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1. Introduction

After independence, the government of Tanzania through its parastatals and institutions committed itself to be the sole provider of goods and services to its people. Government was the sole supplier of socio-economic services, director of development, protector of all industries, owner of enterprises, and sole employer in the country. As a result, the public service was over extended, over burdened, over centralized leading to inefficiency and ineffectiveness. The situation led to a decline in governments' ability to manage economic activities caused by lack of financial and human resources to finance and manage socio-economic activities and dilapidated socio-economic infrastructure. This resulted in poor services delivery.

Maliyamkono and Bagachwa (1990), World Bank (1984), World Bank (1992) indicate that, in ranking of the world's poorest countries, the position of Tanzania changed dramatically in the 1980s dropping from 14th poorest in 1982, with a GNP per capita of $280, to the 2nd poorest in 1990, with a GNP per capita of $110. In previous years, particularly the 1960s and 1970s, real GDP per capita was growing at an average annual rate of 1.5 - 1.9%. However in the period between 1981 and1986, it registered a negative annual growth rate of 2%.

It was during this period that Tanzania' government started negotiations with the International financial institutions of the World Bank (WB) and International Monetary Fund (IMF) leading to the 1981 National Economic Survival Programme (NESP) followed by 1982 Structural Adjustments Programmes (SAP) and the Economic Recovery programmes (ERPs). As the names suggest, all these programmes were aimed at economic recovery and improvement.

To implement these programs, the government decided to liberalize its economy in an attempt to address the economic gaps already identified. This led to a policy change from *command to open market economy*. Liberalization aimed at inviting private sector participation in economic development activities, coupled with attracting more Foreign Direct Investment (FDI) in the country, hence more competition.

Through competition, consumers expected to enjoy a quality and affordable service-which remains the most important goal of the government. A key objective of the reforms is to transform and expand the supply base so as to fill the gaps experienced between 1961 and 1980. These reforms have steered a redefinition of government' role, stepping back and focusing on regulation, monitoring and evaluation leaving the private sector to run business activities of the economy.

In 1992, government issued its Policy Statement regarding parastatatal reforms which set the direction for an ambitious privatization and reform programme aiming at improving operational efficiency of the economy, reducing the burden of state-owned enterprises (SOEs) on the budget and expanding the private sector role. In order to spearhead the privatization process, government created the Tanzania Parastatal Sector Reform Commission (PSRC) in 1992 to supervise the privatization processes in Mainland Tanzania and oversee performance of the remaining parastatals. It acted as the principal advisor to government on policies and legislation affecting parastatal business enterprises.

The services sector was not left behind in this wave of privatization of previously state owned enterprises. This period saw Tanzania undertake what is termed as *unilateral (autonomous)* liberalization. In the WTO context, Tanzania only committed to accept foreign presence for set up of four stars and above hotels in the tourism sector.

2. Role Services in Tanzania’s Economic Transformation

Building proficiency in production systems and services delivery is the key to raising performance in trade. Measures towards this have to be anchored in specific sectors in which a country has advantages, either through natural endowment of through technological prowess and access to human capital. Tanzania’s economic transformation process and the role that trade is envisaged to play in it, are anchored in three priority sectors: agribusiness; tourism; and mining / natural gas. Although the National Trade Policy (2013) which is currently under review provides the national framework for a common strategy on the trade development agenda, it is necessary that the role of services in Tanzania’s Economic Transformation and the entire value chains be highlighted as trade in services is both embodied and embedded in developing other sectors like agriculture, manufacturing as an enabler.

The Tanzania Economic Survey (2016) indicates that services sector is currently the largest contributor to the national economy 52.0 % to GDP (2015), growth in the services sector (e.g. communication sector) was by 13.0% in 2016 compared to 4.5% in 2005, transport sector grew by 11% compared to 9.1% in 2005 (the increase in growth resulted from improvements in the road sector and investments in mobile phones coupled with rehabilitation of communications infrastructure in the country). The financial and business services sector grew by 13% in 2016 compared to 8% in 2014.

Statistical information from the national bureau of statistics indicates that the overall contribution of the services sector has been on the rise over time. For instance, the transport sector contribution to GDP increased from 7.9% in 2015 to 11.8% in 2016.

3. Oil and Gas Sector in Tanzania

Tanzania has excellent opportunities for continuing oil and gas exploration apart from currently proven resources of 55 trillion TCF of natural gas. Plans to develop a liquefaction facility introduces the potential for the development of natural gas related industries ranging from fertilizers and plastics to other facilities that depend on natural gas as the basic input. The terms for potential investors are set out in the model Production Sharing Agreement (“PSA”) of 2008 and in the Petroleum (Exploration and Production) Act of 1980 while development is guided by the Natural Gas Policy. PSAs are entered into with Tanzania Petroleum Development

Corporation ("TPDC"), a public corporation. However, most existing PSAs predate 2008 and are based on an earlier PSA model.

In the longer term, the natural gas industry has the potential of becoming the game-changer in Tanzania's economic transformation strategies by virtue of large earnings that can be harnessed for the development of high cost service delivery infrastructure such as modernization of the central railway line and related ports system, which in turn provides unique opportunities of revenue generation and employment creation based on transit trade for most of Tanzania's 8 neighbours. For instance, available information reveals that the development of a liquefaction facility that is key for making Tanzania a world-class producer and exporter of liquefied natural gas would take up to six years from decision making to operationalization.

The high potential of the oil and gas sector lies in a combination of export of liquefied natural gas as well as generation of clean energy for sale to neighbouring energy deficit countries. In addition a strategy for diversification of domestic energy use from bio-mass sources to natural gas is the key to environmental sustainability from threats of deforestation for the production of charcoal and wood as the leading source of domestic energy. The unbundling of the domestic power generation, transmission and distribution monopoly has already started with private sector investment by independent power producers (IPPs) based on power purchase agreements (PPAs) with the distributer. The Tanzanian national distribution system is already linked with the SADC power pool through interconnection with the Zambian power grid, already enabling Mbeya township to access power from the SADC region. Interconnection with an EAC power pool through Uganda via Masaka feeding into the stand-alone system supplying North Western Tanzania, in particular Kagera.

In future Tanzanian strategies target its conversion from a deficit country suffering from frequent power shedding into a net exporter subject to raising total generation capacity to 3,000 MW by 2019 compared to current level of less than 1,500 MW. The strategy provides for raising total domestic capacity to 5,000 MW by, most of which will be fueled by natural gas and the recently inaugurated 32 inch gas transmission pipeline is part of this strategy. Tanzania also has the potential to export natural gas to neighbouring countries in the EAC region through pipeline transportation.

4. Going forward

Liberalizing services trade has advantages if properly managed, some of which include increased efficiency in micro and macroeconomic terms. However, there can also be adverse effects especially for LDCs like Tanzania with limited capacity to manage the results of such liberalization especially in sensitive sector such as energy. Some of the known disadvantages include marginalization of the domestic services providers through stiff competition, market dominance by foreign services providers, and further alienation of the poorer people in accessing even basic services.

Tanzania is implementing EAC Common Market Protocol, has signed the Agreement Establishing African Continental Free Trade Area (AfCFTA), engaged in a services negotiations process with the SADC and Tripartite FTA. These Agreements brings in opportunities that can be exploited in the course of implementation targeting to redress trade imbalances and establish a presence in international markets to create the wealth, jobs and income that underpin the essence of a middle income economy.

These Agreements also introduces a detailed legal framework on national economic and social policies which require Tanzania to define international trade rights and obligations in its national policies particularly trade policy. In order to make Tanzania use these opportunities, all players must be engaged in trade discussion fora with proper preparations including stakeholder's consultative meetings and necessary analysis to inform national positions. Furthermore, key information must be shared specially to the business community and general public at large to allow them to make prompt reflection and make timely decision to take advantage of the opportunities. Apart from EAC, other trade arrangements includes energy sector as one of the priority services sectors for negotiations due to its importance as an enabler in manufacturing process.

Going forward, the Ministry of Trade is planning to undertake a comprehensive economic impact assessment of sectoral details in terms of regulatory capacity, opportunities and challenges in services sector, and on the basis of which, policy options will be proposed for government decisions. The assessment will also give an indication of how restricted sectors may be affecting other sectors of the economy. An investor/private sector survey will also be conducted to get a sense of where restricted sectors are acting as an actual constraint on growth. Furthermore, the assessment will also avail to the Ministry on how to go about on the following issues:

i. The Role of the Private Sector

The role of the private sector in services sector policy formulation and liberalisation can not be overrated. Private sector has the technical knowledge of the services operation, aware of possible markets and barriers negotiators ought to consider in negotiating market access for foreign markets. Organized private sector is a channel through which to express interests and concerns to policy makers, demand for transparency, create competitiveness, build capacity, kick start mutual recognition discussions and act as voice for small players among others.

Services coalitions in particular have proved to contribute in a number of negotiations, like EU and USA Services Coalitions in the TISA negotiations and the Barbados Service coalitions in the EU- CARIFORUM EPA negotiations. Four Models for establishing services coalitions have been adopted around the world and these include: Services providers joining existing private sector umbrellas like the chamber of commerce; establishing a Coalition independent of the chamber of commerce, an Enhanced chamber option where the mandate of the chamber is revised to comprehensively meet the needs of services providers; and independent coalitions that works hand-in-hand with the Chamber of commerce. The financial sustainability, governance and the involvement of government are key issues to be considered when selection a model to establish a coalition of services industries. Tanzania having a weak private sector needs to redefine and enhance private sector involvement in services liberalization.

ii. Engagement of Regulators

The fact that policy formulation entails consultation and approval from regulators who in some cases are unaware of trade in services and are reluctant to open in fear of loss of sovereignty. Negotiations in trade in services have to include trade promotion if market access commitments are to deliver tangible results. There's need to establish a Trade Promotions desk within the Ministry of Trade to support liberalisation efforts.

iii. National Policy on Services Trade

Tanzania Economic Survey (2016) indicates that services sector is currently the largest contributor to the national economy 52.0 % to GDP (2015) is as a key input in production and has the potential of enhancing value chain development in the country. In light of its contribution, Ministry of Trade is in the process of developing a Services Trade Policy which will be anchored in the National Development Plan noting that respective sector specific policies like energy, transport, communications are focused on regulations than export hence the policy will bring a commercial element to existing policy frameworks of various sector specific policies.