instead of these organs being in the forefront of combating corruption, they have become part of the problem. Consequently, the ordinary citizen who is looking for justice has no one to turn to. He is left helpless and has lost faith in the existing leadership'*<sup>3</sup>

The above quote from the Warioba Report indicates both types of corruption, as per the definition above, were evident in Tanzania as the third phase Government came to power. Seven years later a study on corruption in Tanzania by Heilman and Ndumbaro suggests that corruption is still a major problem and it manifests itself in the two forms mentioned above and has now embedded itself in the entire societal fabric.

More recently, a study on corruption in local government authorities in Tanzania led by Professor Ngware (still to be published) also suggests that corruption is a problem in local authorities, and that there are many practical situations and circumstances that create favourable conditions and temptations supportive of the evil practice. These include rigid and bureaucratic rules and regulations which often lack clarity; unregulated discretion which provide opportunity for its abuse; loopholes in the existing legal and regulatory framework making compliance difficult; as well as inadequate pay and poor working conditions.

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<sup>3</sup> See The Presidential Commission of Inquiry Against Corruption: Report of the Commission on Corruption, Volume 1, November 1996,p.46

A focus on newspaper reports, editorials and letters from readers in any of the last ten years would make one conclude that this country has been eaten away by the corruption scourge.

Contrast the foregoing situation with what obtained between 1961, as we became independent, and the late 1970s. The decade following Tanzania's independence (1960-1970) did not manifest intense corruption. Where it took place it tended to be restricted to low-level officials who demanded and received negligible sums of money.

As the country expanded the public sector and public administration institutions progressively decayed, entailing the rise of bureaucratic malfunctioning, opportunities for rent-seeking behavior and asking and offering bribes started creeping in. In the same period, the cost of living rose dramatically while public service pay remained static or declined. Public officials became driven by a culture of survival and they progressively adopted deviant behavior patterns discussed earlier in the paper, including the use of corruption as an income maintenance strategy.

To address and control the trend of increased corruption, the Nyerere Government enacted the leadership code as part of the Arusha Declaration which had been adopted in 1967 and dedicated Tanzania to the pursuit of Ujamaa and Self Reliance as its ideology.

While moral suasion through a socialist code of conduct was making its contribution to the fight against corrupt tendencies, the country came to experience a major economic crisis following the oil crisis and the after effects of the war with Idd Amin in the late 1970s and early 1980s, with double digit inflation, major fiscal deficits and negative economic growth. That situation saw the state lose its ability to pay public servants a living wage. Official salaries, even at managerial and executive levels, fell below subsistence needs, creating incentives to look for side incomes. As the state controlled economy declined, an informal one arose to take its place. Smuggling became rampant. In the end, the harsh realities of scarcity and poverty overwhelmed the dedication to socialist equality and corruption became embedded in Tanzania society



As Nyerere left the leadership of the country and Ali Hassan Mwinyi took over in 1985, Government recognized the futility of remaining in confrontation with the Bretton Woods institutions, and as part of the resolution of the conflict it adopted economic liberalization policies. These included, on the one hand, giving greater space for non-state actors in the running of economic activities, as well as adopting cost control measures in the operations of government, on the other hand. It was assumed that increasing space for non-state actors in economic activities would reduce the scope for exercising rent seeking behaviour on part of public officials and thereby reduces the incidence of corruption. But it turned out that economic liberalization took place in an unplanned, haphazard manner, without regulatory regimes; this fuelled corruption to high levels and saw the beginning of grand corruption in the country, to the extent that for much of the early nineties period Tanzania was consistently listed as one of the most corrupt nations in Transparency International's annual rankings.

### **3.2 Measures to Fight Corruption in the Third Phase Government**

During President Mkapa's general elections campaign in 1995 the war against corruption was the catchword and it has remained a catchword in his two terms as President. Another catch phrase of Mkapa's Presidency is the term 'serikali ya uwazi na ukweli' or 'transparent and truthful government'. These two terms demonstrate the third phase Government's persistent determination to fight the war against bribery and corruption.

In the Preface to the 2002 Annual Report on the State of Corruption in Tanzania, by the Economic and Social Research Foundation (ESRF) and the Front Against Corrupt Elements in Tanzania (FACEIT), President Mkapa said:

*'...This report shows the efforts of Government to deal with system and with the institutional structures and processes that create opportunities for bribery and corruption. It shows what we have done to plug loopholes in the system, such as in public finance and public procurement. It shows our efforts to have administrative*

*systems and processes with minimal discretion and monopoly on the one hand, and enhanced openness, transparency and accountability on the other'*

Given the bad situation regarding corruption inherited by the Third Phase Government, which included high and rising levels of rampant petty corruption, which was beginning to eat into the fabric of the Tanzania society, and a burgeoning grand corruption scourge, the President immediately followed up his election pledge by setting up, early in 1996, a Commission led by Judge Sindi Warioba, a former First Vice President and Prime Minister and highly respected citizen to inquire on the state of corruption in the country and make recommendations on the way forward and by year end, the Commission produced its report. The depth and extensive coverage of the report and the fact that it was made public were unprecedented in Tanzania. The hyperbole that was associated with the report, and the openness with which it was discussed, gave the impression that the end of corruption had arrived.

It is almost nine years since that report was produced and corruption is still with us, and to a casual observer the end seems decades and miles away. In the next few pages I will spend time sharing with you my perceptions on where corruption stands currently and taking into account the organizers original request will try to focus on the extent to which pay reform efforts have dented it, and if not yet, have the potential to do so. But as I said at the beginning of this paper I will raise more questions than answers, as I am not as versed on this subject, as many people who are in this room are.

In response to the Warioba Report, Government adopted a policy of zero tolerance on corruption from that point onwards. In that regard it took two categories of responses, namely, the immediate action and the institutional changes and policy and strategy.

The immediate actions included the publication and wide circulation of the Report, the President's declaration of his assets and ordering members of his government to do the same, although this brave step was countered by the intervention by the Attorney General that the assets need not be publicly declared, an invitation by the President in a speech to Parliament requesting them and ministers to submit to him

names of Public Servants who are known to be corrupt and whom they themselves could not remove from office. The other step was taking to court suspected top-level corruption cases. Progress has been achieved in investigation and prosecution of corruption cases. Some 126 corrupt cases were before the Courts of Law in 2002 compared to only 8 cases that had been brought into the courts in 1995. However, there is still slow process in prosecuting cases. For example, out of the 3611 reported cases, 3275 were under investigation and only 94 cases so far have been prosecuted while 777 cases had been closed. The low performance in prosecuting cases is accounted for by limitations in human resources and working facilities. Finally, the President's appointed a team of experts under the chairmanship of Hon. Judge Warioba to advise government ministries and departments on actions proposed to combat corruption.

In addition to the immediate response, a strategy for fighting corruption was formulated and appropriate changes were made to the institutional framework. Seven priority areas were identified and were debated in an experts' meeting held in Dar es Salaam in October 1999 before being finalised as the National Anti-Corruption Strategy and Action Plans (NACSAP), involving two approaches, namely, analytical and proactive. The analytical approach emphasizes institutional reforms. The proactive approach, on the other hand, focuses on raising public awareness. The formulation of NACSAP has been a major development in the anti- corruption struggle. Each ministry was to become a focal point for following up cases of corruption and for implementing the anti- corruption strategy. The policy and institutional reforms that have been implemented have been directed towards reducing corruption by enhancing accountability and reducing discretion and monopoly. Because of the importance of this measure, we will devote some space to explore it in detail.

### **3.2.1 The Institutional Framework for Fighting Corruption**

The institutional framework which was put in place involves the legal and regulatory framework specifically formulated for the purpose of fighting corruption.

The main objectives of the legal and the regulatory framework are:

- To increase respect for the rule of law, enhancement of good governance and promotion of ethical leadership within the ranks of Government and agencies; and
- To strengthen the law enforcement agencies, namely, the Prevention of Corruption Bureau, the Police, the Ethics Secretariat and Permanent Commission of Enquiry (now transformed into the National Commission on Human Rights and Good Governance).

The necessary legislation to improve the regulatory and supervisory mechanisms in support of the fight against corruption were passed in 2001 (The Finance Act and the Public Procurement Act) and both of them have played a pivotal role in reducing the scope and space for corruption in government procurement and financial management.

The key institutions for fighting corruption are the President's Office, the Prevention of Corruption Bureau, Director of Public Prosecution, the Ethics Secretariat, the Ethics Inspectorate Unit within CSD, the Human Rights and Good Governance Commission, all MDAs and Civil Society Organizations.

The focal point for fighting corruption is the highest office in the country -The President's Office. The Ethics Secretariat reports to the President, the Ethics Inspectorate Unit of the Civil Service Department reports by the Permanent Secretary to the Civil Service Department. The Good Governance Co-ordinating Unit reports to the Chief Secretary.

The Warioba Commission had noted the PCB was perceived to have the image of a police organization and had therefore suggested that it be restructured. This has taken place and it is now organized around three functions; prevention, investigation and advisory. While initially most of the employees of PCB were still investigators, of late it has recruited high caliber professional to reinforce the prevention and advisory role. It is proposed that all PCB employees be both investigators and community educators. This will help to change the image of PCB.

It is important to note that, with the exception of the President's Office, there is no formalized and sustainable functional relationship between PCB and the rest of the other institutions. This perhaps explains why the enthusiasm of these institutions to co-operate with PCB in fighting against corruption is limited. This deficiency can blunt the fight against corruption.

### **3.2.2 The Public Service Reforms**

Earlier on in this paper we gave an account of the measures being taken to reform the public service which would address issues of transparency and accountability as well as the related issue of enhancing pay and noted the level of progress attained. These measures have a major influence on the fight against corruption (both petty and grand).

### **3.3 Assessing Performance of the War on Corruption**

According to the Transparency International Corruption Perception Index Tanzania has shown improvement over recent years. The TIC Perception Index has improved from 1.9 in 1998 to 2.7 in year 2002. Although Tanzania still ranks low (at 71 out of 102 countries) there is a clear trend of improvement since the Warioba Report was published. In fact, it is significant that Tanzania has been identified as a country where improvements in corruption show signs of being sustained. The latest report makes an in-depth assessment of the state of corruption in Tanzania. The findings of that report indicate that the level of corruption has declined somewhat between 1996 and 2002 with some variations among sectors. Since Warioba Report was published in 1996, considerable groundwork has been done on the institutional framework and in raising the awareness of the public on the need to fight corruption but the perception of the public is that the decline in the level of corruption has at best been modest. The actions that have been taken since 1996 have been more comprehensive and systematic compared to previous attempts to fight corruption

Also the Report on the State of Corruption in Tanzania which we have referred to earlier indicates that although many people still perceive corruption to be high and widespread, with about 80% of the respondents having encountered corruption

directly or indirectly the same report indicates that there has been progress in the fight against corruption.

Furthermore, in a recent study on Corruption in Tanzania Nkembo (2003) demonstrates that Government has shown seriousness by addressing blockage in the path of the war on corruption. In recognition of the fact that there are occasions where there is clear evidence of corruption on part of its public servants but that evidence is not sufficient to secure conviction before the courts of law it has either terminated such officers or retired them in public interest. The study also demonstrates that reform of the public service pension system has created some stability and motivated workers to become more diligent at work in the expectation of earning a more lucrative pension on retirement.

Finally, a study on corruption in local government authorities which is just being completed by Professor Ngware (2005) shows that over the past four years there has been progressive improvements in the management of financial resources in local authorities, with over 75% of all authorities being given clean audit certificates and perception on part of the public is that the level of corrupt practices is declining within local authorities.

To conclude this part of the paper, it is our view that, although corruption is still a problem, the measures which have been taken especially those that address systemic and institutional issues will over time progressively reduce the level of corruption in the country. We will now briefly revisit the issue of pay and petty

#### **4.0 PAY AND PETTY CORRUPTION**

Earlier on we questioned the assumption or perception that corruption, especially petty corruption is a function of low pay. In our review of theories of motivation we noted that there is consensus among theorists on motivation on pay being a necessary, but not sufficient condition for an employee to perform at a minimum level in an organization. Where an employee has a perception that the level of compensation given by the employer cannot and will not meet basic living/existence needs, and the employee is not in a position to exit from the organization, he/she will

adopt deviant work behaviour, which will include a number of income maintenance strategies, including corruption to address the income shortfall.

If the foregoing is valid, the tendency to exhibit deviant work behaviour, including time theft and taking of bribes by public service officials, whose pay levels are below basic living wages is to be expected. That seems to be the case for primary school teachers, nurses, and registry clerks etc and no wonder they are often accused of taking bribes.

Earlier on in this paper we noted that given the fact that pay reform is taking place under severe budgetary constraints, it would in the medium term not focus on achieving the living wage for all employees. Rather it would give priority to enhancing pay levels of technical, professional and managerial personnel who are difficult to recruit and retain. Given that situation, in the short to medium term the chances of ever reaching a living wage for lower level categories of personnel are slim. If, therefore, addressing the issue of pay is a necessary condition in addressing petty corruption in the public service, we should brace ourselves to continue to live with the scourge in the short and medium term.

However, I do not believe that low pay is the most significant cause of corruption among public officials. A more important element is the accountability mechanisms that are in place and how these are administered. One such mechanism that has been recently installed as part of public service reform, is the Open Performance Review and Appraisal System (OPRAS). This requires all public service employees to agree with their supervisors performance objectives for the year; undertake continuous review of implementation progress of agreed objectives; and carry out final review of achievements at the end of the reporting period. As this system takes hold in the entire public service, it should be able to address performance problems, including the issue of corruption.

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