

UNITED REPUBLIC OF TANZANIA

MINISTRY OF AGRICULTURE AND FOOD SECURITY

**A REVIEW OF THE MACRO ECONOMIC AND SECTORAL
POLICIES IN RELATION IN RELATION TO THE
AGRICULTURAL SECTOR**

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1.0 INTRODUCTION

Since the mid eighties, the Government has been implementing policy reforms measures geared towards improving economic efficiency and relaxing government control over the day-to-day management of the economy.

The reforms started with Structural Adjustment Programme (SAP) of 1983 to 1985, which was launched immediately after the Agricultural and livestock (1983) policies were published, followed by Economic Recovery programme (ERP) 1986 and later on Economic and Social Action Programme (ESAP).

Before 1984, Government controlled all the key prices in the economy and owned and operated all the key enterprises. The 1984/85 budget provided a new outlook and marked a shift toward market based economic management. The exchange rate was devalued by a third, parastatal subsidies were cut, imports were liberalized and some restrictions on agricultural marketing were eased.

Encouraged by the positive effects of these policy changes, the Government then launched a more comprehensive reform the Economic Recovery Reforms in 1986. Series of reform were introduced. These include:

- Adjustment of the official exchange rate
- Establishment of the open general licensing (OGL) facility to improve the allocation of foreign exchange,
- Raising of interest rates by the banks,
- Removal of price controls on consumer goods previously regulated,
- Raising producer prices for export crops in real terms,
- Continuation of liberalization of the food market.

These measures were continued under the Economic and Social Action programme, which started in 1989, and additional emphasis was place on:

- Reform of trade policy and the reduction of import tariffs;
- Changes in the priorities within the public expenditure program;
- Improvements in the management of state owned enterprises and the initiation of the restructuring and divestiture program for parastatals;
- The restructuring of the banking system laden with the bad debts due to loss making public enterprises and cooperatives;
- Measures to increase effectiveness in the provision of social services to rehabilitate and expand the road and rail network and improve efficient of the major public utilities.

2.0 MARCO-ECONOMIC POLICY FRAMEWORK IN THE MEDIUM TERM

The Government's economic objectives and policies in the medium term are stated in the second Rolling Plan and Forward Budget (RPFb) which was approved by Parliament during the 1994/95 budget session and updated annually. In this context, the Government will continue with the agenda of structural reforms and macro-economic stabilization with the view to generating strong growth in order to combat poverty and deprivation.

In particular, the Government seek to create an enabling environment for a strong private sector, reduce government involvement in directly productive activities, improve efficiency in the use of public resources, accelerate diversification, enhance domestic competitiveness and promote environmentally sustainable development. During the medium term macro policies will focus on:

- Consolidating and extending reforms in the financial sector, including the restructuring of the existing banking system and establishment of new financial institutions;
- Removing barriers to private sector investment;
- Reform of public sector management aimed at increasing efficiency and reducing the size of the civil service and the parastatal sector;
- Completion of liberalization of the external payments with full current account convertibility and further progress with trade reform;
- Continue of agricultural marketing reforms including in marketing and processing of traditional exports;
- Ensuring that an increased share of public expenditure is directed toward improvement in social and physical infrastructure services and protection of environment.

2.1 Impact of Macro Policies on Agriculture

Despite successes recorded in the implementation of these implementation of these successive reform measures, such as reduction of the inflation rate, increased revenue collection, and adherence to expenditure ceilings, the real growth rate of the agricultural sector has not been impressive in its role as an engine for growth, reduction of poverty and source of food security. The real growth rate dropped from 5.8% in 1995 to 1.2 in 1998.

During this period of macro economic and policy reforms of the factors responsible for the poor performance in agriculture included:

- A sharp in public investment into the agriculture sector as a result of severe budgetary cuts (particularly on development programmes) and withdrawal of public sector involvement from commercial enterprises;
- Small response by the private sector to invest in agriculture enterprises;
- Lack of inter-sectoral linkage and coherent long term plans for the development of the sector;

- The liberalization of trade without putting in place an effective regulatory mechanism that left a vacuum and unfair trade practices. On the other hand liberalization has activated the private sector in agricultural trade, enabling farmers to sell their produce at a farm gate, for cash on the spot, without the interference of any crop board, or other public agency. But farmers suffer from the lack of bargaining power, which they had possessed to some extent bargaining power.

4.0 AGRICULTURAL SECTOR POLICY

The macro-economic policies described above necessitated major change of the Agriculture and Livestock of 1983, which were reviewed in 1997. The National Agricultural and Livestock Policy of 1997 has therefore been drawn up taking full account of broader economic and social objectives of the country and the need to have policies which are clear in their objectives and feasible to implement. The Policy sets national food security as the primary objective and aims to improve national standards of nutrition by increasing output, quality and availability of food commodities. In order to achieve this objective growth rates of food crops production should be increased through productivity and area expansion as well as encouraging private sector based initiatives in the sector. Specifically the national policy aims:

- a) To assure basic food security for the nation and improve national status of nutrition by increasing output, quality and availability of food commodities. In order to achieve this objective, production growth rates of food crops and livestock products will have to be at least 4 percent and 5 percent per annum respectively. Food crops production will be increased through productivity and area expansion while livestock growth will be through encouraging the private based initiatives in the industry;
- b) To improve standards of living in the rural areas through increased income generation from agricultural and livestock production, processing and marketing;
- c) To increase foreign exchange earning for the national by encouraging the production and increased exportation of cash crops, livestock products, other agricultural surpluses, including food crops, by-products and residues;
- d) To produce and supply raw materials, including industrial crops, livestock by-products and residues for local industries while also expanding the role of the sector as a market for industrial output through the application of improved production, marketing and processing technologies;
- e) To develop and introduce new technologies which increase the productivity of labour and land;
- f) To promote integrated and sustainable use and management of natural resources such as land, soil, water and vegetation in order to conserve the environment;

- g) To develop human resources within the sector in order to increase the productivity of labour and to improve ability, awareness and morale; and
- h) To provide support services to the agricultural sector, which cannot be provided efficiently by the private sector.

The 1997 Agriculture and Livestock Policy has the following salient features:

- (i) Liberalisation of all agricultural markets and removal of state monopolies in export and import of agricultural products and inputs;
- (ii) Withdrawal of Government from actual agricultural production, marketing and processing;
- (iii) Promotion of private sector involvements (investment) in primary production, marketing and processing;
- (iv) Assurance of national food security;
- (v) Integration of agricultural research with agricultural extension at district level;
- (vi) Continuation of Government responsibility for industry regulation and support through commodity marketing boards.

3.1 Policy Instruments

General policy instruments elaborated in the policy documents are divided into two parts:

- **Policy instruments which are within the Ministry's mandate**

These include the following:

- (i) Agricultural research, extension and training;
- (ii) Monitoring and evaluation of agricultural development and identification of new opportunities (products, technologies, markets, etc) and promotion of new production processes;
- (iii) Collection and dissemination of agriculture statistics and information on production and food security;
- (iv) Facilitate the provision of a good infrastructure, especially transport and storage;
- (v) Control quality, hygienic and sanitary standards;
- (vi) Control vermin epidemic pests and diseases;
- (vii) Providing an adequate legal and regulatory framework;
- (viii) Natural resource management;
- (ix) Promotion of institutional structure in the agricultural sector;
- (x) Regular reviews of the impact of various government policies.

- **The instruments, which affect Agriculture Sector but are at the disposal of other agencies**

Exchange rates, Subsidies (Ministry of Finance), Land tenure, Land rents Title administration (Ministry of Lands and Human Settlement Development), Environmental Policy and Regulation (Vice President's Office), Local Government Policy and Administration (Local Government), Water Management Policy (Ministry of Water and Livestock Development), Forestry Policy, Wildlife Management Poverty Eradication Strategy, Tanzania Investment Policy.

Therefore, to access these external instruments the Ministry of Agriculture and Food Security will have to play an advocacy role to see that these instruments are applied or managed well without negative impact to the agricultural sector.

4.0 CURRENT EFFORTS TO IMPLEMENT THE NATIONAL AGRICULTURAL POLICY

The implementation of the Agricultural and Livestock Policy is taking place with the context of macro economic reforms and policies such as the Local Government Reform, the Public Sector Reform, the Financial Sector Reform, the Parastatal Sector Reform and Land Policy. Since its inception of the Agricultural and Livestock Policy, a number of policy guidelines have been implemented and some are at various stages of implementation. Some of the intervention which have been undertaken as part of implementing the agricultural and related policies include:

- Reduction of price distortions for agricultural products and inputs (e.g. removal of subsidies and price control);
- Divestiture and privatization of agricultural parastatals including state farms;
- Rationalisation and restructuring of the Ministry of Agriculture and Food Security;
- Transfer of the provision of agricultural extension services to district councils.

Specific measures to achieve food security and improved nutrition status of the people include:

- Promotion of effective private participation in production, processing inputs supply and marketing;
- Improve rural infrastructure, particularly roads, both in areas currently used for agriculture as well as new production areas;
- Promotion of cross-border trade with neighboring countries;
- Ensuring efficient management of Strategic Grain Reserves (SGR) to minimize the recurrence of famine and reduce price fluctuations in some areas.

At institutional level, the Ministry of Agriculture and Food Security, places much emphasis on the implementation of the following priority areas:

4.1 Policy Development and Implementation

The agricultural sector operates in a macro-environment and when fundamental changes occur, reorientation of the sector in terms of its development strategies must also occur. This necessitates modification and realignment of the strategies to enable the sector to take advantage of the opportunities created by the new environment.

The Ministry recognizes the importance of the participation of stakeholders in policy development and review. Therefore the Ministry has endeavored and will strive to encourage stakeholders' participation through various forums, including seminars, workshops and crop industry stakeholders annual meetings like this one.

4.2 Support Services

The support services that are provided by MAFS include extension, research, plant and crop pests and disease control, agricultural information and training. Following the Government decision to decentralize the decision making and delivery of services to the Local Authorities, the Ministry of Agriculture and Food Security (MAFS) in collaboration with the of President's Office Regional Administration and Local Government have designed acceptable working modalities. Under these working modalities the role of the MAFS, the role of Regional Administration and that of the Local Governments with regard to the provision of support services are clearly specified.

(i) Extension Services

The extension services are an essential link between the producer and research institutions where agricultural technology is being developed, tested and modified. The objective of the extension service is to enable the producer to increase productivity and improve quality of agricultural produce.

As regards provision of agricultural extension services, the Ministry of Agriculture and Food Security will:

- Formulate policy, strategies and programmes;
- Provide guidelines on production methods and approaches;
- Coordinate and evaluate the implementation of crop production programs and projects;
- Prepare booklets, leaflets, posters etc., on agricultural technical issues;
- Determine and provide technical backstopping to various stakeholders;
- Prepare zonal specific technologies, in collaboration with Local Authorities, etc.

The agricultural activities in the field will be implemented by the Local Authorities according to the policy and guidelines on extension services provided by the Ministry of Agriculture and Food Security. The Regional Administration and Local Government on the other hand will coordinate and supervise all agricultural experts in implementing MAFS extension service guidelines.

However, it should be pointed out that the extension services that will be provided by the Ministry of Agriculture and Food Security in collaboration with the Local Government would not be monopolistic. The participation of the private sector and other stakeholders in the provision of agricultural extension services on cost sharing basis will be promoted.

(ii) Research Services

The objective of research is to increase productivity and improve quality of agriculture through the introduction of appropriate technologies developed based on the problems of agricultural producers.

In line with this objective, all new research programmes will be based on how they address client problems. The ongoing research projects will also be reviewed to accommodate the new approach.

The long-term vision of research is to provide effective, demand driven research so as to ensure that technologies developed are appropriate to farmer's needs.

Research effort will be directed to areas where the private sector is not likely to be engaged. This includes food crop research, and factor research programs. Before research is undertaken work done elsewhere will be reviewed to avoid duplication of effort. In this respect, relevant scientific literature will be ordered for distribution to the zones for use by researchers. In addition, on completion of research, results will be produced in various forms for distribution to relevant stakeholders.

The research results can only have an impact on farm productivity if farmers adopt them. In view of this, an effective research-extension-farmer linkage is vital to realize the impact of agricultural research on farm productivity. To realize this, the Ministry of Agriculture and Food Security through its zonal research institutes, will closely collaborate with the Local Governments to see to it that the research results are translated into practical technology packages for the end users through the extension services.

The private sector involvement in research is being promoted through joint undertakings with agro-industry such as coffee, cotton, sugarcane and cashew or outright privatization, where feasible (e.g. tea). In addition, a cost recovery mechanism for agricultural research is being established. This will involve contribution to agriculture research costs by primary beneficiaries.

The Ministry will continue to collaborate with other inter and external research institutions to gain their experiences and avoid duplication of work.

(iii) Plant and Crop Pests and Diseases Control

The plant protection services include research, forecasts, control of diseases and pests outbreaks, the issues of quarantine, testing of quality of inputs and agro-chemicals used to

control pests. They also include registration licensing or permitting of protection substances and plant or plant material prior to being allowed for importation and/or use in the country.

The Ministry will provide the plant protection services in close collaboration with the President's office Regional Administration and Local Government Authorities. The MAF specific role in this area will be to:

- Prepare and review regulations and modalities for the control of plant, crop and livestock diseases and pests;
- Provide information on the research and forecast results of disease and pests outbreaks;
- Control diseases and pests outbreaks.
- Impose national quarantine and provide information to the relevant institutions within and outside the country;
- Coordinate the availability and distribution of agro-chemical and equipment used to control diseases and pests outbreaks;
- Collaborate with international institutions in the control of red locust, quelea quelea, army worms and water hyacin; and
- Inspect plants and plant material imported into the country for presence of pests.

(iv) Agricultural information.

The agricultural statistics and information services are important to both the public and private sectors. They are useful for policy analysis, planning, evaluation and monitoring and decision-making.

Ministry of Agriculture and Food Security will continue to provide agricultural statistics and information services. These services will include:

- Agricultural statistics (data on area under crop production, irrigated, crop, pests and diseases, inputs and agro-chemicals etc.
- Food security information (data on rainfall, crop phenology, production forecasts, local food supplies and requirements, etc.)

In order to improve the current information and communication flow, is putting in place information and data management system with an in-built feedback mechanism that ensures that information reaches the desired targets. As the modern information is heavily dependent on modern communication system such as faxes, telephones and other electronic communication systems such as the E-mail systems and Internet, Ministry has and will continue to put in place such facilities in its various office depending on the established requirements.

According to the working modalities agreed between MAFS and RALG the specific role of the Ministry in the area of agricultural statistic and information is to:

- Prepare guidelines for data and information collection;

- Process, analyze, harmonize the statistics and information and provide directive to the local authorities;
- Disseminate agricultural statistics and information
- Provide training for data collection, processing and analysis;
- Provide feedback on information and statistics.

The Local Authorities will be responsible for collection of agricultural statistics and information, validation and preliminary processing of the statistics on the basis of guidelines given by the Ministry Agriculture and Food Security. They are responsible for strengthening methods of data and information collection. In addition, they are responsible for submitting the statistics and information to MAF through the Regional Secretariat, which will coordinate the collection of statistics and information, validate and make preliminary processing of the statistics and information in their respective regions.

Training

The Government is no longer the employer of the MATIs/LITIs graduates. The Local Governments (District Council) are the main employers of the agricultural middle level and technical cadres. The private sector (commercial farming entities) is slowly evolving and with time may turn out to be the major employer.

For the foreseeable future, the Ministry of Agriculture Training Institutes (MATIs) will continue to train the middle – level technical cadres to serve both the public and the private sectors. However, the existing curricula training programs are being redesigned to be demand-driven to meet the expectations of the client.

The Ministry has plans to retool and rehabilitate the training facilities in the agricultural training institutes.

4.3 Provision of Technical Services

These include irrigation, agricultural mechanization, and land use planning, soil and water conservation and regulatory and quality control services.

(i) Irrigation

Water resources in the country include big and small rivers, lakes, and underground water. These resources can be used for irrigation and have big potential in developing irrigation agriculture. The technology of water harvesting is available and can be used in collecting of preserving water from slopes and streams.

Provision of irrigation services will mainly involve:

- Preparation and review of irrigation policies and strategies for developing irrigation agriculture.
- Identification of irrigation potential areas;
- Preparation review guidelines for irrigation;

- Coordinate the use of natural resources, particularly in areas of irrigation, so as to ensure that the areas are developed for the benefit of the nation, and that measures are taken for proper environmental conservation;
- Collaboration with independent government departments and institutions, NGO's the donor community and Local Government in providing advice on the preparation and implementation of irrigation projects;
- Develop and disseminate standard procedures for all aspects of irrigation scheme development;
- Supervise consultants and contractors involved with feasibility studies, designs and constructions;
- Coordinate training of personnel involved in irrigation agriculture;
- Supervise zonal irrigation centers;
- Collaborate with the Ministry of Water and Livestock Development and the Local Governments in planning and establishing water requirements, proper water conservation and its utilization.

(ii) Agricultural Inputs and Mechanization

Improved agricultural inputs are very vital in bringing about positive agricultural transformation. The main agricultural inputs employed in Tanzania are chemical fertilizer, agro-chemicals, improved seeds, implements and farm machinery and draft animals. With the exception of some improved seeds, farm implements and draft animals, almost all other inputs are imported.

Prior to market liberalization the Government was the principal importer and supplier of most of the inputs, through parastatal agencies and Cooperative Unions. These bodies determined the volumes to be imported and the prices at which they would be sold. Indeed, the availability and distribution system of agricultural inputs was associated with the crop procurement arrangements. The public institutions that were involved in the procurement of crops were also obliged to distribute agricultural inputs to farmers. However, with the adoption of market liberalization policy, the responsibility for input supply is now with the private sector. There has generally been a major problem in the availability and distribution of both agricultural inputs and farm machinery to growers since we adopted market liberalization.

In order to redress these problems, the Government established the Agricultural Inputs Trust Fund, which provides credit to importers and stockists for buying and distributing the necessary inputs to farmers. However, the Agricultural Inputs trusts Funds has not been able to meet the demand for inputs in the whole country.

Ministry of Agriculture and Food Security will provide a favorable economic environment and necessary regulatory framework in order to encourage the private sector to invest in the production, importation and distribution of agricultural inputs and implements.

In view of the above stated situation, the Ministry's role with regard to the various agricultural inputs and mechanization is as follows:

Fertilizer

- Prepare and review policies on use of industrial and organic fertilizers and agro-chemicals;
- Collaborate with other national institutions in establishing quality standards of fertilizers and agro-chemicals and in regulating their distribution and use;
- Determine national demand for fertilizers and agro-chemical for crops;
- Strengthen and regulate the Agricultural Input Trust Fund;
- Test and approve the quality of imported fertilizers and agro-chemicals;
- Monitor the availability and distribution of fertilizers and agro-chemicals.

The Local Governments' role in this aspect is to sensitize farmers on the use of fertilizers and agro-chemical, monitor the distribution and proper use of fertilizers and provide feed back to the Ministry of Agriculture and Food Security on the farmers view on the quality of the fertilizers and agro-chemicals.

Seed

- Prepare seed production and utilization policies
- Establish quality standards of seeds;
- Regulate breeders' rights on breeders seeds;
- Registration of seed varieties
- Develop and coordinate dialogue and information from Local Government;
- Public and private institutions located within and outside the country
- Coordinate seed research activities prior to release of seed material;
- Regulate and coordinate production and maintenance of foundation seeds;
- Test seed sample and regulate seed quality.

Mechanization

- Formulate and review policies on the use, importation and manufacture of farm machinery and equipment.
- Selection and testing of agricultural machinery and equipment of determine their applicability and appropriateness;
- Provide training to Local Government of the use of draft animal power.

5.0 THE WAY FORWARD

In light of the current macroeconomic environment and the Agricultural Policy, the Ministry of Agriculture and Food Security is currently developing an Agricultural Sector Development Strategy, which will be the Government principal guide for development of the agricultural sector and thus an input to Rural Development Strategy, also under preparation. The strategy will be address key priority issues, ways and means of breaking through. The sector strategy will also guide the implementation of the above policy interventions.