

**THE IMPACT OF AGRICULTURAL PARASTATAL
REFORM ON AGRICULTURAL DEVELOPMENT
AND FOOD SECURITY IN TANZANIA**

CONSULTANT REPORT

BY

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PART ONE: BACKGROUND INFORMATION

1. INTRODUCTION

1.1 Background and Significance of the Study

FAO has initiated subregional review in selected countries in order to monitor the impact of agricultural parastatal reforms in east and southern Africa to provide policy guidance in sequencing and implementation. Tanzania was selected as it was one of the first countries in the region to introduce parastatals as the major instrument for implementing development plans following the February 1967 Arusha Declaration. It is hoped that the findings, policy implications and recommendations of the Tanzania case study will be of interest and use not only to FAO and the government of Tanzania but to researchers and policy makers in Tanzania and elsewhere in Africa and to the public at large.

1.2 Objectives of the Study

The main objective of this study is to critically review the adequacy of private sector development policy measures in the agricultural sector, and to determine the scope for additional measures to promote a vibrant private sector for agricultural development that ensures the achievement of the countries' general agricultural development and food security and nutrition objectives.

Within this broad objective, specific objectives are to:

- (i) Examine the organisational structure of the agricultural sector at the start of the 1980s and the relative roles played by state, quasi-state (parastatal), private sector and other organisations at that time and the justifications given for this organisational structure.
- (ii) Review and analyse the contribution of the past parastatal policies to the macroeconomic imbalances that triggered the launching of structural adjustment programmes (SAPs) e.g. effect on budget and/or trade deficits, inflation, credit supply and distribution, etc.
- (iii) Review policies relating to structural adjustment and/or economic liberalisation undertaken during the 1980s and up to the present time, paying particular regard to measures and proposals that affect the relative roles of the public and private sector in agricultural and related sectors.
- (iv) Examine the process and procedures adopted in the formulation of the parastatal policy reforms and the extent of consultation conducted with, or participation of, the various stakeholders in the policy formulation process.
- (v) Examine and quantify the extent to which the private sector has taken over, or expanded into, functions relating to the agricultural sector previously carried out by the state or parastatal organisations. Additionally, document new private sector activities relating to the agricultural sector which have been initiated as a result of economic liberalisation policies.

- (vi) Review the institutional and logistical arrangements put in place before and after the reforms for the effective monitoring and on-going evaluation of the impact and effects of parastatal policies and performance on the country's agricultural and rural development in general and food security in particular.
- (vii) Evaluate the impact of structural adjustment and economic liberalisation policies on agricultural development in general and food security in particular.
- (viii) Document the extent to which different groups in society (producers, consumers, traders, etc by location and income group) have benefited from, or have been disadvantaged by, these changes especially in regard to functions which have been typically regarded as 'state' functions because of their "public good" or 'developmental' function.
- (ix) Consider the various types of impediments that may have hampered the development of the private sector and its ability to perform its intended role.
- (x) Indicate options and formulate proposals regarding the process of liberalisation and the development of new private institutional structures that would restrict the government to perform its core functions only, create a more favourable environment for private and non-state organisations, and safeguard the interests of the various groups in the society. Additionally consider options for effective institutional policy management and evaluation, particular in regard to the operation of the agricultural sector's performance.

These objectives are in line with the terms of reference (see Appendix A).

1.3 Coverage and Methodology

This study has covered most of the expected aspects as stipulated in the terms of reference and largely uses data and examples from Mainland Tanzania due to resource and time constraints.

Data collection was conducted as follows: first, a wide variety of basic secondary data was collected. This involved a critical review of literature and statistics and a desk study of various report and documents. This was followed by field work using interviews and questionnaire through random sampling at various government and parastatal offices and villages in Mwanza region (province). A similar field work was conducted in Dar es Salaam. The major sources of data, documents, and other literature came from NCU/TCMB and Mwangala village in Mwanza region; FAO, The Ministry of Agriculture and Cooperatives including MDB, The Ministry of Planning and Economic Affairs, and The Ministry of Finance in Dar es Salaam, as well as NAFCO, the Parastatal Sector Reform Commission (PSRC), and The Central Bureau of Statistics.

2. BACKGROUND TO THE REFORMS IN TANZANIA

2.1 Introduction

Tanzania is a low income country (with per capita income of about US\$ 200). It is largely dependent on agriculture. The sector contributes about 50% to GDP, employs about 80% the population (estimated at 28 million people) and generates about 70% of the total foreign exchange earnings. (United Republic of Tanzania (URT) 1997a).

2.2 General Background

Tanzania (Tanganyika by then) attained independence in 1961. At that time manufacturing sector's contribution to GDP was only 4%. The great share (about 60%) came from primary production (agriculture and mining). The country inherited a colonial pattern of organization and structure of the economy. The basic role of the public sector was largely administrative and provision of infrastructure. Between 1961-66 the country pursued a strategy that underscored private investment and economic growth. This was partly inspired by the World Bank and Arthur D. Little reports. The First Five Year Plan (1964-69) aimed at rapid growth in GDP and per capita income. GDP at market prices and at factor cost grew by 8% and 7% respectively. (Rweyemamu 1973 Ch. 2).

In February 1967 the Arusha Declaration was introduced. It underlined socialism, self-reliance, rural development and economic growth. Guided by the spirit of the Declaration strategic activities of the economy in industry, agriculture, commerce, mining and construction sectors were nationalized. Import trade was put under the state trading companies and exports were to be handled by state controlled marketing board and crop authorities. Furthermore, new public investment was encouraged. By 1971 the public sector contributed about 21% of GDP compared to about 13% in 1961. By mid 1980s there were about 450 major public enterprises in Tanzania. (Ndulu, 1984). Market reforms and parastatal restructuring implied in the first Economic Recovery Programme - ERPI (1986-1989) became more visible during the period and in the 1990s. These tended to change the increasing trend of public enterprises in Tanzania.

2.3 The Origin and Early Evolution of Parastatals in Tanzania

Government participation in the agricultural sector can be traced back to the colonial days. Although direct production was left largely to the private sector, the government had a keen interest in major agricultural schemes especially the Overseas Food Corporation's groundnuts scheme and the Wattle and Pyrethrum extraction scheme. (Ndulu 1984:17)

As noted in the general background (2.2) during the early years of independence the pre-independence colonial policies continued. Major changes occurred after the launching of the Arusha Declaration in 1967. The major privately-owned sisal, tea, coffee, and sugar estates were nationalized and handed over to the newly created parastatal organisations such as the Tanzania Sisal Corporation, established in 1967. In order to take care of nationalized large scale grain and livestock farms the National Agricultural and Food Corporation (NAFCO) and the National Agricultural Company (NACO) were established in 1968. In 1974, however, the Livestock Development Authority (LIDA) was established to take over NACO's activities.

The agricultural co-operatives were the main agents during the (1963-1976) period. In May 1976, however, co-operative unions were replaced by crop authorities. Due to mounting bureaucracy and inefficiency cooperatives were subsequently re-introduced in the 1980s.

In 1977 there were about 108 state owned farms, estates and plantations, of which 55 were sisal plantations, 16 dairy farms and 15 ranches with about 4000 diary cows and over 100,000 heads of cattle respectively. The rest of farms and estates dealt with crops such as wheat, rice, maize, beans, oil seeds, sugar, coconuts and

grapes. The public estates contributed significantly as shown in Table 2.1:

Table 2.1: Percentage of Total Crop Marketed in Tanzania by Type of Production Organization (around 1977)

Type of Crops	Peasants (under 10 ha)	Medium (10-100ha)	Large (100ha+)	Private Estates	Public Estates
Food Crops					
Maize	85	10	5	n	n
Rice	50				50
Wheat				5	95
Drought Staples	95	5			
Sugar	15				85
Legumes	90	5	5		
Traditional Export Crops					
Coffee	85			10	5
Cotton	95	5			n
Sisal				50	50
Cashewnuts	100				
Tobacco	90	5		5	n
Tea	25			70	5
Pyrethrum	100				

Note: n = nil/negligible

Source: Msambichaka (1984:41)

Regarding land use and production the following observations are in order:

1. In 1977 the area of state farms and plantations covered 1,790,000 hectares.

About 75% were ranches and dairy farms. Crop state farms/plantations occupied only 25%. For details see Table 2.1.

Table 2.1: Distribution of Land Utilized within the Public Agricultural Sector in Tanzania, 1977*

	Land Utilized ('000)	%
Area of state farms/plantations	1790	100
Ranches	1310	73
Dairy Farms	41	2
Crop State farms/plantations	439	25

Note: * This distribution pattern did not change significantly before structural adjustment launching in 1986

Source: Msambichaka (1984:40)

By the start of liberation in 1984 the trends of percentage of total crop marketed through public estate remained almost the same, with exceptional increases in the case of sugar, sisal and tea as shown in Table 2.2.

Table 2.2 Percentage of Total Crop Marketed Through Public Estates 1977 and 1984

<u>Food Crops</u>	Percentage (1977)	Percentages (1984)
Maize	n	n
Rice	50	50
Wheat	95	90
Drought Staples	n	n
Sugar	85	92
Legumes	n	n
<u>Traditional Export Crops</u>		
Coffee	5	4
Cotton	0	0
Sisal	50	70
Cashewnuts	n	n
Tobacco	n	n
Tea	5	39
Pyrethrum	n	n

Note: n = nil/negligible

Sources: (1) Marketing and Development Bureau (MDB)
(2) 1997 URT Economic Survey

2. Despite the increase in total harvested area in the state sisal plantation from 104,400ha in 1969 to 194,000ha in 1976 production fell.

3. In the case of maize and wheat farms, yeilds rarely exceeded 2 tons per hectare.

4. In the case of rice production, only the Mbarali rice improved its yield performance from 1.5 tons per hectare in 1972/73 to 3.9 tons per hectare in 1973/74 and reaching a high of 7.3 tons per hectare in 1976/77.

5. In 1977 average milk output per cow in 16 state owned dairy farms was about 1,200 kg compared to an average of 4,000 kg per cow in More Developed Countries.

2.4 Agricultural Development and Food Security in the 1960s and 1970s

As noted in the general background (section 2.2) at independence (1961) primary production contributed the largest share (60%) to GDP. Between 1961 and 1964 the agricultural sector grew at an average of 5%. (Mbilinyi et al 1974). During the five years after independence (1961-66) food security/food self-sufficiency was taken for granted in Tanzania. Growth trend in food production was higher than that of population. Despite the change in policy arising from the Arusha Declaration and growth of parastatals Tanzania had a surplus of 50,000 tonnes of maize in 1968 which it exported at a loss. Until the early 1970s Tanzania was largely self-sufficient in food. The two years of drought 1973/74 and 1974/75 changed significantly the positive trend and food imports, especially for the staple food (maize), became necessary. Self-sufficiency ratios were not impressive thereafter until the advent of good rains in 1984/85. (Kapunda et al 1988:72)

PART TWO: AGRICULTURAL PARASTATALS IN THE 1980s

3. ORGANISATIONAL STRUCTURE OF THE AGRICULTURAL SECTOR

3.1 Introduction

Parastatals are hereby defined as state-owned organisations that are run on an autonomous or semi-autonomous basis in terms of their management with at least 50% government participation in the share of capital (FAO consultant concept paper and Ndulu - 1984)

Large parastatal enterprises grew to 425 in 1984 (from only 42 during the Arusha Declaration year - 1967). (Moshi 1993). Agricultural parastatals formed a significant number. The list and further information of parastatals under the Ministry of Agriculture, Livestock Development and Co-operatives (1980-98) are provided in section 5.3 and in Table 5.2. At the start of the 1980s public sector's contribution to GDP had already risen to 22% (from 15% in 1967) Ndulu (1984:24). However, the expected performance was not reached and some of the parastatal enterprises had serious problems. The main grain corporation (NAFCO) - had acute shortage of spare parts at the start of the 1980s. This adversely affected production of wheat.

3.2 Agricultural Production

At the start of the 1980s i.e. 1980/81 food crop production was largely done by small scale farmers (peasants) except the case of wheat which was mainly produced by the food grain parastatal - NAFCO and large commercial farmers. This trend continued throughout the 1980s. Contribution to production of wheat by NAFCO grew from 22% in 1980/81 to 57% in 1984/85 due to area expansion and increased productivity from 1.29 tonnes/ha (1980/81) to 1.92 tonnes/ha (1984/85).

However, the contribution fell to 52% in 1988/89. For details see Table 3.1 and Appendix B.

Table 3.1: Organisational Structure of Agricultural Production During the 1980s: The Case of Wheat

Year	1980/81	1984/85	1988/89
Volume ('000 mt)	91	81	81
Parastatals* (%)	22	58	62
Commercial Farmers (large scale) (%)	78	42	39
Peasants/(Small Scale) (%)	n	n	n

Notes: * - NAFCO
n - nil/negligible

Sources: (1) Directorate of Planning and Operation - NAFCO Headquarters
(2) Ministry of Agriculture and Cooperatives Bank of Tanzania (BOT), 1996 Economic Bulletin
(3) Calculation by the consultant.

NAFCO's major problems were lack of spare parts especially before trade liberalisation (pre-1984/85) and weather fluctuations. Although production levels of wheat, maize, rice and other crops tended to increase over time, they failed to meet the increasing demand, and throughout most of the 1980s food imports were necessary to supplement domestic supplied to meet domestic demand. For details see Appendix C.

Traditional cash/export crops from small scale farmers contributed significantly to cash crop production especially the case of cotton, cashewnuts, and tobacco. However, in some crops like coffee, tea and sisal parastatal production supplemented significant smallholders production. At the start of the 1980s, for instance, coffee was grown by both estates and smallholders. The latter contributed about 90% of the average annual production. About 70% of the average annual estate

production originated from private estates and the rest came from national estates operated by the Coffee Authority of Tanzania (CAT) (URT/MDB 1982:3).

Crops coffee production also fluctuated with weather. In 1980/81, for instance, the high production of 54,900mt of clean coffee was largely due to very favourable weather which was not enjoyed in several other years in the 1980s. For further illustration on production and organisational structure see Table 3.2.

Table 3.2: Organisational Structure of Selected Cash Crop Production During the 1980s

	Coffee			Tea			Sugarcane		
	1980/81	1984/85	1988/89	1980/81	1984/85	1988/89	1980/81	1984/85	1988/89
Volume ('000mt)	54.9	49.0	48.8	15.44	11.65	10.93	1047	1253	878
Value (US\$ million)	127.04	131.91	105.60	20.24	17.00	16.16	15.88	24.55	3.42
Parastatals/ Corporations (%)	4	4	4	31	39	38	82	92	90
Private large Commercial Farmers %	6	6	6	35	31	32	17	7	9
Private small-scale farmers (peasants) subsistence (%)	90	90	90	34	30	30	1	1	1

Sources: (1) For Production Figures

(i) Ministry of Agriculture/Bank of Tanzania Economic Bulletin June 1996.

(ii) URT, (1997) Economic Survey (Hali ya Uchumi wa Tanzania)

(2) For value - Calculated using data from Economic Research Bureau (ERB) & Planning Commission Tanzania Economic Trends Vol. 5 No. 3. Jan 1993.

(3) Organization Structure percentages - calculate by consultant using data from marketing and Development Bureau (MDB) & 1997 Economic Survey.

Parastatal tea production was also significant. In 1980/81 the Tanzania Tea Authority (TTA) output as percentage of total was 31 increasing to 39% in 1984/85. A more vivid example is that of sugar-cane. Parastatal production percentage in the 1980s was quite high: 82% in 1980/81; 92% in 1984/85 and about 90% 1988/89. The case of sisal was most vivid. Production was almost entirely handled by the parastatal - the Tanzania Sisal Authority. (TSA).

For details of production of coffee, tea, sisal, sugar-cane and other cash crops see appendix D-1.

Regarding livestock almost all animals - cattle, goats, sheep and chicken were reared by small scale farmers. As an example, just before the economic recovery there were almost 12 million cattle owned by small-scale farmers in Tanzania. Whereas the number of large-scale dairy farm livestock in the major stations¹⁴ were only 4900. For further details of major livestock population in the 1980s see Appendix E.

3.3 Producer Prices

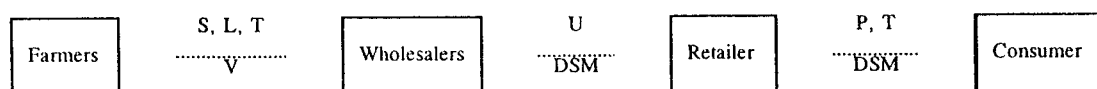
During the 1970s and 1980s the government used to set producer prices for agricultural produce like maize, rice, wheat, cotton and tea. Pan-territorial pricing was introduced in 1974/75, modified in 1981/82 and re-introduced in 1987/88. (Kapunda et al 1990). However, there were problems with producer price policy as will be explained in section 3.9 (d).

3.4 Marketing Channels

Before the Economic Recovery Programme the marketing of agricultural commodities was organized into a single channel system consisting of three levels. At the farm level the primary cooperative societies had a legal monopoly for crop purchasing and distribution. At the middle level the unions channelled credit to the primary societies and provided accounting and audit services. At the top of the marketing chain, the state owned marketing boards had the legal monopoly to export cash crops and distribute food/grain crops. (Bagachwa 1992:35).

Trends in the percentage of total crop marketed through public estate remained almost as shown in Table 2.2. However, changes were inevitable to correct the inefficient single channel system. The private sector was officially invited to participate in the marketing system in 1984 and became a more active player in 1986.

Nevertheless, marketing chains remained similar in all towns. They tended to indicate where and between whom exchange occurred, marketing function and the actors involved. The emphasis was on private functions as illustrated in the case of maize in Dar es Salaam. (Kapunda *et al* 1990).



Where

- > = Represent the action and direction of exchange of goods
- V = Villages in Ruvuma, Mbeya, Iringa and Morogoro regions
- DSM = Dar es Salaam
- S,L,U,P= Marketing functions
- S = Storage before transporting
- L = Loading maize bags into lorries/trucks using hired labour
- T = Transport
- U = Unloading in Dar es Salaam
- P = Processing

3.5 International Trade

Government interventions in the economy including the agricultural sector in the pre-economic recovery period included restrictions on external trade through foreign exchange controls and restrictions on the participation of the private sector in

such trade. (Amani 1992: 117). State interventions were quite visible in import, export and wholesale trade because all these had virtually been nationalized. This affected significantly almost all traded agricultural products as we shall note in section 3.9.

3.6 Input Supply

Since the Arusha Declaration the co-operative unions played a key role in marketing and supply of inputs to farmers. When the co-operatives were abolished in 1976, the National Milling Corporation (NMC) took over direct purchasing of grain from producers. The Regional Trading Companies (RTCs) were assigned the duty of transporting and selling essential inputs especially chemical fertilizer and consumer goods to farmer. This increased shortages, particularly in regions where the RTCs had liquidity problems. (Kapunda *et al* 1988: 75) To ensure low prices (pan-territorial) throughout the country, the government also subsidized inputs especially fertilizer with the hope of improving farming practices.

3.7 Agricultural Development and Food Security Before the Economic Recovery (1981-1985)

Food security before the Economic Recovery period (1981-1985) was not generally impressive. Between 1981 and 1985 annual agricultural sector growth was about 3%, compared to the average rate of 5% during the early years of independence, (1961-1964). This had a direct and indirect impact on food security. Food production increased by an average of 2.7% between 1981-1983 according to FAO production data, while cereal production increased only by 0.5% annually. These were low rates

compared to the average population growth of about 3% per annum. However, as noted in section 2.4, the advent of good rains in 1984/85 had a positive impact on food production resulting into an average growth of 6.7% and 2.9% of cereal and food production respectively between 1981 - 1985. For details of the 1980s food production rates see Appendix F.

Livestock production between 1981 - 1985 grew at only 0.68% per annum. (For details of the 1980s rates see Appendix G). Productivity and per capita consumption of animal protein in Tanzania was also low. In 1985, for example, per capita meat consumption was only 9 kg compared to 79 kg per in Holland. (Kapunda 1990).

3.8 Justification of the 1980s Organizational Structure of the Agricultural Sector

The Arusha Declaration see section 2.2 (General Background) provided the justification for the 1980s organisational structure of the agriculture sector based on two objectives, i.e: to raise the standard of living of the population particularly of rural areas and to contribute to the achievement of the policy of socialism and self-reliance. The political and social consideration, rather than economic consideration, seem to have been the main justification for agricultural parastatal creation.

3.9 Review and Analysis of the Contribution of the Past Parastatal Policies to the Macroeconomic Imbalances

Guided by the spirit of the Arusha Declaration, government price and market interventions were considered important policy instruments which would eventually

lead to the realization of the following specific objectives:

- i) Reduced price uncertainties to producers and stable farm incomes;
- ii) Adequate food for urban population at reasonable prices to maintain political stability;
- iii) Farmer protection from exploitation by private traders.
- iv) Agricultural surplus extracted for the development of other sectors;
- v) Guaranteed foreign exchange earnings;
- vi) Reduced income inequalities between rural and urban areas and between regions. (Amani 1992).

By 1986 there was strong pressure for market reforms due to internal macroeconomic imbalances in the economy and external guidance mainly by the International Monetary Fund (IMF) and the World Bank (WB). Factors which contributed significantly to the pressure for market reforms and the structural adjustment programmes (SAPs) are discussed below:

(a) Rising Budgetary Deficits and Inflation

Government intervention in the market through subsidized food production (i.e. low input prices) and consumption (low consumer prices) escalated government expenditure. Government subsidies on maize flour and fertilizer, for instance, increased substantially from about Tsh. 99 mil (or 1.6% of total government expenditure) in 1976/77 to TSh 262 mil (or 2.0% of total government expenditure) in 1980/81 and went up further to TSh 461 mil. (or 1.8% of total government expenditure) in 1983/84. (For detail see Table 3.3 and URT 1990 Economic Survey).

Table 3.3: Government Subsidies for Maize Flour and Fertilizer, 1976/77 - 1983/84
(Tsh. Mil)

Year	Maize Flour	Fertilizer
1976/77	49.349	49.693
1977/78	84.263	100.000
1978/79	562.350	135.400
1979/80	419.080	134.692
1980/81	125.151	136.450
1981/82	405.290	202.800
1982/83	216.550	195.970
1983/84	245.630	215.000

Sources: (1) Ministry of Finance and Economic Planning, 1986
(2) cf. Kapunda *et al* (1988)

Government subsidies were also applied to write off the growing marketing losses of the national Milling Corporation (NMC). NMC subsidies were TShs 405 million in 1981/82, TShs 216 million in 1982/83 and TShs 318 million in 1983/84 just before market liberalization. (Kapunda *et al* 1988). The accumulation of huge financial losses within the agricultural sector and rising crop parastatal deficits also resulted in higher levels of bank borrowing, money supply growth and inflation. together with input and consumer subsidies, these subsidies were mainly absorbed by running budgetary deficits which increased almost annually. The resulting budgetary pressure inhibited any attempts to increase real producer prices. Thus worsening macroeconomic balances.

(b) Food Security Problems

Pressure for market reforms to alleviate food supply problem came from several quarters. Firstly, the growing producer and consumer subsidies contributed to severe budgetary pressure. Secondly, the trade confinement policy giving monopoly

powers to a few agencies, particularly, RTCs, to sell essential inputs and consumer goods, increased shortages of consumer goods (including food) particularly in regions where RTCs had liquidity and corruption problems. In fact food scarcity arising from inadequate supplies invalidated price controls as parallel market prices for controlled grains such as maize and rice became the effective price. Thirdly, as a result of ineffective price controls on staple food, the target group for food subsidies, namely the urban poor and rural food deficit households, did not have access to cheaper official supplies. Fourthly, there was a risk of political instability arising from those discontented with scarcity of food and other consumer goods.

(c) Input (Fertilizer) Use Problems

Despite government efforts to subsidize inputs especially fertilizer, the strategy met several problems. Firstly, there was competition for inputs between food and export crops, with the latter taking the lion's share. Secondly, due to government budgetary constraints, demand exceeded available supply, hence many farmers did not apply the recommended quantities. Inputs were distributed late due to transport and inefficiency constraints. The RTCs and Cooperative Unions (after 1984) and the Tanzania Fertilizer Company (TFC) were somewhat responsible for their inefficiency in importing, selling and distributing the inputs in time. Despite greater emphasis of fertilizer distribution in the regions which were considered food (maize) surplus like Iringa, Mbeya and Ruvuma (See Appendix H) there is no conclusive evidence to show that input subsidisation led to improved farming. (Kapunda et al 1988).

(d) Producer Price Problems

Real producer prices of major food items (maize, paddy and wheat) did not change substantially between 1980/81 and 1986/87 because of inflation fuelled partially by the government budget deficit. For wheat, real prices fell. See Table 3.4.

Table 3.4: Real Producer Prices of Major Grains 1980/81 - 1986/87
(TShs. per kg)*

Year	Maize		Paddy		Wheat	
	Money Prices	Real Prices	Money Prices	Real Prices	Money Prices	Real Prices
1980/81	1.00	2.95	1.75	5.16	1.65	4.87
1981/82	1.50	3.57	2.30	5.48	2.20	5.24
1982/83	1.75	3.15	3.00	5.39	2.50	4.49
1983/84	2.20	3.11	4.00	5.66	3.00	4.25
1984/85	4.00	4.00	6.00	6.00	4.50	4.50
1985/86	5.25	3.89	8.00	5.93	6.00	4.44
1986/87	6.30	3.18	9.60	5.69	7.20	4.34

Note: * CPI used as deflator.
1984/85 = 100

Sources: Kapunda et al (1988).

Real producer prices for cash crops also tended to fluctuate largely due to inflationary pressure despite increases in nominal prices. The 1980/81 tea price, for example, level was almost the same as the 1987/88 inflation adjusted price just after the launch of the first Economic Recovery Programme. There were also significant inter year price fall as shown in Table 3.5.

Consequently, there was no improvement in farmers incomes before the Economic Recovery Programmes.

Table 3.5: Real Producer Prices of Green Leaf (Tea) 1980/81 - 1987/88

	Nominal Prices	Real Prices
1980/81	1.50	4.13
1981/82	1.50	3.30
1982/83	2.00	3.29
1983/84	2.80	3.80
1984/85	4.00	4.00
1985/86	4.90	3.19
1986/87	7.60	4.36
1987/88	9.90	4.28

Note: * Deflated by CPI, 1983/84 = 100

Source: URT/MDB 1993b Industry Review of Tea (1992/93)

The implicit taxation of farmers resulting from marketing inefficiencies, increased marketing margins of the crop marketing institutions and high inflation rates all contributed to lowering real producer prices. The margins of the marketing boards and cooperatives, for instance, more than doubled between 1983 and 1987. In the case of cotton, agricultural producers received less than 50% of the world market prices in certain years, and some farmers complained openly at the level of implicit taxation. Similar cases applied to many other cash crops. (See URT/MDB 1993b).

The financial losses incurred by the crop authorities is illustrated in the case of tea where producer prices were previously set by government only for smallholder farmers. The Tanzania Tea Authority (TTA), which was responsible for the marketing of smallholder farmers' tea, was obliged to absorb the impact of fixed prices through operational losses which were offset after 1981/82 when government price differential subsidies were introduced. In 1982/83 the price subsidy covered about 40% of TTA losses. (URT/MDB 1983:1).

(e) Poor Performance of Agricultural Export Sub-Sector

Market reforms were also required to reverse the poor performance of agricultural exports. Significant over valuation of the Tanzanian shillings had imposed implicit tax on export crops which, together with the low real producer prices, shifted the terms of trade against the sub-sector. Shortage of foreign exchange earnings was a problem to be met mainly by the government through cooperatives and crop authorities. In 1982 the real purchasing power of exports was about 30% of its 1966 level. The acute shortage of foreign exchange affected almost all sectors of the economy and government activities. The balance of trade was thus adversely affected. In 1984 the government began debating the market/trade liberalisation policy. This trend led to the major 1986 reforms - the launching of the Economic Recovery Programme - which is the focus of the subsequent chapters.

PART THREE: AGRICULTURAL PARASTATAL POLICY REFORMS AND PRIVATE SECTOR PROMOTION

4. REVIEW OF POLICIES AND INSTITUTIONAL AND LOGISTICAL ARRANGEMENTS RELATED TO MARKET REFORMS/STRUCTURAL ADJUSTMENT PROGRAMMES (SAPs)

4.1 Introduction

Although serious reforms were introduced in 1986 earlier efforts to address the macroeconomic imbalances included the National Economic Survival Programme (NESP:1981-82) and the Structural Adjustment Programme (SAP:1982-85). However, these initial efforts were frustrated by very low import capacity and insufficient foreign capital inflow. In 1984 the policy of market liberalisation of the economy was introduced during the Government Budget Session.

The IMF/World Bank sponsored Economic Recovery Programme (ERP I: 1986/87-1988/89) was a more serious reform. Its basic objectives were to:

- (a) achieve a positive growth rate in per capita income;
- (b) lower the rate of inflation;
- (c) restore a sustainable balance of payment position;
- (d) increase the aggregate agricultural and food output and export crops through appropriate incentives for production, improved marketing structures, and increasing the resource flows to agriculture.

The Second Economic Recovery Programme (ERP II: 1989/90 - 1991/92) aimed at strengthening the achievements of ERP I. The ultimate aim was to alleviate

poverty through various measures such as employment creation, income generation, provision of social service, and food security promotion. The Rolling Plan and Forward Budget Policy (RPF: 1993/94 - 1995/96) and other rolling plans which followed essentially aimed at consolidating the attainment of these objectives.

4.2 Reform Policy Measures

With effect from July 1984 the government undertook several measures to deregulate markets. Major policy changes included the following:

- (a) Removal subsidies on sembe (maize meal) and explicit withdrawal on agricultural inputs. This was an attempt to react to the large government budget deficit. The removal of subsidies on maize flour (sembe) was achieved rather quickly (Kapunda et al 1988).
- (b) Significant increases in real official producer prices for major agricultural crops 31% in the case of maize, 7.8% for rice and 12% for export crops. This was an attempt to improve the incomes of farmers.
- (c) Devaluation of the Tanzania shilling by 31% with inflation running at 30%. This was an attempt to get rid of problems related to the currency overvaluation.
- (d) Allowing those with foreign exchange to import "incentive" goods and sell them at market clearing prices. This was an early attempt to deal with shortage of consumer/"incentive" goods.
- (e) Reintroducing Cooperative Unions. This was to ensure that the Cooperatives remain the major official channel for purchasing crops

from farmers after realizing that most crop authorities were relatively inefficient.

- (f) Decontrolling private traders in grain trading. Individuals were also allowed to buy and transport up to 500 kg of food grains. Before 1984 there were obstacles to private traders such as road blocks; one was not allowed to transport food grains from region to region without special permit. They were also not easily allowed to buy crops directly from farmers but to cooperative unions and the NMC.

This policy change and the re-introduction of co-operatives removed the role of the NMC's virtually monopoly in grain trading to a restricted role of maintaining a strategic grain reserve, handling food imports and exports and grain milling as well as selling food grains and flour to deficit regions at a specified price.

After the introduction of the Economic Recovery Programme in 1986 further policy changes took place.

- (a) The Tanzania shilling was quickly devalued from TShs 17 to 1 US\$ to about TSh 52 to 1 US\$. Thereafter, through a crawling peg, it was further depreciated to TSh 70 to the US\$ by October 1987.
- (b) With the exception of 12 categories of essential items, all consumer commodities were decontrolled.
- (c) On average, Official producer prices were increased by five percent in real terms in that year.

In 1987 additional policy changes included the following:

- (a) No permit from the NMC was necessary to buy crops directly from farmers and to move food grains in the country. However, exceptional

controls especially in region close or adjacent to neighbouring countries during grain shortages in those countries existed and still exist.

- (b) The role of NMC was formally limited to operating the strategic grain reserve, undertaking imports of food, and managing food aid and grain milling.
- (c) Official producer prices were further increased to 80% on the average.
- (d) Controls were removed on the importation and distribution of all agricultural inputs except fertilizer and seed.
- (e) Infrastructure (transport) was made a priority policy.

However, some policy 'U' turns took place over time. During the 1989/90 budget session, for instance, the government announced some changes in food grain marketing. Private traders were no longer allowed to buy crops directly from farmers; they were to buy from Co-operative Unions and the NMC. However, a politician argued that the measure was temporary (Kapunda *et al* 1990).

In July 1990 the government decontrolled all food and other consumer prices except that of sugar.

In 1992 the government designed and began implementing a parastatal sector reform programme aimed at divesting public enterprises. This also affected the agricultural sector. In liberalising the grain market, for instance, the government took into consideration the need for establishing a reliable Strategic Grain Reserve (SGR) to ensure food security for the nation. This was to be financed by the Ministry of Agriculture and had implications of restructuring the NMC to enable it operate commercially.

Furthermore trade liberalisation in some cash crop marketing (e.g cotton and cashewnuts) was introduced in the 1990s. In December 1997 the Prime Minister announced hurriedly the liberalisation of the tea industry underwhich smallholder farmers, formerly operating under the monopoly of the Tanzania Tea Authority (TTA), were free to sell their crop to private buyers directly. The Prime Minister was responding to complaint by tea farmers in Rungwe District that TTA had not paid them for consignment of the crop bought on credit for the past six months.

However, despite the plan of presenting the evaluation of the impact of reforms on the agriculture sector in part 4 let it suffice to point out that in attempting to fulfil the SAP's objective of improving the balance of trade (from, for instance, US \$ - 961.27 million in 1992 to US\$ - 568.9 million in 1996) and the budget deficit there has been some negative impact on agriculture sector particularly the decline in real expenditure on the sector. In fact the 1997/98 estimates for Ministry of Agriculture were less than the 1996/97 approved real estimates. This is likely to have affected development expenditure too. For details see Table 4.1 Budgetary transfer payment to parastatals and agricultural institutions have also tended to decline as shown in Table 4.2.

Table 4.1: Estimates of Public Expenditure: The Case of Ministry of Agriculture
(TShs mil.)

	1995/96	1996/97	1997/98
Expenditure by Ministry of Agriculture	11,113.53*	15,475.97**	13,016.89***
Total Supply	236,475.13	294,766.98	355,866.64
Grand Total	358,083.28	505,052.01	563,681.64

Source: URT, Vol. III Estimates of Public Expenditure Consolidated Fund Services, 1st July 1997 - 30th June, 1998

Notes

- * Actual expenditure
- ** Approved estimates
- *** Estimates

Table 4.2: Budgetary Transfer Payments and Expenditure
(TShs Mil)

	1991	1992	1993	1994	1995	1996
(1) Transfer to parastatals	7006	6723	19926	15444	5920	3000
(2) Strategic Grain Reserve Management	618	2130	4002	2051	100	1000
(3) Agricultural institutions	398	702	831	450	197	278

Sources: Treasury/Osoro (1997)

It should be emphasized that by 1992/93 the government was able to allocate only 0.3% of the agricultural GDP to research and extension services which is far below the percentage allocated to the services in semi industrialized and industrialized countries (i.e. 1 - 1.5%) (World Bank/Ministry of Agriculture 1994).

4.3 Review of the Institutional and Logistical Arrangements Put Before and After the Reforms

4.3.1 Introduction

Before the reforms the government, being the key institution through various ministries and the Standing Committee on Parastatal Organisation (SCOPE) was expected to monitor closely and evaluate the impact of parastatal policies and performance on agriculture and rural development in general and food security in particular. However, as discussed in Section 3.9, action was delayed in addressing the macroeconomic problems, the chronic inefficiency of the growing number of parastatals and harmful effects on economic growth and food security. However, economists, financial experts and academics especially at the University of Dar es

Salaam were also monitoring and evaluating the parastatal performance. In September, 1983, just before trade liberalization, they held a critical workshop in Arusha to evaluate the role of public sectors in national economic development (ERB 1994). The workshop recommended the need for parastatal to stimulate innovation, higher productivity, higher quality and efficiency. As SCOPE could not effectively coordinate, regulate and monitor the existing parastatals since most of its time was spent issuing circulars to unify salaries and wages instead of encouraging competition and reforms, the establishment of a national bureau to effectively co-ordinate, regulate and monitor the activities of parastatals in the entire country was also recommended.

4.3.2 The Role of the Government During the Reform Period

The role of the government during the reform period changed to creating conducive and enabling environment for private productive investment instead of the previous stance as investor, investment planner and project executor. The government should also promote competition, regulate monopolies, and ensure efficiency in the remaining parastatals. This implies creation of an institutional framework conducive for further institutional reforms e.g in banks and other financial institutions and in the agricultural marketing institutions.

Provision of essential public goods such as education remains crucial. As Bagachwa (1992:30) argues, since successful implementation of the reform requires a thorough trained cadre of technicians, managers, financial experts, economic analysts and administrators who can design, monitor and evaluate the reforms, it is the role of the government, in most cases, to ensure there is provision of such techno-

managerial capabilities. Other public goods to be provided by the government include defence, health, and basic infrastructure such as roads, railways, power and water supply. The argument supporting this line of thinking is based on the market failure theory. Furthermore, it should support (agricultural) research and extension and provide a just, impartial legal system and adopt measures to ensure an equitable distribution of income.

4.3.3 Monitoring and Evaluation of Agricultural Parastatal Reform Policies

From the beginning of the reform process in 1984, institutions like the Department of Economics and Economic Research Bureau of the University of Dar es Salaam were involved in monitoring and evaluating the reform policies and performance through a series of annual economic policy workshops which were renamed policy analysis and economic management in 1997. Other academics, policy analysts, financial experts and even top politicians including former presidents and prime ministers were free to express their views through such fora. This reflects the value of openness and transparency which continuous existence of such monitors and assessors provided. Other individuals and institutions and including farmers, government/ministries, the Presidential Parastatal Sector Reform Commission (PSRC), other academic financial institutions and even the private sector were also involved in monitoring and evaluating the parastatal reforms to varying degrees. A survey to assess the views of principal monitors and assessors was conducted in September 1997 covering 60 farmers and officials/members of Nyanza Cooperative Union (NCU), Tanzania Cotton Marketing Board (TCMB); in Mwanza region and

at the National Agricultural and Food Corporation (NAFCO) in Dar es Salaam. They were asked to indicate giving reasons, the principal individuals or institutions which effectively monitor and evaluate the aforementioned public institutions. The responses are summarized in Table 4.3.

Table 4.3: Responses on the Principal Monitors and Assessors of Agricultural Parastatals and Other Public Institutions (1997) (%)

MONITORS/ASSESSORS	NAFCO	NCU	TCMB
1. Government/Ministries	32	32	33
2. Financial Institutions (esp. NBC)	28	5	12
3. PSRC	27	26	32
4. Individual Farmers/Official members	3	25	12
5. Others	10	12	11
Total	100	100	100

Source: Computed from consultant's field data

The table findings reveal the following salient observations:

- (a) Just over one third of those interviewed indicated that the government/ministries were the principal institution which effectively monitor and evaluate all the above mentioned parastatals. Actually under the agricultural- reform programme monitoring and evaluation was included amongst the cores functions of the Ministry of Agriculture and Cooperatives (MAC and Banda 1995:155). Financial institutions especially the National Bank of Commerce (NBC), followed by the Presidential Parastatal Sector Reform Commission (PSRC) were cited second. The reasons given are summarized below:

Given the traditional powers and influence of the government/ministries the government continues and will continue to monitor and evaluate and even influence to some extent other institutions like the PSRC and NBC. After all the PSRC is after

all answerable to the government. The financial institutions, especially big lenders like the NBC, are interested in institutions which are credit worthy. It is important to them to monitor and assess the public institutions before they are allowed to borrow fund especially when the financial institutions are reformed and have more powers than previously.

The PSRC is assumed to monitor and evaluate parastatals before they are reformed. That is why a significant percentage (27%) was, for instance, attached to NAFCO. Those interviewed thought the parastatal's performance was 'followed' closely by the PSRC.

(b) Interestingly a significant ratio (25%) of those interviewed expressed that the principal effective monitors and assessors of NCU was a set of individual farmers and official members of the public institutions. This reflects, to some extent, the impact of restructuring cooperative unions under the 1991 Cooperative Act permitting voluntary membership and full control of members. This observation is also similar to the already cited case of the tea farmers in southern Tanzania.

(c) Other effective monitors and assessors of the public investment include private investors and academics, analysts and other experts including donors. An average of 11% of those interviewed expressed this view. Private investors try to "quietly" monitor the public institutions because they like to devise new competitive strategies. Donors were also singled out as monitors and assessors of the public institutions. However, they were seen as indirect monitors and assessors since they normally use local individuals or institutions to obtain information. Academics and other experts were regarded as indirectly effective monitors and assessors whose views are

sometimes disregarded. In general monitoring indicators included profitability and credit worthness. However, sometimes these were sometimes over-weighted by political indicators which were subjective. The monitoring procedures were neither uniform nor well co-ordinated.

5. FORMULATION OF THE PARASTATAL POLICY REFORMS

5.1 Introduction

There are at least two school of thought on the origin of the reforms in Tanzania. First, there are those who believe the reforms were imposed by external pressure especially the IMF/World Bank. Baregu (1993), for instance, argues that between 1978 and 1980, the IMF and the WB were insisting that Tanzanian policy, emphasizing the role of the state (government intervention) was responsible for her problems. However, former President Nyerere was reluctant to accept this view. After trying their own programmes (NESP and SAP) without success, Tanzania succumbed to IMF pressures and adopted a World Bank supported Economic Recovery Programme. (Baregu 1993: 105-107). Between 1985 and 1989, Baregu (1993:108) adds, the IMF/World Bank persistently pressed Tanzania had to implement drastic structural economic changes.

The second school of thought is based on the government's failure to address the economic crisis and to embark decisively on reforms. As indicated in Section 3.9 the government recognised the past policy failures and began introducing its own liberalisation/reform policies in 1984, well before the adoption of the 1986 IMF/WB led Economic Recovery. As Amani (1992:120) summarizes: The 1984 policy reforms

adopted by the government created an enabling environment for subsequent negotiation between government and the IMF/World Bank which led to the formulation of the Economic Recovery Programme. The next section, presents empirical evidence in partial support of the second school of thought.

5.2 Process, Procedures and Consultation in the Formulation of the Parastatal Policy Reforms

Broadly speaking as pointed out by Amani (1992:120) the early process and procedures initially involved negotiation between the government and the IMF/World Bank or donors in general. However, after government officials, politicians and farmers were exposed to the reforms they subsequently espoused further policy reforms and liberalisation proposals. The recent example previously cited in section 4.2 is illustrative. In view of the unnecessary bureaucratic delays of TTA and its failure to pay farmers for consignments of the crops bought on credit during the previous six months, tea farmers in southern Tanzania canvassed for the liberalisation of tea marketing and policy reforms which were subsequently adopted by government in December 1997 to enable small farms to sell their crops to private buyers instead of selling to the monopolistic parastatal - TTA. A similar experience was noted when interviewing cotton farmers in Mwangala village (Mwanza region) in September, 1997. In this case increased competition created by allowing farms to sell cotton to either private buyers or the Nyanza Co-operative Union's (NCU) had forced the primary societies to improve their efficiency and pay farmers promptly. Details of findings and responses to various stakeholders are given in Table 5.1

Table 5.1 Consultation and Dialogue Between Various Stakeholders in Parastatal Policy Reform Formulation
(Percentage)

Groups	Sample Size (numbers)	Aware of Parastatal policy	Happy with the reforms*	Consulted/had Dialogue in Policy Reform Formulation Process	Participate to some extent in policy reform formulation process
(1) Individual farmers	45	71	63	2	0
(2) Individual Consumers	50	80	75	8	0
(3) Co-operative members	25	96	33	8	4
(4) Parastatal officials	15	93	29	7	7
(5) NGO's workers	10	90	89	0	0
(6) Politicians	10	100	70	20	10
(7) Policy makers	12	100	83	92	40
(8) Donor Representative	2	100	100	50	50

Notes: * Out of those who were aware

Source: Consultant's field work data.

The results indicate apparently that all groups were aware of the parastatal policy reforms, including even the interviewed farmers (71%). Most groups were also generally happy with the reforms except co-operative and parastatal members probably due to their uncertain future prospects. To varying extents, most groups were also consulted the policy reform process. Politicians, policy makers and donor representatives participated significantly in policy formulation. The policy reforms were not, therefore, instigated by external forces rather various groups were involved.

However, in attempting to implement the parastatal reforms, the speed was rather too fast. So far almost half of the parastatals have been reformed and yet preliminary aspects like financial sector reforms, full political support (World Bank 1995), fiscal and monetary reforms are just in their initial phases.

5.3 General Mechanism of the Reform Process

To oversee and co-ordinate the overall parastatal reform programme the government established the Presidential Parastatal Sector Reform Commission (PSRC) in 1992. The Commission works closely with the Ministry of Finance (Treasury) and the relevant Ministry (Agriculture and Cooperatives) and parastatal in facilitating the divestiture and privatisation. Usually bids are evaluated by an Inter Agency Technical Team comprising officials from the Treasury, the Ministry of Agriculture and Cooperatives, the relevant parastatal and a financial consultant.

The government intends to privatise public corporations so long as the measure turns them around to enhance productivity, employment and government revenue. Earlier the PSRC were given the mandate to privatise even the whole company. However this month (June 1998) the government has announced that starting the 1998/99 financial year the process of divesting will differ slightly from the normal course. Only certain areas will be privatised or leased out. A prior study will determine such areas. (For details see Table 5.2 especially the cases to be privatised in 1998/99 like NAFCO, NMC, TTA, NARCO etc). Private companies with proven ability and experience may participate in privatisation bids.

Table 5.2: List of Major Agricultural Parastatals

	Name of Parastatals	Major Activities	Past Performance (1980s-1990s)	Major Market	Reform Status
1.	National Agriculture and Food Corporation (NAFCO)	Production of large scale grain (wheat and rice)	fg (see appendix C for production performance)	BT	Most Estate farms to be privatised in 1998/99
2.	National Milling Corporation (NMC)	Milling and marketing	P (See losses and subsidies to NMC (Section 3.9a))	D	Major rice mills i.e Rice mills on Isaka, Tabora, Shinyanga and Mwanza to be privatised in 1988/99

Table 5.2 Continued

	Name of Parastatals	Major Activities	Past Performance (1980s-1990s)	Major Market	Reform Status
3.	National Ranching Company (NARCO)	ranching	f	D	Major firms i.e. ranches of Mkata, Manyara, Kilimanjaro, Kigoma, and Kalambo to be privatised in 1998/99.
4.	Tanganyika Packers Ltd. (TPL)	Meat processing and packing	p	E	To be restructured and privatised in 1998/99
5.	Tanganyika Planting Company Ltd (TPC)	Sugar production	g	BT	sugar companies in Moshi, Kagera and Morogoro to be privatised in 1998/99
6.	Tanzania Cashewnut Board (TCAB)	Marketing of Cashewnuts	fg	E	Most cashewnuts factories to be privatised in 1998/99
7.	Tanzania Coffee Board (TCB)	Marketing of Coffee	g	E	G
8.	Tanzania Cotton Marketing Board (TCMB)	Marketing of cotton	g	E	G
9.	Tanzania Fertilizer Company (TFC)	Fertilizer production and distribution	fg	D	may be privatised
10.	Tanzania Marketing Company (TAMCO)	Marketing livestock product	f	D	P 1998/99
11.	Tanzania Pyrethrum Board (TPB)	marketing of pyrethrum	fg	BT	G
12.	Tanzania Rural Development Bank	Financial matters for rural agricultural development	g	D	G, but individuals are allowed to buy shares
13.	Tanzania sisal Authority	sisal production	p	BT	highly privatised 99% private shares, 1% government share
14.	Tanzania Tea Authority (TTA)	Production of Tea	fg	BT	4 major tea factories - at Mufindi, Lushoto, and Rungwe and 3 estates at Malangali, and Katoke to be privatised in 1998/99
15.	Tanzania Tea Blenders Company (TTBC)	Production of Tea	fg	BT	to be privatised in 1998/99
16.	Tanzania Tobacco Marketing Board (TTMB)	Marketing of Tobacco	g	BT	G
17.	Coast Region Cooperative Union (CRCU)	Marketing of export and food crops	fg	BT	Restructured according to international cooperative principles and cooperative Act 1991 (RA 1991)
18.	Chicken Chicks Company (CCC)	Poultry farming	fg	D	Privatised by May 1998

Table 5.2 Continued

	Name of Parastatals	Major Activities	Past Performance (1980s-1990s)	Major Market	Reform Status
19.	Dairy Farming Corporation (DAFCO)	Diary farming	fg	D	Dairy farms in Kitulo (Mbeya) Ngerengere (Morogoro) and Malanje to be privatised in 1998/99. Dairy firms in Tanga, Musoma, Tabora and Dar es Salaam privatised in 1997/98
20.	Kagera Co-operative Union (KCU)	export crops and food marketing	fg	BT	(RA 1991)
21.	Kagera Sugar Company (KSU)	Production of sugar	g	BT	P 1998/99
22.	Kilimanjaro Native Co-operative Union (KNCU)	export crops and food marketing	g	BT	RA 1991
23.	Kilombero Sugar Company (KSC)	Sugar production	g	BT	P April, 1998
24.	Livestock Development Authority (LIDA)	animal farming	fg	D	P 1998/99
25.	Lushoto Tea Factory (LTF)	tea production	fg	BT	P 1998/99
26.	Moshi Sugar Company	Sugar production	g	BT	P 1998/99
27.	Mtibwa sugar company	Sugar production	g	BT	P 1998/99
28.	Mufindi sugar company	Sugar production	g	BT	P 1998/99
29.	Nyanza Co-operative Union (NCU)	Marketing of Export and food crops	g	BT	RA 1991
30.	Rungwe Tea factories (RTF)	Tea production	fg	BT	P 1998/99
31.	Shinyanga Region Co-operative Union (SHIRECU)	Marketing of Export and food crops	fg	BT	RA 1991
32.	Sugar Development Corporation (SUDECO)	Sugar production	g	BT	P 1998/99

Sources: (1) 1998/99 Budget Speech - Ministry of Agriculture and Co-operatives.
(2) Ministry of Agriculture and Co-operatives.

Notes: (1) Performance: g = good
fg = fairly good
f = fair
p = poor

(2) Market: BT = both domestic and export markets
D = Domestic market
E = Export market

(3) Reform status: G = essentially retained by the government
P1998/99 = To be privatised in 1998/99
P April 1998 = Privatised in April 1998
RA 1991 = Restructured according to Co-operative Act of 1991.

6. PRIVATE SECTOR PROMOTION

6.1 Introduction

In the process of the reforms the private sector in Tanzania has been promoted to some extent by taking the following policy measures:

- (a) Liberalisation of the marketing of food and export crops.
- (b) Adoption of a national investment policy.
- (c) Participation in parastatals reform in form of buy-outs, and joint ventures and
- (d) Opening doors to private banking.

The participation of the private sector in the economy in the form of investment and production is now considered crucial in achieving a rapid and sustainable economic growth in Tanzania. (Msambichaka 1995:3). As pointed out in sub-section 4.3.2 the role of the government, among others, is to create a conducive and enabling environment for private productive investment.

6.2 Production

Since the launching of the Economic Recovery Programme production by the private sector has generally increased. The share of production of several crops by the private sector has also increased. In the sisal industry, for example, where production was mostly managed by the public sector - Tanzania Sisal Authority (TSA) the share of the private sector in total production has increased, from 65% in 1986 to 72% in 1992 since the Arusha Declaration. For details see Table 6.1. This year (1998), the giant sisal parastatal has been sold to largely to private investors.

Table 6.1: Sisal Fibre Production (various years) (tonnes)

Type	1986	1989	1992	1996
Total Private	19,618	21,332	17,602	21,900
Total TSA	10,533	10,933	6,707	8,100
Grand Total	30,151	32,265	24,309	30,000
Total private as % of total	65	66	72	73

Sources: (1) Ministry of Agriculture and Cooperatives/BoT
 (2) URT/MDB 1992 Review of the Sisal Industry
 (3) Calculation by the consultant

In the case of coffee the share of the public sector/parastatals decreased from 4% (1984/85) to 3% (1993/94) while the private sector share increased (see also Table 3.2). In the case of sugar cane private sector production increase from almost 8% 1984/85 to almost 30% (1994/95). For further details see Tables 3.2 and 6.2.

Table 6.2: Sugar (cane) Production (1984/85 - 1995/96)

Year	SUGAR-CANE			Total	SUGAR Total
	Public	Private%			
			%		
1984/85	1148	105	8	1253	108
1985/86	1003	104	9	1107	100
1986/87	971	72	7	1063	95
1987/88	997	102	9	1099	101
1988/89	787	91	10	878	96
1989/90	963	98	10	1061	111
1990/91	1063	116	10	1184	119
1991/92	9667	114	11	1081	108
1992/93	1098	273	20	1371	121
1993/94	1105	362	25	1467	124
1994/95	914	370	29	1284	104
1995/96	997	372	28	1369	117

Source: (1) URT (1996) Hali ya Uchumi Tanzania: Economic Survey
 (2) Calculation by the consultant

Productivity is generally higher in the private sector. In 1993/94, for example, coffee yields were 305 kg/ha in the private sector compared to only 46 kg/ha in the public sector. Higher yields combined with increasing private sector shares in production is contributing significantly to higher production levels of export crops as shown in Appendix I. Liberalisation has also stimulated agriculture diversification and new production activities including horticultural products. In Mwanza regions, for example, many mostly young farmers are cultivating giving 'quick' returns and which do not involve bureaucratic delays as for traditional cotton production. Cultivation of flowers for export in northern Tanzania is also developing rapidly.

6.3 Marketing and Internal Trade

As noted in section 4.2, with the gradual removal of restrictions since 1984, many private traders were encouraged to resume internal trading. In July 1987 government removed all restrictions on the movement of food grains by private traders. However, by July 1988 grain marketing at the village level was still largely confined to primary societies. Private traders, cooperative unions, and the NMC were permitted to trade among themselves. In 1990 marketing of wheat was totally decontrolled. In 1992 government had permitted private traders to purchase cashewnuts from farmers.

As indicated in sections 4.2 and 5.2 government has recently liberalised the tea market and removed the monopoly of TTA. As also noted in section 6.2 the rapidly growing production of tomatoes and other horticultural products has also increased the intensity of internal trade of such products.

6.4 Marketing and International Trade

The involvement of the private sector in marketing and international trade is now fairly visible. Large private producers are also allowed to export their own produce.

As noted in Section 4.2 this began with the devaluation policy and removal of trade and foreign exchange restrictions between 1984 and 1987. By the end of 1987 controls on importation and distribution of all agricultural input except fertilizer and seed were removed. In 1988 the Open General Licence (OGL) System was introduced and foreign exchange was made available monthly to importers of important items. Specific export promotion policies were also introduced in the 1980s, such as the export retention scheme. This, together with the seed capital scheme for prefinancing investment, have also attracted private exporters. (Bagachwa 1992). It should also be underscored that private traders are currently being increasingly involved in non-traditional exports like sunflower and other horticultural products, oil seeds and pulses and the like. This is a positive outcome of the reform policies in increasing export diversification. Export of oil seeds and pulses (one of the four dominant non-traditional export items) were valued at US\$ 18.81 mil. in 1992 compared to US\$ 5.35 mil in 1985 before the effective reforms. Horticultural products were valued at US\$ 1 mil in 1992 while they were valued at only US\$ 10,000 in 1985. See Appendix J for further illustrations. Exports of non-traditional products generally increased at over 20% between 1986 and 1990. In the same period, the share of non-traditional exports in total merchandise exports rose from 25.5% in 1986 to 50% in 1990. Average export earning rose from US\$ 130 mil. between 1981-85 to US\$ 186 mil. between 1991-95. For further details see Table 6.3.

Table 6.3: Average Exports 1981-95 (US\$ mil.)

Type	Average 1981-85	Average 1986-90	Average 1991-95
Traditional	298	233	263
Non-Traditional (including agricultural products)	130	149	186
Total	428	382	449

Source: Bol and Luvanga (1997)

Increased competition under SAPs has forced some private exporters to find alternative survival strategies which subsequently promotes export diversification and the ability to stabilise export if one or two exports declines in value.

6.5 Storage

Studies such as Kapunda *et al* (1990) have shown empirically that private trader had no permanent storage facilities at the beginning of the reforms. They tend to avoid great expense involved in constructing storage structures and potential losses in the event of reduced demand or change in government policies. Out of 105 traders interviewed in Mwanza, Moshi and Arusha in 1990 for instance, only one had managed to construct a permanent store with a capacity of 500 bags of grain. The situation has not changed significantly. Storage facilities are available at household (farm) level and in official institutions. However, they are generally inadequate. The traditional storage method and structure differ widely - from trees and open plots to well constructed bins or granaries like the *Maluli/Mafuma/Makologoto* in Mwanza region.

6.6 Transport, Distribution, and Supply

Private grain traders also tend to lack permanent transport facilities to avoid high purchase and maintenance expenses. A study by Kapunda *et al* (1990) has shown that in Mwanza, Moshi and Arusha wholesalers travelled to villages to buy and transport grain using 1 - 20 tonne vehicles hired in towns. In Dar es Salaam it was found that most grain came to the city in return loads on large trucks including those returning from Zambia, Malawi, Burundi and other locations. Since 1987 domestic distribution of farm inputs has been open to the private sector and, from 1990, private operators been able to purchase and distribute grain up to the farm level. Management of the Strategic Grain Reserve was shifted to the Ministry of Agriculture. (Bagachwa 1992:35) Private investors are also currently (1988) buying cash crops like coffee and supplying inputs.

6.7 Processing

Since the beginning of the reforms food processing or milling has been handled by either official institutions such as the NMC or private mill owners. Grain milling is normally done by small private millers scattered all over the country. They mill about 95% of the grains in the country. Major traders prefer to sell maize rather than maize flour and rice rather than paddy.

Private traders are currently allowed even to process traditional cash crops like cotton using facilities like cotton ginneries. About ¼ of the cash crops ginneries are private. In the main cotton growing region for instance, one of the main ginneries in Manawa has been privatised from the Nyanza Cooperative Union (NCU). The NCU

remains with Kasamwa, Nyambiti and Buchosa where about 75% of the cotton ginning is done and about 25% of the milling is done by the private ginneries.

NCU is still the biggest buyer of cash and food crops in Mwanza regions despite the liberalization policy. In the region grain milling is done through small private millers. The big NMC rice mill in Mwanza, among others in other regions like Isaka, Tabora and Shinyanga, have been earmarked for privatisation in 1998/99 too.

**PART FOUR: THE IMPACT OF STRUCTURAL ADJUSTMENT AND
ECONOMIC LIBERALISATION POLICIES ON AGRICULTURAL
DEVELOPMENT AND FOOD**

7. AGRICULTURAL DEVELOPMENT

7.1 Introduction

Since the crisis of the late 1970s and early 1980s agriculture sector has shown some improvement as will be discussed below. As indicated in section 2.1 the sector still dominates the economy.

7.2 The Impact of Marketing Reforms on Agricultural Development

As noted in Section 3.7 between 1981 and 1985 the agricultural sector grew at 3% compared to the average rate of 5% during the early years of independence (1961-64). This is largely a reflection of the problems discussed in section 3.9. However, signs of improvement were noted during the first few years after the ERP was implemented. Agricultural sector real growth increased to an average of 4.8% between 1986 and 1989 and increased further to an average of 6.7% between 1989 and 1991. (See Table 7.1). The growth rate thereafter has been fluctuating largely due to weather changes. Sectoral growth, for example, declined from 6% in 1995 to 4% in 1996 due to drought in the second half of 1996 (URT 1997:3). Despite the generally higher growth rates than those of the early 1980s they are still similar to those registered during the early years of independence. This fact combined with the semi-stagnant contribution of agriculture to GDP (i.e. about 50%) suggest that for higher levels of investment are required for sustained sector growth.

Table 7.1: Agricultural Sector Performance During Structural Adjustment Period
(Percentage)

	1986- 89	1989- 91	1992	1993	1994	1995	1996
Real growth of Agriculture	4.8	6.7	4.3	6.9	2.0	6.0	4.0
Real growth of Non-Agriculture	3.2	3.1	3.3	0.9	4.0	3.0	5.4
Real growth of GDP	4.0	4.9	3.8	3.9	3.0	4.5	4.7
Share of:							
i) Agriculture in GDP	50.4	50.1	51.7	54.1	53.6	55.2	50.0
ii) Crops in GDP	36.9	36.7	36.9	37.7	37.9	39.0	38.9
iii) Livestock in GDP	7.2	7.0	7.0	7.1	7.1	7.1	7.0
iv) Forestry and hunting in GDP	3.5	3.4	3.3	5.3	3.5	3.5	3.3
Fisheries in GDP	2.8	3.0	3.5	5.8	5.1	5.6	0.8

Sources: Calculated by consultant using data from URT (1997) Economic Survey (Hali ya Uchumi 1996)

8. FOOD SECURITY

8.1 Introduction

Food security is defined as the balance between supply (availability) of food and demand (access) for food such that people have enough food at all times for an active life (cf. World Bank 1986:1). Food self-sufficiency is hereby defined as "supplying stable food requirements from domestic production". Food self-sufficiency is not a necessary condition for food security if enough money including foreign exchange is available to purchase food. (Kavishe 1990:39).

As indicated in section 2.3 food security problem became more acute in the 1970s, especially during and after the drought (1973/74-1974/75) period. The late 1970s and early 1980s economic crises also contributed adversely to declining food security. In fact the situation did not improve significantly till the advent of good weather in 1984/85.

8.2 The Impact of Market Reforms on Food Security

8.2.1 Introduction

There is, in theory, a positive relationship between agricultural development and food security, and one would expect the latter to dance to the tune of the former. However, when analysing the impact of reform policies on food security and agriculture development conclusions should be made carefully because of the complex nature of the analysis. It is, for example, necessary to separate the impact of reforms from factors such as changes in climatic conditions. Furthermore, it is difficult to disentangle the effects of a particular reform policy from others, and it is almost impossible to answer the question what would have happened if SAPs were not introduced at all? Attempting to assess these issues is an academic exercise involving theories, assumptions and econometric methods beyond the scope of this report. A simplified approach for the impact analysis is therefore adopted in the following sections.

8.2.2 Agricultural Production

As indicated in section 6.2 traditional cash crop production has generally showing a rising trend as depicted in Appendix D-2. Export crop production has shown dramatic changes from a negative growth rate (-7.9%) between 1981-85 to a positive rate (2.4%) per annum during the reform period. This is in line with agricultural development and crop production. Furthermore, as Banda (1997:159)

points out the turn around from negative to positive growth of these crops attributed to a large extent to favourable reforms in trade and foreign exchange regime providing for liberalised imports, and greater incentive (foreign exchange retention) for the production and export of these crops. Of course, other favourable conditions like good weather in 1985/86 - 1986/87 should not be ignored. Oil seeds also showed remarkable increases in annual growth from 1.4% in the first half of the 1980s to 8.3% between 1986 and 1991 (see also section 6.4), again partly due to the favourable export incentive policies.

However, in spite of the generally increase in output of food crops (see Appendix J) the overall growth rate of food production has not been impressive. The growth rate of cereals, for instance, declined from 4.3% between 1981 and 1985 to 0.2.% per annum between 1986 and 1991. (This is well below the estimate rate of 4.6 calculated by the consultant. (Appendix K (K-1))

The reforms have in fact had a varied impact on crop production. A study by Kapunda et al (1988) has argued together with the favourable weather conditions during 1985/86 and 1986/87, the agricultural market reforms had initially positive impact on food supplies, producer income, food accessibility (particularly of maize) and interregional movement of supplies: the 1985/86 maize production of 2,671,000 tonnes remains the highest output on record.

It is estimated that average annual per capita consumption levels of meat is currently at 10kg. (compared to 9 kg before the reforms in 1985 as stated in section 3.7). This is partially because the number of livestock holders (especially poultry) has increased particularly in urban areas where stock feed and other inputs are now more readily available since trade liberalization. Furthermore, the leadership code which

used to restrict leaders from engaging in commercial activities has been relaxed following the reforms. However, the current level even by regional standards: is still low. Per capita consumption of milk in Tanzania for example is estimated at 20 litres which is lower than 44,35, 105 litres consumed in Kenya, Africa, and the world respectively. According to the Medium Term Agricultural Development Strategy Report, production growth rate of livestock is still too low to meet demand in Tanzania and should be in the region of 5% per annum to meet nutritional requirements. (Banda 1997).

8.2.3 Producer Prices

As noted in section 4.2 producer prices for major agricultural crops were increased after the introduction of trade liberalisation in 1984.

However, a recent econometric study - Bilame (1996) - has however, shown interesting and controversial results. He found that real producer price increases negatively influenced the production of maize during hte reform period but positively before the reform period. The possible explanation presented by the author is that real producer price increases announced by the government are no longer valid during reform period because of hte influence of liberalised markets where farmers respond freely to forces of demand and supply as the primary determinants of price (Bilame 1996:47). This calls for further research work on maize and other crops.

8.2.4 Marketing Channels

As explained in Section 3.4 before the ERP there was a government controlled single channel three tiered marketing system: primary society - regional cooperative

union-marketing boards. In the case of maize, rice and other important food items the three tiers were primary society-regional cooperative union-National Milling Corporation (NMC). However, the post 1986 reforms eventually led to a multi-channel system including both government and private institutions. Grain marketing (particularly maize) is currently dominated by the private sector whose impact on production has been explained in Section 8.2.

8.2.5 International Trade

As shown in Section 3.5 before the reforms there was pervasive state intervention in foreign trade and as indicated in Section 6.2 and 8.2.2, the favourable ERP reforms which created liberalised private trade and foreign exchange regimes and provided greater incentives (foreign exchange retention) contributed positively to the higher production and export of these crops.

8.2.6 Input Supply

During the reform period supply and distribution of inputs has been handled by both government and the private sector. About 70% of the chemical fertilizer is consumed in the Southern Highlands where maize and tobacco absorb the largest share. The rest is consumed elsewhere. However, the benefits of liberalization of chemical fertilizer have not been realized significantly in Tanzania where only 14% of all farmers use this input, a lower percentage than in neighbouring countries. Factors contributing to this low consumption level include:

- a) Many private trade are unprepared to take the financial risks involved in handling chemical fertilizers.

- b) Steep increases in fertilizer prices due to subsidy withdrawal: a fact supported empirically, for example Bilame's (1996), econometric study showed a negative correlation between the price of fertilizer and maize output. See Appendix K(K-2).
- c) Limited access of farmers to credit-made worse by the collapse of the seasonal input credit system, particularly for maize. (See Appendix L). This is because of less emphasis on the system by the government.
- d) Limited demand for additional use of the input as most of the fertilizers are used in maize and tobacco production.

Given these limitations which will continue for some time there is a need to advise farmers especially the poor to extensively use composite manure. It is estimated that only 24% of all farmers use this type of fertilizer. It is not over-stating that this type of fertilizer is cheap and friendly to the environment.

8.2.7 Food security problem still exists as reflected in Table 8.1

Table 8.1 Food Production/Supply and Demand (1993/94 - 1996/97)
(million tonnes)

Season/ Food Crops	1993/94		1994/95		1995/96		1996/97	
	Production	Demand	Production	Demand	Production	Demand	Production	Demand
Maize	1.81	2.56	2.57	2.54	2.66	2.57	2.38	2.75
Paddy	0.61	0.40	0.72	0.41	0.73	0.45	0.54	0.44
Wheat	0.06	0.12	0.08	0.12	0.08	0.12	0.05	0.13
Sorghum/ millet	0.70	0.91	0.84	0.91	1.24	0.98	0.90	1.13
Beans	0.19	0.47	0.38	0.35	0.48	0.37	0.38	0.40
Cassava	1.80	1.01	1.49	1.13	1.50	1.23	1.61	1.23
Potatoes	0.23	0.43	0.45	0.48	0.42	0.45	0.34	0.52
Bananas	0.80	0.44	0.83	0.49	0.64	0.54	0.83	0.54
Sugar	0.10	0.49	0.13	0.50	0.11	0.52	0.12	0.52

Source: Ministry of Agriculture and Cooperatives - Food Security 1997

In spite of several seasons with favourable weather such as 1995/96 food and agricultural demand continues to outstrip supply. The situation with respect to major food items is shown in Table 8.1. Imports cannot bridge these supply deficits in the short run due to foreign exchange constraints. Moreover, the current threat of unusual floods due to "*El-Nino rains*" is worsening the food prospects in the near future. This study estimates that demand for food can be expected to grow at an average of 4.6% per annum up to the year 2000 which implies that food or at least cereals should grow at the same rate.

PART FIVE: CAUTIONARY, POLICY OPTIONS, SUMMARY AND RECOMMENDATIONS

9. CAUTIONARY REMARKS

9.1 Benefits and Disadvantages of the Reforms to various Groups in Society

Market liberalisation has benefited all types of producers and private traders in Tanzania as was indicated in part 3 and 4. The growing number of private commercial producers traders and transporters attracted by expanding and highly profitable businesses in the post reform period suggests that this economic group has benefited from liberalisation and their standard of living has been improving with the decline in inflation from 30% in 1986 to the current 15%. Others, however, including small scale mainly subsistence farmers with surplus produce located in inaccessible rural areas like Rukwa, constrained by high transport costs and limited local markets for primary products, have benefited little from the reforms. Poor small scale peasants also tend to be affected negatively by the removal of subsidies on fertiliser due to higher prices as discussed in section 8.2.6.

In respect of agricultural exports, a study by Bol (1995) covering 65 exporters of non-traditional products showed mixed results. Only 43% of the exporters appeared pleased with the economic liberalisation due to their increased opportunities for trade (winners). However, 40% could not appreciate the changes and felt unable to cope adequately with the increased competition (losers), while 17% were neutral. Further analysis indicated that winners enjoyed the following advantages:

- a) had superior infrastructure (electricity, water, phone)
- b) had invested in development of staff (for product adaptation), and had made more additional capital investments since 1990.
- c) were more actively engaged in negotiating foreign contracts, (marketing, management, technology) and had superior market knowledge.
- d) had well defined profit expectations and export plans, while losers seldom had export plans.

Booth (1991), however, sounds a warning about winners. He cautions that some people, especially losers, tend to think that Tanzanians of Arab or Asian origin were enriching themselves during the reforms and privatisation at the expense of indigenous Tanzanians. This type of reasoning can encourage social tension and inhibit productive investments and creativity.

Attention also needs to be called to other groups currently abusing trade liberalisation by infringing basic laws and regulations meant for good order and/or welfare and environmental protection. Examples are the increasing number of fishermen who use poison (eg. cotton insecticides) and dynamite; the increasing number of local brewers using chemical fertilizers to boost bitterness in order to attract more customers at increased prices.

Consumers are generally enjoying improved availability of basic consumer goods at affordable prices which were unattainable in the first half of the 1980s. Basic consumer goods such as clothing and shoes are now available even in remote rural areas; although the real prices of such incentive consumer goods have tended to rise

with the increase in prices of agricultural products.

However, the reforms are negatively affecting food deficit rural households, especially in remote areas. Amani *et al* (1991) found, for example, that food availability had deteriorated in remote areas of Mtwara, Ruvuma and Singida in bad years, due in part to the fact that, since liberalization, private traders and cooperatives are now in competition and the latter are no longer obliged to trade in unprofitable remote areas. In these circumstances, even when deficit rural households have adequate income to purchase food, it is often unavailable.

9.2 Impediments to Reforms and Private Sector Promotion

Although the government has attempted to (i) create a conducive enabling environment for the private sector; (ii) implement stable macroeconomic policies by reducing inflation from 30% in 1989 to the current 15% (iii) corrected ambiguous policies, (iv) implement significantly its expected role, and (v) promote the private sector as explained in Chapter 6, the following remaining impediments to reforms and private sector promotion should be considered seriously by the government.

(a) Lack of Reliable Infrastructure and Good Information System and Insurance

Infrastructure (roads, railways, telecoms etc.) and good information systems are particularly important in empowering the private sector. However, these are deficient especially in many remote areas of Tanzania, resulting in communication problems and costly unnecessary delays in delivery of foodstuff and supplies to urban market centers. This is aggravated by lack of insurance for perishable produce leading to operational losses to private operators. Infrastructure improvements are, therefore,

an essential prerequisite for diversification into high-value products (non-traditional export crops) like horticultural crops.

(b) Lack of an Effective and Low-Cost Legal Code and Easily Accessible Legal System

Clearly established property rights and contractual arrangements and easy redress through the legal system are missing in Tanzania which tends to increase transaction costs. Furthermore current, agricultural marketing acts and bureaucracy are still not fully in favour of the private sector.

(c) Lack of Full Support from Nationals and Local Officials

As noted in Section 5.2 empirical results have shown that there are nationals and local officials who are unhappy with the reforms because of job-security or unknown future prospects. Indeed hostile bureaucracy is an impediment to private sector development.

(d) Lack of Equal Treatment Between Public and Private Sectors

Public institutions enjoy preferential treatment often at the expense of the private sector in accessing resources, obtaining training and tax privileges etc. Furthermore, encouragement of voluntary group activities such as trade and producer associations and cooperatives is still limited.

(e) Lack of Full Cooperation in Agricultural Research

Private investors are not fully incorporated in agricultural research. As recently argued by a European Union representative in Tanzania, coffee research is still a monopoly of the government and its agents. Private investors who are also major players in the industry are not fully incorporated in research plans.

(f) Risks Related to the Reform Process

Many government officials now appreciate the benefits that are likely to come from the reform process. However, some problems associated with risks of the reform operations still exist. They include

- i) Government inertia or quasi-inertia to implement the agreed policies, procedures and sequencing of the reforms.
- ii) U-turn policies like re-introducing obstacles to private traders in transporting grain from regions to region especially regions close or bordering other countries.
- iii) Inadequate institutional set-up for reform implementation.

(g) Inertia of Change from Civil Servants

Government and parastatal employees who show resistance to the reform also form impediments to the implementation. This resistance is worsened by the government's inability to pay well and in time the retrenched employees.

(h) Monitoring and Evaluating Reforms

At the moment the government through the Presidential Parastatal Sector Reform Commission (PSRC) is the major monitor and assessor of parastatal reforms. However, sometimes there arises conflicts or misunderstanding between politicians and PSRC. This becomes an obvious obstacle to reforms.

10. SUMMARY AND RECOMMENDATIONS

10.1 Summary

This report has attempted to critically examine the impact of agricultural parastatal reforms on agricultural development and food security in Tanzania. It has pointed out that government led reforms began in 1984 as a reaction to macroeconomic imbalances in the economy. However, effective reforms under the guidance of the IMF/World Bank began being implemented in 1986. Nevertheless, more effort still has to be made despite the rather high speed of parastatal privatization/restructuring since institutional reforms and financial reforms, among others, are still at initial phases. Furthermore, some impediments explained in Section 9.2 still exists. Regarding the food security front the supply for food (including imports) still exceeds significantly the demand for food at national level. Again Tanzania has to make further effort to bridge the gap. Further recommendations are summarized in the next section.

10.2 Recommendations

The first is for government to open further the doors for additional reforms and to stimulate private investment. However, this should involve significantly both

donors and nationals to enable the latter, presently made insecure by the reforms due to uncertain future prospects, to provide adequate safeguards. Donors should also continue providing financial assistance to indigenous Tanzanian entrepreneurs. The example of the International Finance Corporation (IFC) is commendable. As a member of the World Bank Group - it has promised to give more financial assistance to indigenous Tanzanian entrepreneurs to run viable private projects. (The African paper Feb. 1998).

Secondly, further efforts on the part of government will also be required to full implement its expected role as explained in Section 4.3.2. This also applies the Ministry of Agriculture in implementing the core functions identified during the reforms i.e. agricultural extension, agriculture research and training, regulatory role, technical services, policy formulation, management, co-ordination, monitoring and evaluation; thereby allowing the private sector to indulge more in commercial functions.

Thirdly, monitoring and evaluation of parastatal reform process should be improved. The Presidential Parastatal Sector Reforms Committee should be the major monitor and evaluator. However, it should also work together with an independent private agency or private consultants. The monitoring and evaluation should underscore the impacts of the agricultural parastatal reforms on food security and welfare of Tanzanians.

Fourthly, additional efforts should be made by both the government and the private sector to ensure increased domestic production and food security. Domestic agricultural food production is important for a low income economy with large expanses fertile land, since over-dependence on imports especially food import may

be politically and economically dangerous. The following proposals and recommendations are also suggested:

- (a) Production should be increased through expansion and more importantly through technological advance which should include agricultural research and related technology. Related to this proposal
 - (i) Private investors should be incorporated in agricultural research and technological plans.
 - (ii) More investment in agricultural research and extension should be made. The government should provide adequate budgetary support to raise the current allocation of 0.3% of agricultural GDP to 1% in the next five years.
- (b) The government, donors and private investors should support more irrigation projects to alleviate over-dependence of food production on rainfall. This is crucial because of drought problems experienced since independence. Indeed, through irrigation agricultural production can be stabilized since irrigation may be considered a buffer to production due to climatic fluctuations.
- (c) In addition to irrigation in areas where the weather is unreliable farmers should be encouraged to plant drought-resistance plants such as cassava.
- (d) Further steps should be taken to encourage more movement of foodstuffs incentives and consumer goods. Policy U-turns should be avoided. The infrastructure should further be improved by the

government not only in the rural areas (including remote areas), starting with places where foodstuffs and goods are available to major consumers centres. Donors are encouraged to assist the government in this regard.

- (e) In respect of marketing (i) there is a need to further review the agricultural marketing acts to widen legal horizon of the private sector; (ii) The public sector should stimulate the development of a risk taking entrepreneurial class; (iii) Efficient financial markets to support commodity market should also be promoted by the public sector; (iv) with the present multi-channel marketing systems, good governance and coordination is required for private sector performance. This is because the existing agricultural market acts do not emphasize and promote vigorously the private sector.
- (f) In respect of information flows, an efficient vibrant commercial private sector will rely heavily on a transparent, reliable, timely market information system. Public investment to remove constraints impeding improved market efficiency, such as unavailability of telephones, will be essential to minimize communication problems which presently create unnecessary delays in delivery of food to urban market centres. For perishable produce, an agricultural insurance scheme should be established to offset losses to private operators.

In respect of international trade, export promotion through additional reforms to stimulate exports of high value products will be required to sustain the

diversification drive and international market competitiveness. This again requires improvements in infrastructure largely by the government. At the same time, cross border restrictions should be reviewed to reduce import duties which encourage smuggling and under-invoicing.

In order to empower the private sector further apart from efforts to reduce bureaucratic laws and regulations, clearly established property rights and contractual arrangements and easy redress through the legal system should be developed to reduce transaction costs. Government should also continue its efforts to create an enabling environment for private business organizations and institutions including measures to encourage more producer associations and cooperatives. Innovative methods of funding support to private sector development should also be found.

Government also needs to introduce and enforce stricter laws to guard against abuse of freedom under trade liberalisation. Examples include importers of expired food and other consumer products, fishermen who use dangerous chemicals like cotton pesticides, and explosives, and local brewers who use chemical fertilizer to enhance beer's bitterness. Consumers should be protected legally and should also be encouraged to form consumer association to empower themselves.

Lastly, to address the critique often made that the reforms frequently focus on short term concerns, policy makers need to ensure that longer term requirements are adequately considered at the planning stage.

APPENDIX A

TERMS OF REFERENCES

The given terms of reference guiding this study are to:

- (i) Review the impact of the institutional reforms, taken within the framework of macroeconomic and sectoral adjustment programmes, on the economy at large;
- (ii) Assess their impact on agricultural growth and food security in the country;
- (iii) Prepare a draft report along with a list of references and incorporating objectives (i) to (x) listed in Section 1.2 in line with FAO's guidelines; and
- (iv) Finalise the draft report by incorporating comments received by FAO and government staff.

APPENDIX B

WHEAT PRODUCTION TRENDS AT NAFCO FARMS (1980/81-1996/97)

YEAR	AREA CULTIVATED (HECTARES)	PRODUCTION (METRIC TONNES)	PRODUCTIVITY (TONNES/HECTARE)
1980/81	15,439	19,893	1.29
1981/82	17,694	25,758	1.46
1982/83	21,244	25,120	1.18
1983/84	22,296	37,937	1.70
1984/85	24,301	46,659	1.92
1985/86	24,043	32,699	1.40
1986/87	24,381	40,229	1.65
1987/88	24,871	42,281	1.70
1988/89	25,689	50,350	1.96
1989/90	26,157	37,928	1.45
1990/91	26,577	43,321	1.63
1991/92	25,889	44,530	1.72
1992/93	26,090	33,394	1.28
1993/94	26,190	28,532	1.09
1994/95	26,390	23,144	0.88
1995/96	26,340	41,263	1.57
1996/97	26,530	25,727	0.97

Source: Directorate of Planning and Operation - NAFCO Head Office

APPENDIX C

PRODUCTION AND IMPORTS OF MAIN FOOD CROPS IN THE 1980s
(‘000 MT)

YEAR	MAIZE		PADDY/RICE		WHEAT	
	Production	Imports	Production	Imports	Production	Imports
1980/81	1840	274.6	350	65.7	91	48.7
1981/82	1954	231.6	415	66.5	95	70.9
1982/83	2324	123.4	409	29.4	71	11.4
1983/84	2547	194.3	511	57.1	72	46.3
1984/85	1860	128.5	472	36.1	81	33.4
1985/86	2671	6.1	418	32.9	98	21.8
1986/87	2245	93.8	511	83.5	72	53.5
1987/88	2423	-	782	52.3	75	33.7
1988/89	2428	127.2	767	19.5	81	28.8

Note: Imports include both commercial and aid

Source: Ministry of Agriculture/MDB BoT 1996 Economic Bulletin June 1996

APPENDIX D-1

PRODUCTION OF MAJOR TRADITIONAL CASH/EXPORT CROPS IN THE 1980s (‘000 MT)

Cash crop	1980/ 81	1981/ 82	1982/ 83	1983/ 84	1984/ 85	1985/ 86	1986/ 87	1987/ 88	1988/ 89
Coffee	54.9	54.1	53.8	49.5	49.0	54.8	41.0	45.5	48.8
Cotton	56.7	48.9	42.9	47.0	51.9	50.3	76.3	73.3	68.5
Tea	17.6	17.4	17.5	11.9	16.8	15.5	14.1	15.9	16.0
Cashewnuts	54.0	40.0	32.5	47.0	32.4	19.2	18.5	22.5	19.3
Tobacco	14.8	14.2	13.9	11.0	13.4	12.5	16.5	12.9	11.6
Sisal	82.5	70.0	60.0	40.2	38.0	32.8	30.2	33.2	33.3
Pyrethrum	2.7	1.8	1.6	1.4	1.4	1.4	1.2	1.4	1.3
Sugar cane	1047	1338	1203	1532	1253	1107	1003	1099	878

- Sources: 1) Ministry of Agriculture/Bank of Tanzania Economic Bulletin June 1996 Vol. XXV No. 2
2) URT (1997) Economic Survey (Hali ya Uchumi wa Taifa) - for Sugar-cane.

APPENDIX D-2

PRODUCTION OF MAJOR AGRICULTURAL CASH CROPS IN THE 1990s (‘000 tonnes)

Cash crop	1990/91	1991/92	1992/93	1993/94	1994/95	1995/96
Coffee	46.2	47.1	47.9	48.5	43.5	52.0
Cotton	49.0	76.5	68.8	48.4	44.5	84.2
Tea	21.8	19.5	22.0	22.4	24.8	25.0
Cashewnuts	29.9	41.3	42.3	46.5	63.4	82.0
Tobacco	11.8	16.5	23.3	24.0	18.3	28.0
Sisal	33.7	36.0	24.3	30.5	22.5	30.0
Pyrethrum	1.7	2.2	2.7	2.8	2.4	2.0
Sugar cane	1184	1081	1371	1467	1284	1369

- Sources: 1) Ministry of Agriculture/Bank of Tanzania Economic Bulletin June 1996 Vol. XXV No. 2
2) URT (1997) Economic Survey (Hali ya Uchumi wa Taifa).

APPENDIX E

MAJOR LIVESTOCK POPULATION
(millions)

Livestock	1983	1984*	1985	1986	1987	1988	1989	1994/95
								5
Cattle	13.48	11.60	12.60	12.69	12.78	12.87	12.96	15.64
Goats	6.17	6.45	7.25	8.00	7.75	8.00	8.26	10.68
Sheep	3.92	3.08	3.49	4.00	4.00	4.70	5.00	3.49
Chicken	14.00	14.00	15.00	20.00	25.00	25.00	25.00	27.07

Note: * 1984 and 1994/95 was the year of actual accounts other figures are estimates

Source: Ministry of Agriculture and Livestock Development, Basic Data: Agriculture and Livestock Sector (various years).

For 1994/95 - URT - National Sample of Agriculture 1994/95-Livestock

For sheep and chicken estimates - ECA (1995).

APPENDIX F

FOOD PRODUCTION TRENDS IN THE 1980s

Year	Cereal Production ('000 Mt)	% change	Food Production indices*	% change
1981	2821	-	100.91	-
1982	2820	0	104.07	3.1
1983	2846	0.9	106.48	2.3
1984	3286	15.5	107.82	1.3
1985	3632	10.5	113.33	5.1
1986	3777	4.0	115.56	2.0
1987	4037	6.9	114.94	-0.5
1988	3726	-7.7	115.14	0.2
1989	4793	28.6	125.58	9.1

Note: * Base year 1979/81 = 100

- Sources:
- (1) FAO Production Year Book (various issues)
 - (2) Kapunda (1993)
 - (3) Computation by the author

APPENDIX G

LIVESTOCK PRODUCTION INDICES IN THE 1980S

Year	1981	1982	1983	1984	1985	1986	1987	1988	1989
Livestock Production Indices	106.3	109.0	104.2	103.6	109.0	113.1	115.7	121.7	126.3
% change	-	2.5	-4.5	-0.5	5.2	3.8	2.3	5.2	3.8

Note: Base year 1979/81 = 100

Sources: FAO (1992), Kapunda (1993)

APPENDIX H

FERTILIZER DISTRIBUTION IN DIFFERENT REGIONS (1983 - 1988) (metric tons)

Regions	1983	1984	1985	1986	1987	1988
Arusha	2984	2924	2553	2239	5000	3468
Coast/Dar	1616	1015	1612	6827	1700	1119
Dodoma	124	311	367	1403	700	439
Iringa	20175	25444	25233	34292	4400	33931
Kagera	896	1235	1059	1389	1500	412
Kigoma	882	540	2033	1056	3000	1858
Kilimanjaro	2774	4005	7982	36179	8900	4637
Lindi	78	223	313	18260	1000	51
Mara	240	1102	751	11806	2000	117
Mbeya	21171	22264	27232	18103	34000	23115
Morogoro	2656	2828	2902	2080	10000	3045
Mtwara	122	277	160	546	1100	57
Mwanga	751	563	1642	3077	4000	2499
Rukwa	3909	4105	4393	11114	13000	4314
Ruvuma	13219	17231	22655	21289	31500	17266
Shinyanga	1766	1150	1112	2112	4000	900
Singida	659	280	436	697	1000	750
Tabora	8948	11032	13217	15517	20000	14579
Tanga	2748	2657	2317	1375	3950	1144
Total	88480	99186	117969	189361	190570	114429

Source: URT/Ministry of Agriculture Basic Data Agriculture and Livestock Sector
1983/84 - 1987/88 1984/85 - 1988/89

APPENDIX I
NON-TRADITIONAL AGRICULTURAL EXPORTS
(million US \$)

Item	1985	1986	1987	1988	1989	1990	1991	1992
Horticultural Products	0.01	2.73	2.79	2.68	1.05	0.28	0.71	1.00
Oil seeds and pulses	5.35	8.00	9.15	8.56	11.23	14.30	13.01	18.81
Cotton seed cakes	1.60	1.78	1.40	2.43	2.00	0.50	1.90	3.53
Marine product	1.36	2.79	5.46	7.50	8.58	9.65	8.47	9.34
Animal and animal products	4.11	2.18	3.25	5.16	5.28	5.75	2.18	3.01
Forestry products	1.14	1.89	4.48	6.13	8.00	11.64	8.39	6.82
Spices	0.56	0.65	1.35	1.00	3.23	3.20	0.70	0.27
Cocoa beans	2.78	2.55	3.81	4.42	3.96	4.18	2.17	3.92
Maize	-	0.21	5.00	1.20	4.24	4.70	0.70	0.42
Others	1.09	2.13	11.16	1.67	0.85	6.06	3.38	4.19
Sub-Total	18.00	24.91	47.85	40.75	48.42	60.26	41.61	51.31
Grand Total	86.24	85.93	146.05	148.48	166.86	201.77	163.50	177.35

Source: Bol (1993)/Customs/Exporters Bank of Tanzania

APPENDIX J
PRODUCTION OF MAJOR FOOD CROPS
(000' tons)

Cash crop	1984/85	1985/86	1986/87	1989/90	1990/91	1991/92	1992/93	1993/94	1994/95	1995/96
Maize	1860	2671	2245	2227	2332	2226	2282	1812	2567	2663
Paddy	472	417	511	736	406	394	641	614	722	734
Wheat	81	98	72	106	84	64	78	59	75	84
Pulses	305	432	251	384	425	312	406	187	378	475

Source: Ministry of Agriculture/Food Security and Bank of Tanzania (1996) Economic Bulletin (June)

APPENDIX K

VARIOUS AUTHORS' MODELS

APPENDIX K-1: DEMAND FOR FOOD (KAPUNDA 1988)

The inter-relations between food security/food self-sufficiency, population growth and (agricultural) development are reflected in the following Ohkawa-Edel-model adopted by the consultant.
(Kapunda 1988)

$$g_f = g_p + e_y g_y$$

where: g_f = the rate of increase in national food consumption

g_p = the rate of population growth

g_y = the rate of increase in per capita income

e_y = the income elasticity of demand for food

If we take the income elasticity of demand for food in Tanzania computed by the consultant (i.e. 0.88), the most recent census estimated population growth of 2.8% annually and the annual per capita income growth projected to the year 2000 in URT Tanzania's National Food Strategy (i.e 2%) the rate of increase in national food consumption should be about 4.6% per annum. Thus Tanzania should increase food supply by the same rate.

APPENDIX K-2: IMPACT OF PRODUCER PRICES (BILAME 1996)

Bilame's results are reproduced below

Regression Results on the Determinants of Maize Production in Tanzania Before Reform Period (1970/71-83/84)

$$\ln Q_t = 5.29 + 0.68 \ln P_t - 0.42 \log Q_{t-1} + 0.03 \ln P_t^{\text{imp}} + 0.07T - 0.03W_t$$

(4.34) (3.72) (-1.69) (0.27) (3.38) (-0.51)

$$\text{Adjusted } R^2 = 0.92 \quad DW = 2.28 \quad F = 31$$

where Q_t = Actual farm output (maize) produced in year t

P_t = Real producer price in year t

Q_{t-1} = lagged farm output

T = time trend (non price factors)

W = weather dummy

1 = good weather

0 = bad weather

Appendix K cont'd

Regression Results on the Determinants of Maize Production in Tanzania Before Reform Period (1984/85-1994/95)

$$\ln Q_t = 15.82 - 0.39 \ln P_t - 0.37 \ln Q_{t-1} - 0.28 \ln P_t^{\text{imp}} + 0.15T + 0.14W_t$$

(6.69) (-4.57) (-2.96) (-4.87) (5.69) (2.67)

$$\text{Adjusted } R^2 = 0.79 \quad \text{DW} = 2.5 \quad F = 8.9$$

(Numbers in brackets are t-statistics)

APPENDIX L

FERTILIZER DISTRIBUTION AND STOCKS IN THE 1990S

(Tonnes)

1990s

Year	Distribution	Closing Stocks	Total Availability
1990	136,498	-13,160	123,338
1991	138,510	30,960	169,470
1992	142,286	38,336	180,622
1993	100,205	66,774	166,979
1994	90,190	145,088	235,278
1995	101,643	100,914	202,557
1996	143,911	32,347	176,258

Source: Ministry of Agriculture and Cooperatives.

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