Structural Adjustment in Tanzania, 1986-94

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Introduction

In the mid-1980s, under strong pressure from the IMF and World Bank, Tanzania made a series of shifts from socialism and state-control, towards a more market-oriented path, involving extensive liberalization of foreign exchange allocation and internal marketing and general cuts in the extent of state expenditure and economic activity. First in this process came Tanzania's own "Structural Adjustment Programme" initiated in 1984, which started the process of change but failed to unlock the cupboard of donor funds. This had to await the IMF/World Bank "Economic Reform Programme" of 1986, and its successor, the Enhanced Structural Adjustment Programme (ESAP, sometimes known as ERP II) from 1989.

The agreement of 1986 ended a four-year "lending hiatus" imposed by the IFIs,[1] which also involved reduced aid flows from other donors, to pressure Tanzania into changing its policy. This took place at a time when sharply rising interest-rates had multiplied Tanzania's debt obligations, and declining terms of trade reduced foreign exchange earnings, in an economy already facing serious problems. The result was a goods famine of serious proportions, with import compression seriously reducing the output of local industry. Some steps to solve this problem had already been taken in the 1984 programme, but the 1986 agreement unleashed a new burst of donor aid, though significantly smaller in real terms than the "first aid boom" of the late 1970s, which had done so much to generate the problems of the early 1980s.[2]

Import decompression and liberalization of markets have helped to increase national production since the mid-1980s, and the improved availability of goods seems to be welcomed by almost all, even the large number who cannot afford to buy them. Whatever the Tanzanian people want, it does not seem to be a return to the later Nyerere years; the shortages, the rationing, the waiting and the intrusion of officialdom into personal space and time.[3]

Whether the underlying structure of the Tanzania economy has been strengthened is far more in doubt. Exports have stagnated, and cover less of imports than in 1985, so that indebtedness and dependence on donor aid have continued to grow. The government deficit was reduced for some years - through austerity and increasing donor support - but has risen again in the past two years. Donor aid seems largely to have substituted for local savings, which have fallen sharply to very low, even negative levels. GDP growth has been higher than in the early 1980s, but hardly dramatic, given the increase in investment and the better weather, and is as easily datable from 1984 as 1986. The improvements which have occurred are highly vulnerable to a reduction in donor aid, since the capacity to import from export proceeds has declined almost without break since the mid-1970s.

[1] International Financial Institutions, i.e the World Bank and IMF.

[2] See Doriye, White & Wuyts 1993 for a discussion of this. Also below.

[3] As in mass villagization, followed by masses of arbitrary "directives" and forced "self-reliance" or "nation-building" tasks.

Before 1986 Tanzania was committed, perhaps too rigidly, to a vision of socialism and to state-directed policies to ameliorate the structural imbalances of the economy. This has all gone, and the current emphasis is solely on market criteria. Concern for structural factors or any long-term vision at all is largely absent, as is even a consistent implementation of adjustment. But circumstances (and perhaps statisticians) have conspired to give Tanzania one of the highest growth rates recorded for adjusting countries in Africa. There is thus a tendency on the part of the IFIs to claim it as an adjustment "success story". The title of a recent World Bank article (Mans 1993) refers to Tanzania's "resolute action" in relation to structural adjustment policy. This seems glaringly inappropriate. Most observers see weakness, vacillation, lack of perspective, and questionable honesty, as the main characteristics of the country's current political leadership, and its main concern as keeping the donors happy and the funds flowing.

Tanzania's dependency goes far beyond the purely economic. Many state agencies function only when donors funds and assistance are channelled through them. Many civil servants survive on the perquisites which they receive via donor agencies - and undertake activities to maximize them, like training course and seminars, with generous travel and living allowances, whatever the topic. Over the past twenty or thirty years, but especially since the mid-1980s, so much donor-orientation has seeped into Tanzanian state decision-making processes, that talk of local "ownership" of structural adjustment policies is little more than a bad joke.[4] There are many whose interests coincide with one or other aspect of structural adjustment, and a market economy is the general terrain within which any realistic discussion must be held. But there is little sign of the emergence of a private sector capable of or interested in developing Tanzania's productive capacity; rather a speculative "wild capital" working the angles of state and donor policies and funds.

1. Structural Development Issues in Tanzania prior to Adjustment

Tanzania's economic troubles up to the mid-1980s have been widely attributed to heavy state control of the economy. While there is certainly some truth in this, there is also some misleading over-simplification. Still more misleading is the assumption that this arose solely from the "rent-seeking" predilections of the élite controlling an "anti-developmental state". Certainly Tanzania was responsible for its pre-1986 policies. But they also fitted well with the assumptions of aid donors, were rewarded by them (with increased aid flows) and in some cases actually introduced at their behest. This is particularly true of what is arguably the most disastrous phase of Tanzania policy during the 1970s, when many of the state controls were imposed. So far from donors exerting a moderating influence, this was encouraged, and its negative effects aggravated, by an aid boom arising in part from international events quite unconnected to Tanzania (petro-dollar recycling after the 1973 OPEC oil price rise), but also in part

[4]One pro-adjustment commentory discusses the effectiveness of the "lending hiatus" of 1980-86 in bringing the Tanzanian government to heel, in tones which border on gloating. It then turns, with no more than an intervening full-stop, to a sententious discussion of how "ownership" can be introduced - but with the lending-stop option maintained, "in case".

from the enthusiasm of donors (including the World Bank) for policies now seen to have been disastrous.

For six years after independence in 1961, Tanzania followed a standard post-colonial development strategy, aiming to modernize agriculture, to increase exports of primary agricultural products, to attract foreign funds for industrial and infrastructural investment, to accelerate the training of Africans to take over posts in the state and private industry, to improve and expand provision of health services and clean water, and to weld a colonial territory into a nation. This produced an average growth rate of around 7 percent in GDP and about 7.5 percent in agriculture,[5] which seems high now, but not at the time. In 1964, the market for sisal, then the major export crop, collapsed. A plan to "transform" peasant agriculture through "village settlement schemes" was an almost total failure. Agricultural "improvement" by channelling inputs and credit to small farmers through co-operatives was more successful in increasing output, but involved non-repaid loans which increased marketing costs substantially.

Efforts to attract foreign investors proved unsuccessful, while popular dissatisfaction was increasing over the concentration of the benefits of independence in the hands of Asians and a few politically powerful Africans. In early 1967 President Nyerere issued The Arusha Declaration, signalling a move towards "socialism and self-reliance". This was accompanied by nationalization of the small "commanding heights" of the economy (banks, insurance and trading companies, some agricultural processing and most sisal estates). After this, foreign equity investment ceased, but loans, backed by the Tanzanian and donor states multiplied rapidly.[6] State policy also involved setting-up and expanding parastatal, regional and co-operative entities, and the "confinement" to them of marketing and productive activities, until they controlled a huge proportion of all economic activity, other than peasant agriculture, which was also entirely surrounded by parastatals for produce marketing and for supply of inputs and credit.

This was only part of a process by which peasant agriculture was squeezed from all sides. *Ujamaa vijijini* (socialism in the villages) was first proposed in 1967, and was to be voluntary. But it became government policy in 1969, to be "implemented" by state officials, whose achievements in implementation were then assessed - in terms of the number of villages formed and numbers living in them. This criterion then became subject to a process of competitive expansion, as Regional Commissioners outbid each other over the numbers of villages formed until, in 1973, it was decreed that the whole rural population should be in villages within three years. Campaigns and operations to achieve this led to the destruction of thousands of houses (to ensure that peasants did not leave the villages and return to them when the fuss had died down) and enormous disruption to life and production.

Increasing deficits on the state budget and balance of payments should have acted as a brake on this process, especially when a threefold increase in oil prices in 1973 coincided with a serious food shortage and a major increase in imported food prices,

[5]1960/2 - 1966, constant prices. URT 1968 Table 3)

[6]In this way, foreign firms were able to expand their sales of equipment and management services at no risk to themselves.

necessitating a loan from the IMF. That it did not, was due to the flush of easy money from petro-dollar recycling after the oil price increase. This was reflected in a burst of aid inflows, sometimes called "the first aid boom", which accelerated industrial investment to a point where it far outstretched local capacity to run or maintain the investments. Agriculture was beset by a disastrous combination of forced villagization, accelerated agricultural modernization and "directives", which significantly reduced agricultural exports and led to major food shortages.

Tanzania's unimpressive agricultural performance since the early 1970s is widely attributed to the price effects of state monopoly control of agricultural marketing, with ujamaa relegated to a footnote. But the decline in agricultural production had everything to do with the disruption involved in forced villagization and its aftermath. Concentrated in villages, rural people were subjected to decrees and regulations concerning everything from planting famine crops and weeding maize, to not drinking local beer, and to forced-labour in "self-reliance" road-building, trench-digging and "communal" farm work.

But monopolistic marketing institutions certainly did have a negative impact on agricultural production and exports. Within a few years of Independence, marketing margins for primary agricultural sales began to rise, largely as a result of programmes to spread the use of modern agricultural inputs on credit and/or at subsidized prices. This was (and to some extent still is) standard policy for "modernizing" agriculture. The costs of distributing inputs to small peasant producers tend to be high, as are those of providing credit. They become still higher if subsidies are given, or if loan repayments are poor - as is often the case. From the mid-1960s cost increases accelerated, as marketing co-operatives were increasingly pressed into "helping" ujamaa villages, with grants or uncollectable loans, and had loaded upon them the distribution of consumer goods, "confined" from private traders. The number and size of agricultural modernization projects grew rapidly in the mid-1970s with easy money and donor enthusiasm for *ujamaa*, and the number and scope of agricultural parastatal corporations grew with them. Administrative overloading increased levels of corruption and misappropriation, reducing effectiveness to very low levels.

It is widely claimed that spending on agriculture declined during the 1970s, leading to declining production. In fact World Bank figures (1994a:58) show that real government spending on agriculture was higher during 1975-79 than ever before or since. The problem was not lack of spending, but excessive inappropriate spending. Donor projects spearheaded a simultaneous rapid increase in industrial investment, which grew from 10-15 percent of the total in the early 1970s to 35-40 percent in the latter half of the decade (Svendsen 1986:66), but generated little corresponding increase in output. Indeed, there was a general decline in the output of productive sectors at the end of the 1970s, with all recorded growth concentrated in the state-dominated tertiary sector.

The investment boom was also self-destructive in macro-economic terms. Its rapidly rising needs for imports of intermediate and capital goods crowded out consumer imports (under a state foreign-exchange allocation policy), while its multiplier effects were increasing consumer demand at a time when agricultural exports and foreign exchange receipts were declining. To make things worse, food production was being increasingly diverted away from official co-operative markets, forcing the state-controlled grain supply system to depend on imports. Aggravated by the Uganda War and the second oil-shock of 1979, this was already leading to severe foreign exchange shortage by the end of the 1970s, leaving Tanzania in a weak position to face the major shift in world monetary conditions and economic policy in 1979-81.

In an attempt to increase its external resource flows, Tanzania agreed a standby credit with the IMF in 1979. But the government failed to observe the agreed budget ceilings and the agreement was cancelled. During discussion about the release of its second tranche, the IMF's representative was declared *persona non grata* and the Minister of Finance, Edwin Mtei, who was perceived by Nyerere as being too close to the IFIs, was dismissed. Shortly after this, Nyerere made a speech in which the IMF was condemned for attempting to set itself up as an "International Ministry of Finance". Tanzania then turned to the World Bank, with which intimate relations had been maintained throughout the 1970s (McNamara was on first name terms with Nyerere and had even attended cabinet meetings). It was surprised to find itself rebuffed, for just at this point the Bank was undergoing its own internal political adjustment in the face of a more hostile US domestic political climate. A part of this adjustment was its (temporary) subordination to the IMF, which now sought to make an example of Tanzania.

There was little further communication between the Tanzania government and the IFIs until 1981, when the Bank indicated that quick-disbursing aid would be available if certain policy changes were implemented and agreement reached with the IMF on this basis. The latter was now demanding a 50-60 percent devaluation, a major reduction in the budget deficit, removal of most consumer and producer subsidies and a slashing of others, positive real bank interest rates, major increases in agricultural producer prices and steps toward import liberalization.

This was the context in which Tanzania embarked on the National Economic Survival Plan, described in Section 2. While the IMF saw this as a further act of war, neither the World Bank nor the major bilateral donors found it convincing. But they were reluctant to see relations with Tanzania broken completely and, together with the Tanzania government, sponsored a Technical Advisory Group of eminent economists with the brief of drawing up a compromise package. This included a devaluation, though not of the order proposed by the IMF, but otherwise preservation of most existing government policies. This was rejected by the Tanzania Government, mostly over the issue of devaluation. Had it not been, it is likely that the World Bank would have rejected the proposals for excessive "softness". Tanzania then turned to the Nordic bilaterals, to get them to increase their aid to fill the gap left by the IFIs. But by this time Norway and Sweden had themselves been converted to the need for adjustment and rejected the advance. From 1981 to 1985 the overall flow of external assistance fell from $702 mn to $487 mn.

Tanzania depended heavily on imports of fuel, raw materials, intermediate goods and spares to keep its industrial and agro-industrial investments going. Allocation of foreign exchange for this purpose, combined with a rigid import-licensing system and the aid embargo, further crowded out imports of consumer goods. Combined with a similarly rigid rationing and price control system, this ensured that most basic consumer goods disappeared from the shops by 1981, and stayed that way for the next three or four years.

In some ways, macroeconomic indicators underestimate the disruptive effects. They hide (except as low productivity) the loss of routine and waste of time which result when normal markets disappear underground, especially when state austerity policies are reducing real wages by holding increases below inflation. Efficiency falls as workers use time searching (or queuing) for essential commodities - and in extra-curricular activities to earn the money to buy them with, including corruption and misappropriation. In other ways, official figures may overestimate the extent of the crisis. Recent estimates put the size of the informal economy at upwards of one third of the formal economy, with most of its growth having occurred during the 1970s and early 1980s. (See below section 6).

From 1981-83, the government tried to tighten existing policies, with counter-productive effects. A series of campaigns against corruption and against "loitering" in towns did not reduce corruption, but did further reduce the supply of goods. By 1984, the shortages were becoming so severe that the government made an important change of course. It "provisionally" allowed owners of "own" foreign exchange (money from smuggling or mis-invoicing) to import consumer goods, "with no questions asked". It also devalued the currency and increased producer prices for most controlled crops by about 30 percent for 1984/85. Exporters of items not controlled by the major marketing boards were allowed to retain a proportion of their foreign exchange receipts. User charges for health services were introduced in the same budget. These measures involved a major policy change and brought the beginnings of an upturn before agreement with the IFIs was reached.

2. Structural Adjustment in Tanzania: History and Objectives

2.1 Evolution of the Dialogue, 1979-86

Prior to the change of course in 1984, the Tanzanian Government tried to resolve the crisis by putting a more liberal face on what was essentially a tightening of existing policies. These efforts were rebuffed by the donors for their failure to agree on the extent of devaluation needed, or to relax the "confinement" of goods to state-directed agencies, and for their side-stepping of the general issue of liberalization.

The first local plan, the *National Economic Survival Plan* (NESP), 1981-82, was initiated before a renewed application to the IMF, and seen as part of that application. Its focus was to increase export-income and to eliminate food shortage through village irrigation schemes and cultivation of drought-resistant crops and to reduce public expenditure through strict control. (Wagao 1990). This depended on tightening up the state-controlled system and increasing capacity in its productive parts. But with capacity utilization already very low, and with wages well under the minimum required to live on, this was a non-starter, as was trying to increase export earnings in a depressed world economy without incentives to offer. In retrospect, the NESP never offered a solution. Made in haste, with too little discussion, its targets were neither realistic nor linked to means for their achievement. NESP was also a non-starter with the IFIs. Any attempt to normalize relations would require something else.

The Structural Adjustment Programme, (1982-86) was a more serious attempt to do this. Its approach was to look in some detail at the structure of the economy, and see what needed adjusting. Despite the similarity in names, this is not what is generally referred to as "structural adjustment". This latter identifies a number of general "structural" issues like market distortion as the main (only) effect of state intervention in the economy, and state intervention in the economy as the main (only) cause of market distortions. The former method is concerned to define policy parameters, and fine-tune state intervention for optimal effect. The latter is primarily concerned to minimize state intervention.

The SAP focused on increasing agricultural and especially export production. Devaluations of 20 percent and 40 percent were aimed primarily at neighbouring countries and cross-border smuggling. They were insufficient to close the wide gap to prevailing market rates, and failed to impress or move the IFIs, though they did increase agricultural sales and exports. The industrial component planned to improve capacity utilization by targeted use of foreign exchange. Fiscal and monetary controls were to be further tightened to reduce inflation. Later, as it became clear that these measures were having little effect, the "own foreign exchange" and other policies mentioned above were introduced. This began a modest process of improvement in the supply of goods (starting at the top with luxuries but moving gradually down), and can now be seen as the start of the upturn in agricultural production, but it did not satisfy the IFIs or unlock the funds.

It did, however, give support to the growing local criticism of state policies. The official line was that, although mistakes had been made, the basic causes of Tanzania's troubles were external; the cost of the war in Uganda,[7] the second oil price increase in 1979 and the deflationary policies in the north, which turned debt into debt-crisis. But major shortages of consumer goods had preceded all of these events, and the gridlock imposed on trade by "confinement" was increasingly obvious, so the volume of (private) complaint began to swell, despite the efforts of the security police to limit it. Anti-corruption campaigns aroused much populist enthusiasm, which turned to bitterness as they aggravated the supply situation, as most "high-ups" escaped the net and especially when even the few caught in it were set free.

Public complaint about the content of government policies, as opposed to the corruption with which they were increasingly associated, remained generally limited for most of the early 1980s. Popular opposition largely took the form of avoidance rather than protest. The only source of explicit opposition to the policies came from a group of economics lecturers at the University of Dar es Salaam, who from 1984 onward began holding public annual meetings at which liberalization measures were advocated. This risked official disapproval, but should not be taken as a wholly independent trend. The meetings were sponsored by those sections of the Tanzania state apparatus closest to the IFIs.

President Nyerere strongly disagreed with the changes of 1985, which he saw as both rewarding dishonesty and reversing the policies for which he stood. But he resigned (as

[7]Undertaken with widespread international approval and on the (incorrect) assumption that donors would foot some of the bill.

the constitution required) in 1985, allowing a new president to take policy directions with which he strongly disagreed. The ruling party, CCM, never explicitly acknowledged a change in economic direction - except as a temporary detour necessary to set the socialist project back on course. But those within CCM who wished to impose limits on liberalization and upon the few ministers openly associated with it[8], were isolated. An informal *modus vivendi* evolved in which private capitalists, old and new, could go about their business increasingly unhindered, while the state bourgeoisie continued to operate "its" sector (the civil service and parastatals) and to set the political agenda much as before (see Kiondo, forthcoming).

2.2 Formal Objectives of SAPs

In 1986, Tanzania reached agreement with the IMF and, not long afterwards made the first agreement with the World Bank, thus embarking on "structural adjustment" in the now official sense of the term. The agreement was entitled *The Economic Recovery Plan* (ERP, 1986-89), which was followed by the *Enhanced Structural Adjustment Programme* (ESAP, also referred to sometimes as ERP II) from 1989-1992. Broadly speaking, the ERP focused around a series of specified targets and means for their achievement. Since ESAP conditionality has focused more on "institutional reform", mainly defined as privatization.

The targets of ERP included:

a. to increase output of food and export crops through appropriate pricing strategies.
b. to increase capacity utilization in industry from 20-30 percent up to 60-70 percent.
c. to restore internal and external macro-economic balance through "prudent" monetary, fiscal and trade policies.
d. to reduce inflation from 30 percent to 15-20 percent.
e. to increase forex earnings from exports from $400 mn to $630 mn by 1989.
f. to rehabilitate and maintain basic social services.

The policy instruments chosen to achieve these aims included:

1. **Raising agricultural producer prices** by 5 percent per annum or to 60-70 percent of the world market price, and reducing the incidence of price-control.

2. **Exchange-rates** - devalue sufficiently to eliminate exchange-rate over-valuation by mid-1988 and subsequently move to market-based allocation of forex.

3. **Trade policy** - deconfinement of both imports and local trade.

4. **Public expenditure control**, continue the austerity measures started in 1984/5, limit government recurrent expenditure and reduce deficit financing from the banking system. Rationalize and reduce parastatal activities & subsidies to them.

5. **Tight monetary policy**, raise interest rates until positive in real terms, adopt tight credit ceilings and limit the growth of money supply to 15-20 percent per annum.

[8]Cleopa Msuya, many times Finance Minister and now Prime Minister.

6. **Revenue collection** - close monitoring and looking for ways to increase efficiency and/or broaden the tax-base.

7. **Non-price measures to increase agricultural production**; improving access to consumer goods, distribution of agricultural inputs and transport infrastructure. General freeing of consumer goods markets.

Formally, the ERP and ESAP were divided into six different adjustment programmes focusing in sequence on different areas of the economy, starting with multi-sector rehabilitation, and then going through industrial and agricultural rehabilitation, parastatal adjustment, civil service reform and general structural adjustment. Each was to be achieved under a specific loan programme, not necessarily so tightly bound to a specific end-use as the title might imply.

The Multisector Rehabilitation Credit was agreed in 1986. Its main conditions concerned prices, fiscal management and exchange-rate adjustment. Its main aim was to increase agricultural production, especially export crops, via devaluation, marketing improvement and improved transport. It was funded with $300mn, half from the IDA, and half from other donors. Allocation of the funds was left to Tanzania Government, subject to compliance with the macro-conditions, imposed through disbursement in tranches. The last of these was to be fed through an Open General Licence, a supposedly more market-oriented means of allocating forex, which did not exist until 1988.

An internal evaluation found the MRC to have been a success in having secured a major change in policy direction although its "sustainability, taken in isolation, was probably low". The MRC did indeed involve sweeping reforms; a major devaluation, limits on budget and balance of payments deficits and limits on domestic credit. But the evaluation found its approach to adjustment to have been patchy and too slow. The "lending hiatus" was found to have been a useful means for securing agreement to ERP/MRC, but it was noted, apparently without irony, that Tanzanian "ownership" of the programme was low. It was thus recommended that both the external pressure for adjustment and the level of Tanzanian "ownership" be increased!

The Industrial Rehabilitation and Trade Adjustment Credit (IRTAC) was approved in December 1988, for a total $242 mn, of which $182 mn was from IDA. Its major focus was on trade liberalization, tariff and sales tax reforms, and industrial restructuring in the areas of textiles, leather and agricultural processing. Funds were channelled only through the OGL system, which was expanded thereby and the list of items eligible for import under it extended. Otherwise it was, to all intents and purposes, a continuation of MRC.

The Tanzania Agricultural Adjustment Credit (TANAA) started in 1990, for a total $385 mn of which $200 mn was from IDA. It focused on liberalization of marketing for agricultural products and inputs. As with IRTAC, the funds were channelled through the OGL and the list of eligible items replaced by a short "negative list" of what could not be funded through it. Thus, despite the name, the funds did not have to be used for agricultural supplies.

The Financial Sector Adjustment Programme was signed in 1991 with $275 mn, of which $200 mn was from IDA. It focused on the banking sector, with privatization and allowing forex bureaux and foreign private banks to enter the Tanzanian market.

The Structural Adjustment Credit, focuses upon parastatal restructuring and privatization, civil service reform and more restructuring of markets for traditional agricultural exports.

The last three were if effect part of the *Economic and Structural Adjustment Programme* (ESAP), which continued where ERP left off in 1989 and included liberalization of foreign investment regulations. As mentioned above, the notion of an overall combined programme has lost some of its meaning with the shift from specified numerical targets and means for achievement (by state and parastatal organs) to privatization which reduces the capacity of the state for direct intervention. While the overall programme since 1992 (when ESAP finished) may have a name, it is not used in IFI and CG documents, which refer to specific loans or to the two-year Policy Framework Papers prepared under IFI supervision by Tanzania, or their more detailed specification in the Rolling Plans and Forward Budgets, which have replaced Five Year Plans as the only means for considering the medium-term. The principal focus of these plans and budgets has been in the area of civil service and parastatal reform.

There have been a number of internal or IFI-sponsored assessments of ERP and economic reform, more generally. Most have been quite enthusiastic for the extent of policy change achieved, and see the need for more reform on the same lines. But, as will be shown below, the results in terms of concrete achievements are hardly impressive. In terms of the explicit targets of ERP, by 1989 the following was roughly the position:

- growth in agriculture was confined to food crops, that of export-crops stagnated. Far from increasing from $400m to $630m, export revenues only reached $430m.

- Industrial capacity utilization had increased, but only to about 35 percent.

- The foreign exchange gap had thus increased (and been filled with donor aid), the direct state budget deficit had been reduced but by means which included shifting expenses to parastatals (and their deficits). Investment seemed to be paid for exclusively by foreign aid with local saving low or even negative.

- the pre-existing decline in social service spending is said to have been checked, but there is no evidence of any improvement in services.

By early 1995, the only improvement over the above has been a slight increase in export-crop production and revenue, but even with the assistance of a sharp (and temporary) increase in coffee prices, to only about $523m. Macroeconomic balances have deteriorated significantly since 1989, with social service expenditure now apparently in sharp decline.

2.3 Aid Relations

There has been a rapid increase in aid flows since 1986 and a shift towards import-support, though project-aid still dominates, with about two-thirds of the total. After the fall in disposable aid receipts of the early 1980s, this has made a large difference, and is sometimes termed the "second aid boom", though in real terms, the amounts involved are smaller than those of the 1970s and do not even fully compensate for terms-of-trade losses since then. This raises two important general questions; firstly regarding the degree to which the achievements of adjustment (such as they are), derive from import decompression arising from increased grant inflows; the second is whether a large increase in grant flows may not conflict with other aspects of adjustment by "softening" budget constraints.

The increased prominence of macro-conditionality with the shift from project to programme aid requires greater coordination between donors for its imposition. This means coordination through one or both of the IFIs, whose influence over the disposal of aid funds has enormously increased during the period of structural adjustment. But there are differences between the stated policies of the World Bank and IMF and those of some bilateral donors both as regards satisfaction or otherwise with Tanzania's progress and with regard to willingness to take "hard" actions like cutting off funds.

Very briefly, the trajectory of donor attitudes seems to have been somewhat as follows. By 1986, most of the residual sympathy for Tanzania's socialist aims had been replaced by cynicism and concern for change. During the ERP period, 1986-89, there was considerable suspicion by donors over whether Tanzania had really changed course, combined with higher hopes for the success of adjustment elsewhere in Africa. During the period 1989-93, largely as result of glowing IFI reports on Tanzania's progress and much less glowing results elsewhere, this changed radically. Tanzania now came to be seen as a much better prospect than most neighbours (notably Kenya, previously held up as a shining example of market-orientation). This involved talking the achievements up and the problems down, with much reference to "resolute action" and "vibrancy". By 1993-95, the directionlessness, enhanced dependency and corruption of the new system was becoming increasingly hard for donors to ignore - except for the IFIs, which had invested too much prestige in Tanzania and its success (the money is comparatively small in international terms) for this to be admissible. What makes this situation especially dangerous for Tanzania is that if and when the problems are recognized, the blame for both the situation and the donors misreading of it will certainly be piled on Tanzania, laying the "moral" basis for a new "lending hiatus".

Given that Tanzania depends for well over half of its official foreign exchange on aid funds this is no small danger, either as a consequence of hard conditionality or, more gradually, as a result of "donor fatigue". In November 1994, the Nordic donors other than Denmark suspended aid payments over the issue of tax-exemptions to politically favoured persons (see Section 6 for details). Among other things tax-exempt imports were (are) competing unfairly with (taxed) local products and reducing government revenues significantly. By early December, the government response had been to promise a thoroughgoing investigation and (after some weeks of doing nothing) to make the minimum cabinet reshuffle necessary to get the aid tap turned on again. "Resolute action" was not much in evidence. By the CG meeting of February 1995 the investigation was still uncompleted and no formal decision had been taken by donors on the resumption of aid. Responsibility for resolving the issue was delegated to the IMF, now ironically one of the donors most sympathetic to the Tanzanian government.

2.4 Public Debate

Since the adoption of adjustment in 1986, some of the economists who had earlier criticised government policies have been absorbed into the government. In the following years, adjustment moved from being the proposal of a small minority to an accepted fact of life. In external relations it became an official discourse. It did not figure much in internal politics at all under the *modus vivendi* described above.

Until the early 1990s internal debate about the policies was confined largely to complaints about the run-down condition of social services which, with devaluation-related inflation, was seen as the Achilles' heel of adjustment. Participants in the social services debate tended to underestimate non-adjustment factors in the decline and to cite figures which excluded local government spending. By contrast, deconfinement seems to have met with widespread public approval. Public opposition to government revolved more around lack of political democracy than structural adjustment, this being reflected in the broadly pro-adjustment stances of most opposition parties after political liberalisation in 1991-92.

The early 1990s witnessed some changes in this situation. One important trend was the emergence of popular struggles explicitly directed against particular adjustment policies. In 1992 there were major upheavals at the two universities over the attempted imposition of cost-sharing, required as a condition of a World Bank Higher Education Credit. Small-scale miners in Arusha region organised with partial success to resist the alienation of their mining rights to new companies (some foreign) under the new investment regulations. Secondly political liberalization and the growth of an independent press (from 1988, accelerating after 1991) allowed the articulation of certain previously repressed political issues. These included religion, the union between Tanganyika and Zanzibar and questions of corruption/"leadership".

These issues are indirectly linked to each other, and through that of corruption/"leadership" to adjustment. Especially since the abolition of the "leadership code" in 1992, a loosely-structured but clearly identifiable group of civil servants, politicians and private importers has emerged, profiting from the new business climate in ways which include increasingly flagrant rule-bending. Some of the politicians have previously been associated with opposition to adjustment, and the development is part of a more general shift away from the *modus vivendi* of the late 1980s (see Kiondo forthcoming). The independent newspapers at the forefront of exposing rule-bending by this new "public-private" bourgeoisie generally saw it as the product of too little rather than too much adjustment, and gave the main donors a platform to develop this argument at length.

The issue most likely to subvert this interpretation of the relationship between corruption and adjustment, and which links them both to religion, ethnicity and "Union", is privatisation. Private sector interest in purchasing Tanzanian public companies has come mainly from East African Asian and South African European capital (see below, section 9). So responses to their acquisitions of Tanzanian parastatals have combined questions about the procedures and deals involved with concerns about "recolonisation", and have activated latent and not-so-latent popular racial stereotypes about the "public-private" bourgeoisie. It is highly relevant that this linkage between privatisation, adjustment and "leadership" has been the focus of the first public speeches as an opposition figure in March 1995, by the very popular former Minister of Home Affairs, Augustine Mrema.[9]

2.5 Impact on National Policy

Much of the following section will detail different effects of SAP on policy-making. In general however, the structural adjustment process has affected just about every area of policy-making, whether in terms of compliance or evasive action. In many respects, the stated aims of Tanzania's economic policy are the diametric opposite of those before 1986. The notion of economic structure (other than degree of market-orientation) has virtually disappeared from the policy discourse, as have most other aspects of long-term thinking (other than "let the market decide").

But when it comes to specific changes, the degree of compliance is considerably lower and slower than the above would imply. Civil service and parastatal reform/privatization are rather obvious examples, since both vitally concern decision-makers through their effect on jobs - and access to state resources. Both have taken considerably longer than expected. But this is not only a matter of self-interested obstruction, since both do involve rather intractable problems. For civil service reform, the task is to sack enough civil servants that the remainder can receive a sufficient consolidated wage to live on (and at the top to live well on) without expanding the total recurrent budget (most already spent on wages).

The extent of the task can be gauged by the fact that pay is said to cover only one quarter of living expenses for most civil servants (with allowances coming to another quarter or half). The difficulties are aggravated by the fact that, like every civil service reform, it is being done from the top down, has favoured and will continue to favour upper level employees. Given this, the problem changes from intractable to impossible except by simply closing down most ministries. Parastatal privatization is also going slower than the IFIs would like, but too quickly and with too little discussion for many Tanzanians.

More generally two further observations made be made about the policy-making process under adjustment. The first is that while adjustment has penetrated policy-making to some degree in most fields, the main result of the transition from ujamaa to economic liberalisation has been that- with the fairly obvious exception of the banking sector- there is no longer any central policy direction in any field. This includes and is even perhaps most obvious in agriculture, where a series of institutional changes have been introduced in the absence of any strategic long-term priorities. It also goes for the

[9] See section 6, note 3 for the circumstances of his removal from office.

overall distribution of state expenditure between ministries and within ministerial budget headings, which continue to be dominated largely by historical convention. Where other priorities intrude, such as in the curious priority given by the Ministry of Education to the needs of "specially gifted children", these seem to reflect the whims of unaccountable individual civil servants. There is serious doubt as to whether any capacity still exists for setting and implementing an integrated set of national priorities, or even a non-integrated one. Both (1989 and 1994) Public Expenditure Reviews were apparently carried out with only the most tangential Tanzania government participation.

The second is that certain of the methods whereby donors and the Tanzania government have sought to resolve- or, more cynically, postpone resolution of- their differences have led to useful and informed public debate on important policy questions. Presidential Commissions on both the tax system (chaired by E. Mtei) and the land question (chaired by I. Shivji) have served to increase public information on these issues, even if this was not their main intent. The Commission system has also provided an additional public forum, alongside the independent press and the increasingly assertive parliament.

3. Overall and Macro-economic Effects of Structural Adjustment

3.1 Introduction

This chapter attempts to assess the effects of structural adjustment in general macro-economic terms. This involves a multi-stage argument, starting out by establishing (so far as possible) what did happen and then assessing (again so far as possible) to what extent changes noted, both positive and negative, can be attributed to structural adjustment. But since adjustment consists **both** of a large number of different conditions, imposed with varying severity at different points in time **and** of the release of foreign funds in return for (or in expectation of) compliance with the conditions, this can rapidly become complicated. This is still more the case, since some aspects may actually work against others. Thus raising real interest-rates tends to increase parastatal deficits, when adjustment seeks to reduce them. Large increases in donor grant aid inflows may obstruct the imposition of hard budget constraints, while having other positive effects.[10]

Behind these lie other questions, even more important in the long-term since they concern the sustainability of adjustment policies. The question is often asked whether internal or external forces were primarily responsible for Africa's or Tanzania's pre-adjustment problems. We have tried to show in section 2 that inter-actions between the two are as or more important. But behind this is disagreement over the nature of the world economic changes occurring from 1979-81. For neo-liberals, these served primarily to point up the shortcoming of previous development patterns, and the

[10]The obverse of this is that fungible aid-flows may relieve bottlenecks at macro level, even if related to projects whose impact is negative.

problems they raise are seen to be surmountable with adjustment. Others note that international financial deregulation and advances in communications technology have fundamentally changed the structure of the world economy to the clear disadvantage of Africa. Given the massive decline in terms of trade for Africa's exports during the 1980s and 90s and the accumulation of debt to quite unsustainable levels, adjustment seems a bit like privatizing the deckchairs on the Titanic.

The macroeconomics of adjustment can usefully be discussed in terms of three "balances" or "gaps", expressed in the identity

(Investment - Savings) + (Government spending - revenue) = (Imports - Exports)

That is, if the country invests more than is saved and the government spends more than its tax and other revenue, this involves using more resources than are produced locally and so requires net imports. The identity does not mention the many other complex interactions between these magnitudes, nor how they are funded, but clearly enough imports greater than exports, must be funded by loans, grants or remittances from abroad.

The balance between investment and savings depends mainly on the real rate of interest. Increasing it encourages people to save and discourages investment (other things being equal) and vice versa. The real interest rate depends in turn on the nominal interest rate and the rate of inflation. The former can be set directly (or indirectly) by the government via the central bank. Inflation depends, among other things, upon fiscal and monetary policy, the latter of which has mainly to do with credit.[11]

This also relates to the second balance. The "fiscal gap" between tax revenue and government spending is one of the factors affecting the rate of inflation, via increases in the supply of money. At first sight, it would seem amenable to direct state policy, since the government sets the taxes and produces the budget. In fact it is less simple:

- actual revenue collection normally depends on the level of economic activity and, if that falls, may be insufficient to cover budgeted expenditure.
- items like interest payments depend on the rate of interest.
- parastatal corporations can increase their spending through running up debts which are part of the public expenditure gap (though if this is investment, it should more properly be included under the savings-investment balance).

As will emerge, this latter point is highly relevant to Tanzania. The state (as such) has sometimes "complied" with IFI conditions requiring it to reduce expenditures by off-loading these onto parastatal corporations without budgeting payments for them. Since the latter are part of the state, they (and the state banks supplying them with credit) have put policy implementation above keeping within borrowing limits, so that raising interest-rates has had the reverse effect from that intended.

[11]Nowadays printing money is not a major factor in the money supply. Major transactions all involve credit & accounting changes not notes or coin.

The macro-economic purpose of adjustment is broadly to achieve "balance" and "stability" as a means to induce - rather than directly produce - investment and growth, largely from the private sector. This makes for problems in assessing the degree to which any given level of investment or other outcome has been induced by improved balance and stability as opposed to other factors. But neither "balance" nor "stability" can be defined objectively - and no-one aims at complete balance, at least for investment/savings and imports/exports. There are rules of thumb which purport to indicate what level of imbalance can be considered "stable" or "sustainable", but in reality both refer to what external financiers (that is primarily the IFIs themselves) regard as adequate and are willing to "sustain".

Thus, almost by definition, the adoption by a country of an adjustment programme, improves both "balance" and "stability", whether or not the objective indicators improve. This is certainly the case with Tanzania, which is regarded by the IFIs as having made significant strides towards sustainability, even though its debt and trade gap have grown in absolute terms and as a proportion of GDP, while other indicators have remained unchanged or improved marginally. The element of circularity is increased if one considers the impact on foreign investment and inflows of funds. With a very few exceptions, foreign capital has shown little interest in buying into Tanzania's run-down parastatal sector, even at the rock-bottom prices for which it is being offered (see section 9). Almost all of the inflow of funds occasioned by adjustment has come from the IFIs and other donors, responding with approval to the fact that Tanzania is adjusting rather than to any positive effects it may have had.

On the other hand, there is a tendency to under-estimate what is probably the most valuable effect of adjustment. From the mid-1970s onwards, increasing state control and confinement of almost all domestic trade tied the country's economy in knots, tightened by the arbitrary allocation of the country's resources and the peoples' labour time through political directives. Both of these succumbed at a relatively early stage to adjustment conditionality (and the sheer inability of the state to maintain either), to the clear and unambiguous benefit of nearly all concerned. Part of this benefit, being direct (like relief from being messed around) does not appear in economic magnitudes, except to the extent that it generates more output - and much of the latter is likely to occur in non-measured areas of the economy.

Given these and other complications, the approach adopted here will be more or less as follows (though not necessarily in the order outlined):

1. Try to estimate (and where possible measure) trends before and during adjustment, paying special attention to changes in them.

2. Consider relevant aspects of adjustment conditionality, how they might be expected to have affected the trend in question, the degree to which they have been fulfilled in practice and their effects - including indirect and unintended ones.

3. Consider the relative effectivity of conditionality and aid inflows - and their degree of interdependence.

4. Consider the importance of exogenous factors, ranging from weather and terms-of-trade[12] to the general state of the world economy and political and related trends in Tanzania. One such issue is the extent of "donor fatigue", which has both general dimensions; the worldwide trend to reduce aid levels, most sharply evident in the USA, and directly related to neo-liberal thinking; and a dimension which focuses around dis/satisfaction with Tanzania's general development and/or response to adjustment.

Given the inter-related nature of many of these questions, it will often be simpler to present them in a general account of "what happened", rather than to list "factors a,b, and c...". It may also be a bit less boring to read.

The logic of the above might suggest that discussion of changes in GDP should be preceded by discussion of the various factors affecting it. But the basic national income figures are so central to the account that they are introduced first - after a brief discussion of data problems.

Tanzania statistics - There is serious doubt and disagreement about almost every important statistical magnitude in Tanzania, starting with the size of the national income, for which different series and interpretations give very different results. Nor is there any way of resolving the issues, since the basis for estimating a large part of the total is very weak. Agriculture accounts for between 45 and 63 percent of the total GDP, according to different calculations and at different times, and well over 80 percent of the value of agricultural production does not pass through marketing channels, where there is statistical data collection. Thus up to 40 percent of total GDP is "estimated" by means including plain guesswork and adjusting upwards by estimated population growth.

It is widely thought that GDP estimation misses out a large proportion of "informal" economic activities, leading to under-estimation of total GDP by 30 percent or even 60-70 percent,[13] and that inclusion of informal exports would increase estimates of total exports by 50, 60 or even 100 percent. This does not affect growth-rate estimates unless the figures are (improperly) revised only for post-adjustment years. It does reduce consumption estimates (since what has been exported could not have been consumed) and so improves an otherwise unimpressive negative rate of savings.[14] It seems clear that some adjustment for informal activities is justified, but some of the above-mentioned calculations seem to exaggerate their extent, and to ignore significant levels of "informal imports", which would reverse the upward adjustment of savings. But in

[12]As discussed in the accompanying main report, terms-of-trade change is only partially exogenous. Its extent has certainly been increased by the success of export-oriented adjustment programmes, albeit mostly in other parts of the world than Africa. Moreover the decline was clearly predictable (and widely predicted) before adjustment started. Failure to take this into account (and refusal to include it in price predictions) could be considered culpably irresponsible advice on the part of the IFIs.

[13]See Maliyamkono & Bagachwa (1990), Sarris & van den Brink (1993)

[14]This adjustment is one of the major points of a World Bank policy research working paper; Agrawal et al,1993.

the context of such huge disparities, there is not much hope of resolving disagreements over whether the "true" rate of growth is (say) 3.2 percent or 5.1 percent or 7.3 percent.

Investment figures are, if anything, still less reliable. For private investment, estimates of buildings and other works are based on local cement and steel production, while estimates of investment in machinery and equipment come from import data . As Rattsø (1992) points out, it is not clear how closely this even relates to productive investment, since cement is used in house construction and equipment like cars and refrigerators may be consumer goods. In Tanzania's current situation, there are two further complications. Firstly recent donor spending on "rehabilitation" lies right on the boundary between maintenance (a recurrent cost, classed as consumption) and investment. Rehabilitation may be considered "capitalized maintenance", in the sense that it involves re-investment because of previous failure to operate and maintain equipment properly. But at least, this involves something like investment. Far more serious are problems of fungibility or "leakage". As discussed in section 6, Tanzania's investment promotion measures offer generous tax and duty relief on goods imported for investment, and impose very limited control over what this covers. It thus seems likely that a significant proportion of "investment" is composed of consumer goods which have been mis-classified as investment goods to take advantage of these "incentives".

All of the different macro-economic figures have serious problems and most have been revised frequently. As Rattsø puts it "the numbers presented in this report should be handled with care". So should those in all other reports, however confidently they are presented.

3.2 National Income

It is generally agreed that national income (Gross Domestic Product) has grown more rapidly since 1985 than during the preceding four years, though there is disagreement about the figures, about how much of an achievement this represents and whether it results primarily from import decompression or from conditionality and policy change. It is asserted by some that per capita income, having declined from 1980 to 1985 has increased (just) thereafter. Other sources show a decline throughout, though slower in the latter period.

In the course of making this study, some 10-15 different sources of national income tables were consulted, most of them claiming to be cited from each other or from basic Tanzania Government data. Despite this, for no single year were there less than three different estimates of inter-annual growth-rates and over the period 1982/3 - 1991/2, the average disparity between top and bottom estimates was 3.1 percent! In several cases it seemed as if years had been wrongly placed. Up until 1990, one can use a fairly authoritive series from Tanzania Economic Trends.[15] Since then, the range of "factor-cost" figures has been used.

[15]Produced, after discussion of the problems by authors who include Tanzania's most experienced national income statistician and the economist who produced the 1969-74 development plan.

Table 1 GDP Growth, 1981-93 (Tsh.bn, 1976 prices & $US mn)

Year	Tsh.bn, 1976 pr.		$US mn		GDPp.c., 1976 T.Sh.	
	T.Sh.bn	%	$US	%	Tsh.	%
1980/1	23.3	-0.5			1249	..
1981/2	23.4	0.5			1217	-2.5
1982/3	22.9	-2.4	- 6328		1152	-5.3
1983/4	23.7	3.4			1154	0.1
1984/5	24.3	2.6			1172	1.6
1985/6	25.1	3.3	3774 - 4883		1181	2-3
1986/7	26.3	5.1	3389 - 3409	-10.2/-30	1189	0.7
1987/8	27.5	4.2	3089 - 3300	-8.8/-3.2	1203	1.2
1988/9	28.4	3.3	2598 - 2984	-16/-9.3	1223	1.7
1989/90	29.9	4.8	2982 - 2774	+14.8/-7	1262	3.2
1990/1	28.4/31.6	-5/5.7	2728	-8.5	1295	2.6
1991/2	29.2/32.7	2.6/4.2	2667	-2.6	1305	0.8
1992/3	30.4/33.9	3.3/4.1	2492	-6.6	1315	0.8
1993/4	..	3.5*	..	..	..	0.8

Sources: van Arkadie, Komba & Karamagi (TET) 1991; URT Hali ya Uchumi, 1994; Nat'l Acc'ts of Tanzania, 1976-93; World Bank documents; EIU 1995/1

Notes: For 1990/1, the Budget Survey shows -5.2%. All other sources show between 3.7 and 5.7%. For 1991/2, one (IFI) source shows negative growth (-3.6%) after adjustment for terms-of-trade change; others positive

* Provisional figure from EIU 1995

Table 1 shows the growth of Gross Domestic Product since 1980. in Tanzania shillings (Tsh.), at 1976 prices and in US dollars, with per capita figures in 1976 Tsh. The two left columns show GDP in 1976 prices and are based on the series mentioned above to 1990. Since then, they show the range of "factor cost" figures, including an apparently anomalous negative figure for 1991, from Tanzania's most recent Budget Survey.[16] In either case, the general picture is of the growth rate having increased since the early 1980s, though the increase could as easily be dated to 1984 or 1987 as to 1986, when the ERP was agreed.

Per capita figures at 1976 prices show similar trends, i.e. negative or minimal growth from 1981-86, followed by positive growth at slightly below 1 percent. Other sources

[16] There seems no reason for downward bias in the budget survey, but proof-reading is so bad (whole columns missing from some tables) that its data must be treated with extra caution.

give a less positive picture. A World Bank document gives a variety of different estimates of real per capita incomes, presented in Table 2 as three-year averages.

So depending on what deflator is used, per capita income either increases very slightly or falls quite significantly. On the face of it, deflation by the National Consumer Price Index should at least not overstate real incomes, since it is widely thought to under-estimate the real extent of price increase. The difference between the series based on NCPI and Low Income NCPI would imply that items of particular importance to low income households have risen in price more than others, so reducing the relative real incomes of those households. The agricultural figures are higher, but there is the same disparity, halving the imputed growth rate. With similar rates of growth in cash income for poor and wealthy households, the poor would benefit less because of different rates of price increase.

Table 2 Alternative Estimates of Change in per Capita GDP (Tsh)

Period	1981-83	1986-89	1990-92
Per capita GDP, 1976 prices	100	100	104
P.c. GDP by 1985 deflator	100	100	104
P.c. GDP by NCPI	100	83	84
P.c. GDP by LI/NCPI	100	88	75
P.c. Agric GDP, 1976 prices	100	113	122
P.c. Agric GDP, by NCPI	100	106	107

Note: NCPI = National Consumer Price Index, LI = Low Income

Most of the recent writing on poverty in Tanzania comes from a joint Cornell University - University of Dar es Salaam research project which explicitly rejects national income data as source material. It argues that survey data capture incomes from unrecorded activities better and claims that applying even the low-income deflator to such data shows per capita incomes rising slightly between 1983 and 1991. But this slight overall increase masks increasing differentiation between the better-off and the poor and between urban and rural areas, implying a process of impoverishment at the lower end of the scale (see section 7).

While GDP has grown in constant Tsh. terms, in dollars Tanzania's 1993 national income was less than 40 percent of that in 1983 and, at about $100 per capita, put Tanzania second from bottom in world rankings. In many respects this is an absurd figure, and constant-price Tsh. is a more relevant measure of capacity to consume (to the extent that 1976 weights and prices represent the situation today). One would expect a fall in the dollar value of GDP given the very sharp devaluations the country has been through. But this does mean that Tanzania's foreign debt increases by the extent of devaluation in Tsh. terms - and of course the enormous shift in rates affects relative prices in every area of the economy. It also means that there is a "technical" or automatic component to the increase in Tanzania's foreign aid dependency, since a given amount of aid in dollars increases as a proportion of dollar-GDP, as devaluation reduces its level. The same is true of parastatal debts which have a large external component.

Table 3 Sectoral Division of GDP, 1976-93 (percent of total, current and 1976 prices)

Year	1976	1980	1981-5	1986-9	1990-3
Current Prices					
Agric. & F.F.H	42	44	53	61	56
Mining & Manuf	14	12	9	6	7
El.Water,Constr.	5	5	4	5	8
Trade+	13	13	13	14	15
Trans & Commun.	8	8	6	6	10
Finance+	9	10	8	6	5
Public Admin.	11	11	11	7	7
Bank Ser..	-2	-3	-2	-4	-6
1976 prices					
Agr. FFH	42	40	43	46	49
Mining & Manuf	14	12	10	9	9
El.Water,Const	5	6	6	6	6
Trade +	13	12	11	12	11
Trans & Com	8	8	7	6	6
Finance+	9	11	12	13	12
Publ. Admin	11	14	15	12	11
Bank Ser	-2	-2	-3	-3	-4

Source: National Accounts of Tanzania 1976-93, Tables 3a, 4a
Notes: **Agric. FFH** = Agriculture, forestry, fisheries and hunting. **Trade+** = Wholesale & retail trade, hotels and restaurants. **Finance+** = Finance, insurance, real estate & business services. **Bank Ser** = Imputed bank service charges (i.e balance item)

Table 3 shows the sectoral division of GDP, in percentage terms. The most striking feature is the dominance of the agricultural sector, and its higher than average growth rate. Comparing the current and 1976 price figures in Table 3 shows a much larger increase in agriculture's share of total GDP under current prices, indicating that an increase in real prices has been among the components of this growth. Another factor may have been the increasing shilling value of foreign aid involved in agricultural projects, which are included in current price agricultural GDP. Just the same, it is unusual for dependency on agriculture to increase so markedly, from under 40 percent in the mid-1970s to over 60 percent in the late 1980s. Two other factors seem relevant. The first concerns stagnation in the industrial sector since the late 1970s. The other involves a tendency to "upgrade" estimates of agricultural subsistence production at intervals. There are many good reasons to suppose that this has historically been under-estimated, but the improvement of estimates over time, does impart an upward bias to growth-rates (section 4).

Of the other sectors, mining and manufacturing have clearly fallen in proportional terms. Manufacturing output grew from the mid-1980s until around 1991, but not enough to reach the 1980 level, and has since fallen back again (see section 5). Mining has also grown rapidly in some areas, but is still too small and mostly too illegal, for it to have much impact on the figures. Sectors increasing their proportion of total GDP are construction, water and electricity supply, with significant donor activities in all three. Transport and communication have also increased significantly, reflecting the investments made after freeing of import restrictions on vehicles and to take advantage of openings in trading.

3.3 Investment

At a very general level, rates of growth and development are linked to levels and rates of investment. But there is nothing automatic about this, and one of the most misleading assumptions sometimes made by development planners is that of the "fixed capital-output ratio", which implies that each successive dollar invested will increase output and income by the same amount. The falsity of this assumption was shown clearly and disastrously during the "first aid boom" of the late 1970s. But the relationship between investment and output seems no clearer today; in some ways still less so. The major increase in aid inflows and investment from 1974-79 did increase production in the short-run, despite the fact that much of it was (by intention) long term investment. The increase in investment since 1986 has been to no small extent focused on rehabilitation, and should thus have had a fairly immediate effect on production, yet as shown below, its impact seems to have been limited.

Table 4 shows investment in real terms, as a proportion of GDP, and divided by asset type. Investment fell as a proportion of GDP from 1981-4, starting to rise again in 1985 up towards the high levels of the present. In fixed price terms, Gross Fixed Capital Formation fell from Tsh. 6.4 bn in 1979 to about Tsh. 5.5bn in 1980-85, rising by some 20 percent to Tsh. 6.5 bn in 1986-89 and again by over 50 percent to Tsh. 9.8 bn in 1990-93. A similar sharp increase shows in percent of GDP, with extremely high figures for the post 1986 period. With 40-50 percent of GDP being invested every year, one could expect GDP growth-rates higher than the 3-5 percent per annum shown above. But a major reason for this is the huge rise in locally denominated costs of imported machinery and equipment as a result of devaluation.

It is thus not surprising to find a similarly sharp shift in the composition of investment, with machinery and equipment rising from about half of the total in the early 1980s to around 70 percent more recently. Within the machinery category, there has been an even more rapid increase in the proportion made up of "transport equipment" (vehicles of one or other sort), most especially from 1984-88, when own-funds imports and other mechanisms eased the import of vehicles. What proportion is made up of "dual-purpose" vehicles (i.e pick-up trucks for personal use and trading) is unknown, but it is probably significant.[17] Since the late 1980s there has been some increase in investment in housing and other works. Part of this seems to be donor-funded infrastructural works, part private housing boom. There seems to have been little investment in new productive capacity (see section 5).

Table 4 Capital Formation in 1976 Tsh as Percent of GDP and by Asset-type Proportion of Total Investment Composed of:

Year	GFCF, 1976 prices	GCF as % of Cur't Pr. GDP	Buildings	Other Works	Equipment	Transp. Equipt
1976	5159	23 - ..	19	31	50	15
1980	5615	23 - ..	21	29	49	13
1981	5806	25 - 25	23	21	56	13
1982	6052	21 - 26	22	28	50	12
1983	4042	14 - 18	24	22	54	13
1984	5891	15 - 25	19	18	61	42
1985	7283	18 - 30	18	16	65	45
1986	5194	25 - 21	15	17	68	49
1987	5983	50 - 23	9	20	71	48
1988	7240	13 - 26	9	21	70	48
1989	6805	45 - 24	8	13	79	33
1990	8760	43 - 29	8	30	62	41
1991	10019	48 - 34	10	16	70	34
1992	10431	49 - 34	10	18	72	29
1993	9871	51 - 31	9	19	72	25

Source: National Accounts of Tanzania, 1976-93. Right hand of col 1 from Table 1

Table 5 shows investment divided between GDP categories. Agriculture may be by far the largest productive sector, but receives a far smaller proportion of investment. Economic infrastructure takes by far the greatest proportion of the total. Transport, storage and communications (road, rail, air) takes almost a third of total investment, while electricity and water (including hydro-power) have grown from under ten percent to 17 percent or so in recent years. If one assumes that part of investment in

[17]Apart from being useful to those combining formal sector work and informal trading/transport, there were tax and import-licence savings for importers of these vehicles until recently.

construction is related to this, then it would seem that economic infrastructure accounted for about 35-40 percent of the total before adjustment and has climbed to over half since. The other main investment sector is manufacturing, taking a bit less than one quarter of the total.

Table 5 Capital Formation by Sector (percent of current price total)

Sector	1976	1979-81	1982-5	1986-9	1990-3
Agriculture	9	8	9	6	5
Mining & Quarrying	3	2	1	..	..
Manufacturing	26	23	25	21	24
Electr. & Water	7	8	11	25	17
Construction	2	6	10	9	11
Trade, Hotels etc.	4	2	3	2	1
Transport, Storage & Communication.	32	25	24	27	32
Finance etc	7	8	4	3	6
Publ. Admin.	13	21	14	6	7

Source: National Accounts of Tanzania 1976-93

There seems to be no clear relation between investment and level of output. Agriculture and mining are among the two sectors to have grown most rapidly, both having seen an apparent decline in their share of total investment, whereas manufacturing has high investment but low output growth. There seem to be several reasons for this lack of correspondence. Where agriculture is concerned, there is always a "boundary" problem. Investment in roads, for example, is arguably among the forms of expenditure most important for agricultural growth. On the other hand, much direct investment in agricultural production has been made through and contributed to parastatal monopolies, where its net effect can easily be negative.

Another factor is the effect of donor import-support on the financial position of firms "assisted". When aid expanded in 1986, the first priority for many parastatal corporations and donors was to get production moving again by rehabilitating machinery and providing raw materials or intermediate goods. Much of this was provided through import-support grants. But while these were grants to the country, they were either provided as loans to the parastatal corporation concerned, or retrospectively made into loans as pressures to impose market discipline upon parastatals increased. On the other hand, funds and materials were sometimes provided to parastatal corporations whose accounting and administrative structures were in such a state of decay as to nullify their effect.

Here another issue is relevant; a tendency among donors to look with greater favour on investments which they themselves have initiated at some time in the past. Donor project selection may include market criteria and concern over importance to the economy or consistency with other formal goals. But decisions usually take place within a framework defined by past activities, experience and links. Funds and expertise were provided to build a factory; commitments have been made to a ministry, parastatal, or department; in the process, working relationships have been formed. Whatever the reason for getting into a particular project or sector, there are always extra reasons for staying there.

But the main factor relates to how much of the measured "investment" is really investment at all. Given the incentives to cheat and the lack of control, the proportion made up of mis-labelled consumer goods is probably significant. To that extent it is hardly surprising that its effect on capacity and production is low.

3.4 Foreign Trade and the Balance of Payments

Tanzania has been importing more than was exported since the early 1970s, and by the early 1980s imports were well over double the value of exports. This was (and is) a very important economic imbalance - and that over which the IFIs and the Tanzania government were most in disagreement before 1986, as to both definition and policy implications.

Prior to 1984, Tanzania held the shilling in a fixed relation to the dollar and attempted to control the level of imports and outflows of forex directly, through a system of import permits and foreign exchange allocation. Even the devaluations before 1986 were made within this framework. The purpose of adjustment was to get rid of this system of regulations by real devaluation of sufficient scale to make the market the means of both allocating foreign exchange and setting the exchange-rate. This also involved a major change in trade policy, shifting away from the existing non-tariff protection afforded by import licences (often held for specific products by the parastatal producing them locally), towards tariffs, to be followed by reducing the latter. It was expected (hoped) that liberalization of both forex and protection systems, combined with devaluation, would allow a sufficient increase in efficiency to allow local firms to hold their market share and increase exports. In retrospect, this can be seen to have been over-optimistic - as many would have predicted from the start.

The ERP in 1986 focused heavily on devaluation which was both to provide the stimulus for increased production of agricultural exports and, by increasing its price, limit the demand for forex. Donor funds were seen as helping this process along. In reality they replaced it, since neither objective was successful up to 1990. As discussed below, the incentive effect of devaluation was reduced by terms-of-trade losses, but far more because parastatal marketing agencies ate up the price increase leaving little or nothing for producers. Nor did devaluation have the intended effect on the demand side. So long as the main institutional users of forex were parastatal corporations, with politically defined goals and government funds to soften budget constraints, the price of foreign exchange was not a decision variable. This was particularly the case with much commodity import support (CIS) which was supplied direct to parastatal (and a few other) firms with (at least in the first instance) limited attention to payment of the "cash cover", or its addition to parastatal deficits if not paid. The effect was thus to increase these significantly.

The availability of foreign exchange to those outside the state and parastatal sectors did not improve markedly during this period. The pre-ERP permission to use "own funds" continued, and accounted for about one third of total foreign exchange availability during the late 1980s, declining to around 20 percent in the 1990s. Export retentions for official exporters of "non-traditional exports" were introduced and their scope expanded several times during the late 1980s; but though they increased nearly twentyfold between 1986 and 1990, at the end they still accounted for only 1-2 percent of total forex.

As of 1988 an Open General Licence (OGL) system was introduced, financed by the World Bank and increasingly by other donors, who were encouraged to route their import-support through it as cash rather than individual CIS grants. Under the OGL donor-supplied forex was allocated on a "first-come-first-serve" basis to parastatal and private firms. At first applications were only accepted for a list of commodities considered essential to the economy. This list was gradually expanded, and then replaced by a "negative list" of those commodities which could not be imported under OGL, which was then gradually reduced to a small handful of items. This system was ostensibly market-driven, but the funds were allocated until they ran out at one fixed rate, and with this held down by the supply of donor funds, it constituted a "non-targeted subsidy" to the beneficiary firms - a mechanism otherwise strongly opposed by the IFIs.[18] Moreover, while failure to pay "cash-cover" was lower than under CIS, it was still quite substantial, making OGL allocation still less market-based.

By 1993, with the difference between official and market exchange rates almost gone,[19] and after a series of scandals concerning OGL funds (see section 6), a new auction system was set up, with applicants bidding for the available forex every two weeks and the official exchange rate emerging from this process. This is market-driven, but still supplies forex at a below-market rate, since the supply is made up of donor grant funds.

To consider the effects of this, one can start by looking at the balance of trade, as shown in Table 6. The precise figures differ between sources, but the picture is fairly clear. Import-compression from 1982-85 reduced imports faster than exports, so reducing the trade balance deficit, until the introduction of "own forex" in 1985. But despite decompression after 1986, import levels *seem* to have grown slowly from 1986 until the early 1990s. But, given the large increase in foreign transfers (Table 6), it seems more likely that this reflects under-accounting of CIS imports, so that much of the sharp increase in 1991 and 1992 reflects improved accounting of donor-grants. The

[18]It is curious that almost all sources refer to this as "market-driven" when "first-come-first-served", otherwise known as queuing, is the classic *non-market* form of allocation.

[19]Devaluation to align official and real exchange-rates is always a multi-stage process, since each nominal devaluation tends to shift the real rate.

figures also refer only to official imports and exports.[20] Another part of the 25-30 percent increase in 1992 seems to have arisen from poor sequencing of reforms, which aimed to lower tariff levels and simplify the system. This was to be paid for by an elimination of tax exemptions which failed to occur, reducing both import-duty and sales tax revenue.

Table 6 Imports, Exports, Trade Balance and Current Account Deficit ($US mn and percent of GDP)

Year	Imports	Exports	Trade Balance	Current Account Deficit	Deficit as % of GDP
1981	1139	613	-526	-694	10.1
1982	1098	413	-1211	-538	11.4
1983	805	379	-426	-281/-659	4.4/7.3
1984	863	389	-474	-397/-412	10.0
1985	986	286	-700	-785/-539	11.8
1986	1030	348	-682	-851/-782	8.1/16
1987	1153	347	-806	-983/-785	22/20
1988	1150	387	-763	-927/-973	23/26
1989	1288	415	-873	-1037/-971	26/29
1990	1166	408	-758	-949	30/32
1991	1155/1388	384/360	-771/-1028	-1246	36
1992	1428/1799	442/437	-986/-1362	-1458	31
1993	1304/....	454/...	-850/....	..	..

Sources: Wagao 1990, EIU 1995 and various WB/IDA reports

Exports have not grown much since the mid-1980s. By far the most exports are of agricultural products, so this is considered in section 4. Export volumes of "traditional export crops" have stagnated, and terms of trade deteriorated. The value of "non-traditional exports" doubled between 1985 and 1990, but still reached no more than 80 percent of their 1980 level, and have not grown since (UNCTAD 1994:14). Some sources claim rapid expansion of crop exports in 1993 and 1994, but this is not confirmed by the most recent figures (early 1995). It is widely agreed that official figures understate the real extent of exports, since the origin of "own foreign exchange" is referred to in balance of payments figures as "private transfers", where it really refers, at least in part, to unofficial exports or unofficial payments in respect of traded

[20] Exports are considered below. Casual evidence suggests extensive unofficial imports. The shops and street-kiosks of Dar es Salaam are full of goods whose prices make clear that no tax has been paid on them. It is hard to draw a line though, between smuggled goods and those imported under tax and duty exemptions - for "investment goods".

goods; that is goods smuggled out, under-invoiced exports and over-invoiced imports. The first can be seen with some plausibility as "unofficial exports", though not necessarily a net addition thereto. The rest cannot. In any case, while highly profitable for the individuals involved, illegal exports (especially of gemstones and elephants' tusks) are a very expensive and inefficient way for Tanzania to earn forex. Unofficial trade in agricultural products seems to be balanced, with earnings from smuggled exports turned into goods which are smuggled back in.

For reasons which are discussed in section 6 below, there is little reason to suppose that unofficial exports have historically been higher than unofficial imports. Indeed, despite the circumstantial evidence for an "unofficial export boom" in the late 1980s, the trend seems to be in the other direction, with unofficial imports increasingly outweighing exports. Given that both "exempted" and smuggled imports evade taxes to which local produce is liable, this adds "negative protection" to the many problems facing Tanzania's manufacturing sector.

The trade deficit has grown by over 11 percent per annum since 1986, and from under 10 percent to around one third of GDP. This has been largely paid for by donor loans and grants. Table 7 shows different estimates of aid inflows.

Table 7 Aid Inflows, Various Estimates ($US mn)

Year	Adams et al '94	OECD	Neths 1994	WB 1994	WB 1991
1960-4	24	..	..	..	..
66-73	52	..	..	..	..
74-80	386	392	..	..	..
1980	650	666	..	..	..
1981	657	673	..	..	..
1982	673	695	..	..	..
1983	579	604	..	..	..
1984	549	558	..	..	97
1985	477	487	384	..	223
1986	675	681	410	436	224
1987	882	882	760	489	477
1988	1012	982	863	517	508
1989	917	920	872	530	524
1990	1171	1155	843	549/559	539
1991	1081	1081	910	569/580	..
1992	..	1343	..	..	..

Sources: Column 1: Adams et al, 1994, Table 1. Column 2: OECD Geographical Distribution of Financial Flows, various. Column 3: Neths Development Cooperation 1994, Table 22. Column 4: WB 1994. Column 5: WB 1991

As can be seen, Tanzanian official figures, and those presented in World Bank reports, under-estimate aid inflows significantly. That is, "large amounts of grants circumvent the government budget or any other official registration by being channelled directly to specific projects or to NGOs", while large amounts of donor grant aid (including all import support) are incorrectly booked as capital inflows rather than transfers (Bhaduri et al, 1993:120). But under any estimation, the value of foreign aid inflows exceeds that of exports considerably. using the higher estimates, it has climbed from about twice the value of exports in the mid-1980s, to about two and a half times in the early 1990s. Another calculation (based on the lower Netherlands figures) shows ODA[21] increasing, as a proportion of GDP from about 12 percent in 1975 to nearly 43 percent in 1990 and from 39 percent to 85 percent of imports over the same period. This gives a sobering indication of what heavy devaluation can mean, and of the effects if donors should suffer "fatigue" or otherwise decide to withdraw their support. Of course there is no realistic sense in which the sum of donor inflows, large as it is, can be "worth" 43 percent of the sum total of labour, production and transactions in the Tanzania economy. But the figures do indicate what a hole withdrawal might leave.

Table 8 Tanzania, Debt and Debt-Service ($ mn and percent)

Year	Total Debt	Total Debt	Debt-Service	Debt-Service
	$mn	As % of GDP	$mn	%ofExports*
1970	265	17	..	..
1975	945	25	..	..
1980	2476	54	151/199	20/29/..
1985	3752	61	168/...	37/../21
1986	4291	103	130/203	29/41/....
1987	5876	175	129/218	32/41/14.5
1988	6112	194	125/227	25/42/12.9
1989	6042	229	119/213	22/34/12.4
1990	6880	289	148/234	27/38/15.0
1991	7175	240	132/220	25/36/16.0
1992	7304	285	.../304	../46/17.2
1993	7522	..	.../155	../25/11.9

Sources: Columns 1 & 2: World Bank, World Debt Tables(WDT) 1994-95:466-9. Column 3 left: WDT 93-4:442; right: WDT 94-5:466. Column 4 left: WDT 93-4:442; middle: WDT 94-5:466; right: debt-service actually paid (after rescheduling), various World Bank, Tanzania documents

Note: * Including net private transfers (i.e. estimated informal exports)

[21] ODA = overseas development assistance, the OECD term for aid.

Donor grants have filled much of the trade gap, but not enough to prevent total indebtedness increasing significantly in dollar terms, and much more as a proportion of GDP (in 1976 prices), reflecting the impact of devaluation.[22] This is shown in Table 8.

Total debt figures change significantly between different versions of the World Bank World Debt Tables, the most recent being shown here. The disparity is still greater for debt-service, for which 92/3 and 94/5 versions are compared. The right-hand column shows 1992/3 and 1994/5 estimates of the debt-service ratio (the proportion of exports going to debt-service) before rescheduling, while the right-hand figure shows what was paid after it. Again Tanzania's dependency on the goodwill of donors comes over strikingly. So long as Tanzania can meet the Paris Club regulations, rescheduling keeps the debt-service ratio down to reasonable proportions. Without that, it would quickly double, and aid inflows would fall as rapidly, leaving the country in a desperate situation.

Debt rescheduling certainly helps in the short-run, by reducing the annual debt-service payments to well under half what they would otherwise be. But it only defers their payment in full. Table 9 shows rescheduling and debt cancellations under the four Paris Agreements. Cancellation is clearly proceeding very slowly, and the total debt is increasing, not only with new loans but with capitalized arrears and rescheduling.

Table 9 Paris Club Rescheduling and Cancellation of Tanzania's Debt

Paris Club No. and Date	Resch. $mn	Resch.% of Debt	Canc. $mn	Canc. % of Debt
I - 1986	863	20.0	0	0.0
II - 1988	242	4.5	21	0.4
III - 1990	204	3.3	19	0.3
IV - 1992	328	4.5	112	1.5

Source: Bagachwa et al. (forthcoming), citing Lipumba et al (1993)

3.5 Public Finance, Fiscal and Monetary Policy

Another main area in which adjustment aims to affect government policy concerns the size of the government (and parastatal) budget, the means of financing it and changes in the supply of money and credit, which in turn affect the rate of inflation. Broadly speaking, the purpose of adjustment conditionality has been to reduce the size of the government deficit and particularly to shift its funding away from bank borrowing - and back to taxation. This, together with increases in interest-rates has had the macro-economic purposes of reducing the rate of inflation, but is also aimed to improve the

[22]There is some overlap here since the aid figures include loans (mainly from the IFIs) which are a majo component of the increase in debt.

supply of credit to the private sector, which is assumed to have been "crowded out" by government borrowing. The means chosen to achieve this under ERP was primarily budgetary austerity and interest-rate increases. In the event this led to high budgetary costs without hard budget constraints on parastatals, increasing rather than reducing their deficits, thus generating a policy shift towards privatization under ESAP.[23]

Government budgets are conventionally divided into recurrent expenditures, classed as government "consumption", composed of wages, operating costs and similar items, which are supposed to be paid out of recurrent revenues: - taxes, licences, tariffs and non-tax items like rents on government property. "Development expenditure" is considered to be investment, and intendedly funded from borrowing or donor grants. But a large proportion of "development spending" (and donor grants) in the 1980s, has been for rehabilitation, which as "capitalized maintenance" falls on the boundary between the two, which is also far from watertight in other respects, including revenue transfers. Tanzania's budget has been in deficit since the late 1960s, though there was a surplus of revenue over recurrent spending until the mid-1970s. Since then, there has been a recurrent deficit, to be filled by borrowing or by transfer of donor grants from "development revenue" to the recurrent budget. During recent years, the recurrent deficit has exceeded the whole development budget, implying that a larger proportion of donor (development) grants are used for the recurrent budget than for development.

The line between state and parastatal finances is also complex. A standard feature of Tanzanian development strategy in the 1970s was for the state to initiate an activity, and then hand it over to a parastatal corporation, usually with a series of subventions and subsidies to cover loss-making activities, like unsecured input-credits to villages, transport equalization subsidies, or delivery of goods at prices fixed below full costs. Since the corporations also paid taxes and dividends to the state, and since subventions were not infrequently made retrospectively (i.e after the activity had led to large deficits) the balance was complex.

As Table 10 shows, the aim of the ERP to reduce the deficit appears to have succeeded up to 1992, but to have slipped badly thereafter. The table shows government revenue, expenditure and deficit, all as proportions of GDP. In 1980/81, the deficit grew to well over 10 percent of GDP. This was reduced in the following years, and especially after 1986, with large quantities of foreign (counterpart) funds filling some of the gaps.[24] But in the early 1990s financial management seems to have slipped and pushed the deficit back up over 10 percent of GDP. Alternative figures show the gap as larger, but following the same trend and rising to 22 percent of GDP in 1993.

It would be a mistake to see this reversal simply as "backsliding". For while general austerity was certainly one means to cut government spending, another was to cut

[23]One might wonder how institutions employing so many economists as the IFIs could have failed to figure this out - or alternatively wonder just how disingenuous is the "shock" expressed over rising parastatal deficits.

[24]Donors give a forex grant via the Tanzania Treasury (or a grant in kind) for (say) machinery for a factory or fertilizer for an extension programme. When (or if) the parastatal in questions pays the shilling value of this, the money (the counterpart funds) become a shilling grant to the Treasury, thus reducing the deficit.

subventions to parastatal corporations, or to transfer costs to them without subvention. This "worked", at least for some years for a number of reasons. Increased CIS after 1986 was primarily aimed at parastatal corporations. Not only did the equipment and materials help to assure physical operation and output, but the significant proportion which was not reported to the Treasury (seemingly between $200m and $500 mn from Table 6) was not (at least initially) subject to "cash-cover" in local currency, and thus became effectively a grant to the parastatal. Even where CIS was reported, major arrears in the credit which paid for "cash-cover" are reported by all sources (40 percent of the total according to Mans (1994:366), see also section 6). In addition, any investment project (especially in its "start-up" phase) involves a number of payments which can be used to "roll-over" previous deficits and hide them a bit longer.

Table 10 Government Revenue, Expenditure, Deficit and Rate of Inflation (percent)

Year	Rev as % of GDP	Exp. as % of GDP	Deficit/GDP %	Rate of Inflation	Aid as % of Total Exp.
1980	16.9	29.4	-12.5		13
1981	18.5	32.7	-14.2		16
1982	19.8	28.2	-8.4		19
1985	16.8	25.4	-8.6	33.3	10
1986	14.9	23.1	-8.2	32.7/32.5	27
1987	16.1	24.6	-8.5	29.9/30.0	24
1988	16.7	26.3	-9.6	29.4/31.3	27
1989	19.5	25.5	-6.0	22.2/25.8	30
1990	21.0	28.0	-7.0	21.7/19.7	30
1991	22.1	25.2	-3.1	21.1/22.2	..
1992	23.3	26.2	-2.9	23.2/22.1	..
1993	17.5	32.1	-14.6	23.5/26.7	..
1994*	21.0	32.2	-11.1	35.0	..

Source: World Bank documents. N.B. TET July 1992 shows the deficit rising to 22% of GDP in 1993
Notes: * Budget figures targets. So actual results will probably be less favourable
Inflation: 1985-93, IMF 1992 (NCPI); 1986-92, WB 1994 Table 1; 1990-94, EIU 1995. Adam et al (1994:91) show a different pattern, with the deficit falling from about 18 percent of GDP in 1980 to a low point of 7 percent in 1985/6, rising to some 12 percent until 1993 when it seems to be around 17-20 percent

This seems especially to have affected agricultural marketing parastatals, which accumulated some of the largest debts. A number of subsidies were taken out of the state budget and allowed to accumulate as parastatal debts, notably transport for NMC and fertilizers for TFC. The Co-operative & Rural Development Bank (CRDB) continued to be ordered to make unrecoverable loans, without state provision to cover them. On the other hand, apart from fertilizer, most import-support went to industry and infrastructure, and increasingly so after the introduction of OGL. Fewer new projects were started in agriculture, and those there were tended to be more modest and have a lower input or equipment content. All this reduced fungibility and options for rolling-over expenditures, except for export-crop marketing agencies, which were able to take the devaluation-induced price increase intended to incentivise producers.

As the easier options were blocked-off in the late 1980s, the deficit grew more rapidly, especially since interest-rates had been increased sharply. By 1989-90, parastatal indebtedness was sufficient to add several points to the inflation rate and had become one of the major concerns of the IFIs. From 1991, with much harder conditionality being imposed under ESAP over limits on loans to parastatals, some of these debts returned to the central state budget, producing some, but not all of the much enlarged deficits shown in Table 10. Another factor increasing the public expenditure deficit was failure to implement an agreement between the IFIs and Tanzania Government in 1993. This proposed a reduction and simplification of the tariff structure, to be paid for by improved collection and a reduction in tax-exemptions. In the event there was no reduction in exemptions (see section 6 below). After some months the higher tariffs had to be restored, but in the interim the deficit, and need for state bank-borrowing increased.

As of late 1994 and early 1995, further evidence of slippage could be observed. In response to evidence that exemptions were still increasing, rather than decreasing, and of a general increase in tax-evasion (section 6) certain donors delayed release of funds until action had been taken. The action finally taken was the minimal cabinet shift which could get the funds moving, but in the interim bank-borrowing again increased to fill the gap. Reports as of January 1995 indicate a possible increase in the rate of inflation to 35-40 percent, above the levels of the 1981-85 "crisis" period.

3.6 State Expenditure

Overall government expenditure appears to have risen or remained stable as a proportion of GDP, and so to have increased (slightly) in real terms. Yet deterioration in government social services is a much-remarked phenomenon and has been since the late 1970s. There are several reasons for this apparent disparity. In the first place, the deterioration from the mid-1970s was so large and the increase in funding from 1986 so small that it led to no significant improvement from already abysmal levels. Apart from this, an increasing proportion of total government expenditure has to be set aside for servicing debt. Moreover population has increased, so that per capita spending on most budget headings will have fallen, even if absolute spending has increased. Table 11 shows these adjustments.

As can be seen, there was little or no increase even in aggregate terms before 1992, while the per capita index is well below the 1982/83 level (that is the middle of the "crisis"), even for 1992/3, when an expenditure increase of 6 percent of GDP was responsible for half of the rise in the deficit (Table 10). In general, since 1986, the real per capita value of expenditure has been only about three-quarters of the 1982/3 level and about 60 percent of the mid-1970s level. The proportion of total expenditure allocated to health and education in the central budget also fell significantly between the early 1980s and early 1990s, but this is because most expenditures on primary health and education were transferred to local government budgets in 1984. In the aggregate, they are found by Semboja and Therkildsen (forthcoming) to have increased in real terms up to 1991.

Table 11 Real Total Government Expenditure per Capita (Tsh. mn deflated by NCPI; Index 1982/3 = 100)

Year	Real Total Expend.	% as Debt Service	Total less d.s	1982/3 = 100	P.c.Index
1975/6	6125	7.3	5678	116	123
1982/3	6159	20.2	4915	100	100
1986/7	5571	25.0	4178	85	76
1987/8	5947	31.3	4086	83	72
1988/9	6395	30.5	4438	90	76
1989/90	6368	25.6	4738	96	79
1990/1	6556	29.8	4602	94	75
1991/2*	6281	23.9	4780	97	76
1992/3**	8840	31.3	6074	124	94

Source: M. Bagachwa in Tanzania Economic Trends 5(1), July 1992
Notes: * Expected
** Estimates

Recurrent and development expenditure. Foreign grant funds pay for almost all of the development budget and significant proportions of recurrent spending as well. In recent years, the recurrent deficit has been greater than total development expenditure, which means that more of the grants and loans which pay for the development budget, are spent on recurrent costs than on development.

There is nothing wrong with this, as such. Indeed in the past, the Tanzania government has been criticized for over-spending on development without sufficient attention to maintenance and other recurrent costs. Unfortunately, the transfers of "development funds" to recurrent use does not mean improved maintenance (much of which actually comes under "development", as donor financed rehabilitation). Given the steady expansion of the state-employed labour force (not just "civil servants" but primary school teachers, dispensary attendants etc - see sections 8 & 9 below) wages and allowances pre-empt a very large proportion of the total recurrent budget, despite their very low levels. Much of the rest goes on transport for officers, even though a large proportion are "grounded" for much of the time unless a donor is running a project through which petrol, spares and allowances can be funded. This in turn implies a further leverage by which Tanzanian funds adjust themselves to donor priorities rather than the other way round.

Sectoral division. Table 12 shows how central government expenditure is divided between different sectors. The most obvious trend is the growth in public debt, which now accounts for about one third of the total. The largest decline is in economic services (mainly infrastructure) where allocation has declined to not much more than half the proportion of the 1970s.

Table 12 Sectoral Allocation of Central Government Expenditure

Year	*GPS	Defence	Educ.	Health	Econ. Ser	Public Debt	Other
1970/1	20	7	14	6	38	7	8
1975/6	16	12	11	7	37	7	3
1980/1	19	11	12	5	37	12	4
1985/6	30	15	7	5	19	20	4
1986/7	27	15	6	5	19	25	4
1987/8	28	10	5	4	16	31	4
1988/9	27	9	6	5	17	31	7
1989/90	31	9	7	5	16	26	7
1990/1	23	6	7	5	22	30	7
1991/2	33	9	7	5	17	24	6
1992/3	19	7	9	6	25	32	4

Source: M.D. Bagachwa. 1992. Comments on the 1992/93 Government Budget, *Tanzania Economic Trends* 5(1&2)
Note: * GPS = General Public Service; includes administration, foreign affairs and security

Proportions to education and health have both declined since the 1970s, and though the inclusion of district spending would show increased real spending in both categories since 1986, this would in no way bring levels back to those of the 1970s. On the more optimistic side, military spending also seems to have fallen, but despite claims there is little evidence of a downward trend in the main administrative category "GPS".

Banking and monetary policy under ERP has had most of the same aims as fiscal policy. In macro-economic terms it aimed to reduce state borrowing from domestic banks, limiting growth in the money-supply to below 20 percent and curbing inflation, in micro-terms to direct credit to the private sector, thought to have been "crowded out". But where fiscal policy aims to achieve this directly through budgetary austerity and (to a lesser extent) through increased taxation, monetary policy focuses on trying to restrict the expansion of credit and thus the money-supply and inflation, by means which emphasize interest-rate changes. The idea is that increasing the cost of borrowing and the return to lending will discourage borrowing and encourage saving. The problem is that this does not work very well when both lenders and borrowers are state institutions.

Commercial banks in Tanzania were nationalized in 1967 and formed into the National Bank of Commerce (NBC) whose lending was then directed mainly towards the state and parastatal sectors. Input-credit to peasant farmers was organized through input-supply programmes, channelled through the parastatal CRDB and through marketing boards and co-operative unions, which undertook the administration and were responsible for arranging repayment out of crop sale proceeds. Despite some attempts on the part of bank managements to operate commercially, political directives, from the early 1970s onwards, made it increasingly impossible for NBC or CRDB to avoid lending to parastatals or villages which had failed to repay all previous loans or otherwise shown themselves to be poor risks. In this situation, the interest-rate played no role in decision-making, so there was a certain logic in keeping it way under the market rate and negative in real terms.

By the same token increasing interest-rates without changing the system could be expected to raise the costs of borrowing without reducing its extent. By the early 1990s, government bank-borrowing had been reduced, through IFI-imposed austerity and increased donor grants (not increased interest-rates). But parastatal borrowing continued to increase, and here it seems likely that raising interest-rates had the reverse effect from that intended. For state corporations, with a statutory obligation to perform given services and with the state ready to underwrite debts (or unable to avoid doing so), increased interest-rates affect not the level of borrowing but its cost - and further increase it because of increased debt-service.

Nor is there any sign that increasing real interest-rates has had any positive effect on the rate of saving. As mentioned above, official figures show this to be significantly and increasingly negative. One recent source shows that, as a proportion of GDP, savings have fallen from plus 9 percent in 1986 to minus 20 percent in 1993 (Danida 1994;63). As noted there, even if the correction mentioned above was made (in respect of informal exports and adding nearly 15% to the estimated savings rate), this would not alter the sharply falling trend and the 1993 figure would still be negative.

Under ESAP the focus has shifted towards privatization of banking, and reducing parastatal debts by imposing hard budget constraints including a lending-stop, forbidding either NBC or CRDB from lending more than minimal amounts. This has already bankrupted some parastatals, and seems likely to affect more, though another aspect of the policy is the shifting of bad debts away from the state-owned commercial banks to a special "loss-carrying" parastatal the Loans and Realization Trust (LART), allowing the balance-sheets of the former to be fattened up for sale. NBC and CRDB are to be part-privatized and run on commercial lines. Banking laws have been changed to allow the entry of foreign private banks, and by early 1995, two had started business in Tanzania, with a third reputedly about to.

Crowding out? - among the reasons given for bank privatization is that state and parastatal borrowing have "crowded out" potential private sector borrowers with viable projects, and that private banks will cater to these needs. Neither part of the proposition is very convincing. It is certainly true that lending was largely restricted to parastatals or peasants involved in input loan schemes before 1986, partly because state policy had largely eliminated any private sector worth lending to. In the period after 1986, an increasing number of loan, grant and guarantee programmes from donors were specifically aimed at encouraging the private sector.[25] It seems at least as likely that the limited response of the private sector to opportunities in productive investment reflects less a shortage of funds than a surfeit of higher-return activities like importing goods for sale tax-exempt as "investment" or making 200-280 percent on purchasing debts. With returns of this sort in prospect, humdrum activities like hauling maize may not attract much interest from those qualified to borrow.

But nor are the new commercial banks likely to make large amounts of cheap credit available in Tanzania. The two foreign banks have so far confined themselves entirely to foreign exchange transactions. One of them has just gone broke and been shown up as a swindle operation from the start, more likely to take funds out of Tanzania than put them in. At present, the IFI loan-stop places far more effective limits on the private lending of NBC and CRDB than Tanzania Government ever did. But when they are fully sanitized and commercialized, the most likely result is a severe curtailing of activities, rather than increased service to the private sector, most especially outside of the main towns, where bank branches seem most unlikely to survive requirements to make a profit. As discussed in section 4, the curtailment of lending by CRDB, and its focusing upon a few rich farmers seems likely to be even more drastic, prompting questions about how this fits with the poverty-orientation of Danida, its main foreign shareholder.

4. Agriculture

Agriculture is the most important economic sector in Tanzania, accounting for about half of GDP, providing the major source of income for 80 percent of the population and contributing over 60 percent of exports. It is also the sector whose growth since 1986 is claimed to demonstrate the success of structural adjustment. It thus poses a number of important questions. How rapid has the growth in agriculture been, and where has it occurred? To what extent can this be attributed to structural adjustment, and to what extent have the specific aims of SA been met? Behind this lie other questions, about the relative weight of local and external factors or (more relevantly) the inter-relations between them, which in turn lead to more strategic questions about whether even the best adjustment policies can solve the enormous problems posed by deteriorating terms of trade and massive debt. These questions cannot be answered without some background discussion of Tanzania agriculture.

Tanzanian agriculture is overwhelmingly based on small peasant production. Large farms and ranches account for less than 10 percent of the cultivated area and 15-20 percent of production and exports. Some 40 percent of peasant farms are less than half a hectare in size, and over 60 percent are less than one hectare (WB 1994, Stat App:24-

[25]It is also worth noting that CRDB's deficits bulge with non-viable loans to the private sector.

5). Over the past century or so, most African agriculture has changed out of all recognition from a basis in long fallows and shifting cultivation, through progressive shortening of fallows towards permanent cultivation, often using purchased inputs, though usually at quite low levels.

For most of the colonial period, policy towards African agriculture was highly differentiated, ranging from enforcement of cotton production and encouragement of coffee in some areas, to the outright banning of African production of high-value crops, like tea, pyrethrum, tobacco and sometimes coffee, to limit competition with white settlers for markets and labour. Where African export-crop production was encouraged, this was done by the state extension service, and the produce handled by state marketing boards, with licensed private or co-operative monopolies at local level.[26]

As policy shifted towards encouraging African peasant export production, with the approach of independence, this was seen to require the expansion and coordination of state activities and institutions. Prevailing notions of development focused on agricultural modernization - the replacement of "traditional" agricultural methods (assumed to be non-rational and unchanging), by methods based on modern science, in the form of purchased inputs, brought from the outside by "change-agents" and diffused among or imposed upon "traditional cultivators" who were assumed to be "resistant to change". While coercion through bye-laws ("plant one acre cotton, or risk x days forced labour or y shillings fine") was considered suitable where extra labour was the main or only input, this was less suited to the encouragement of fertilizer or chemical use. Here attention focused on getting materials out to peasants at reasonable prices (normally involving subsidy) and providing credit for their purchase (also usually subsidized). The credit could not be based on collateral, since land under "customary tenure" could not be pledged, but since most crop-sales were monopolized, this was not seen to present major problems. Purchasing agencies could (in theory) "deduct-at-source" - and cheapen the price of inputs by cross-subsidizing from deductions from the prices paid to producers for their crops. In short, the kernel of the system which grew to encompass massive nationwide parastatals - and their equally massive deficits. Another innovation of the time was the settlement scheme, in which peasant farmers were introduced to export-crop production under more controlled (and costly) institutional surroundings, with a manager to direct cultivation methods and rules to instil modernity (for example all houses to be similar and arranged in straight lines, with untidy things like trees removed). This was seen as particularly suitable to the previously banned high-value crops, which could bear the considerable expenses involved. It also prevented too rapid growth of African production in competition with settlers.

After independence these (as all other) aspects of state policy were pushed with greater energy and enthusiasm, and the expansion of co-operatives, co-operative unions and marketing boards to implement them accelerated. This led by the mid-1960s, to major cost increases, arising especially from peasant evasion of loan repayment by selling outside the official channels, so reducing producer prices within the official markets. Concern over this was swamped by the shift in pace and direction which accompanied the Arusha Declaration in 1967. Monopoly control over primary agricultural marketing

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[26]The private traders were almost all Asian. Africans were excluded directly and through the Credit to Natives (Restriction) Act, which performed its function by making debts to Africans legally uncollectable.

was extended and tightened, trade in a number of basic consumer goods was "confined" to state, regional or co-operative monopolies, the size and scope of credit and input programmes increased, and an increasing proportion was directed to the new villages, where the distinction between loans and grants all but disappeared (except in the accounts of the credit agency).

The foreign exchange constraints which should have slowed this process were swept away by increased aid inflows after 1973, just as *ujamaa* moved into overdrive, with compulsory villagization and the re-introduction of colonial-type coercion through directives imposed on villagers. A burst of donor projects, accelerated the increase in size, scope, costs and corruption of marketing boards (often renamed "crop authorities"). There had been corruption under colonial monopoly marketing, and its scale increased with the post-independence expansion of credit programmes and the ease of evading repayment. But its acceleration from the mid-1970s was on a completely new scale.

It is widely asserted that the downturn in growth of agricultural production in Tanzania from the mid-1970s arose from state neglect of the sector, though the same critics often also blame the size and inefficiency of agricultural parastatals. In fact, real state spending on agriculture reached heights during the late 1970s which have never been equalled before or since,[27] and, as a result of both Tanzanian and donor assumptions, by far the most of this was fed through agricultural parastatals, with the disastrous results on which all observers are now agreed. It is worth emphasizing that the donor agency most heavily involved in this was the World Bank, with large-scale projects involving parastatals (and huge losses) in maize, tea, tobacco, cashewnuts, pyrethrum, beef and dairy ranching, not to mention "regional integrated planning". The situation to which the World Bank reacted in the early 1980s was not just "state monopoly marketing", but an extreme form of it, and one to no small extent of its own making.

In the early 1980s came a limited reduction in donor project spending, a savage "lending hiatus" for non-project aid flows, and pressures both to increase spending on agriculture and reduce it on parastatals. These were mutually inconsistent under the existing paradigm of modernization through (state) change-agents. With pressures to cut the state budget, there was some tendency to cut state subventions to parastatals but little control over political directives to them to fund village activities, operate subsidy schemes, equalize transport costs and generally continue the high-spending ways of the 1970s. A number of policy changes embodied this contradiction between efforts to reduce costs and the concern of the Party and its regional leaders to maintain their authority and capacity to implement policy with parastatal funds. This particularly concerned the re-introduction of marketing co-operatives (replaced by marketing boards in the early 1970s). The donors who encouraged this, saw co-operatives as at least partly "private sector". CCM saw them as (its) agents of rural change.

The ERP from 1986 increased the pressures, notably on parastatal deficits, which had grown rapidly since 1980. The focus of the ERP was export-crops, where devaluation and increasing the producer price to 70 percent of the export-price were intended to shift producers back from food-crop production and expand export production and

[27]World Bank 1994 (Agric Sector Memo)

proceeds. It was also proposed that investment in agriculture should increase, facing donors with question of how this should be channelled, if not through parastatals, most especially since channelling donor funds through private firms, co-operatives or NGOs, tends to "parastatalize" them.

The burst of Commodity Import Support (CIS) grants which followed ERP were a distinctly mixed blessing. They provided the country as a whole with foreign exchange (or goods costing it) on a grant basis. But to the parastatals receiving the funds they were not grants, so though many failed to pay the counterpart funds, this merely increased their debit balances (and the deficits of the parastatal banks from which they borrowed the funds). Moreover devaluation and increased interest-rates accelerated the build-up of deficits.

4.1 Trends in Tanzanian Agricultural Production

Over 80 percent of Tanzania's crop production is sold through markets beyond the reach of any form of statistical data gathering, so that output estimation is little more than informed guesswork. This might start in a given year, with estimates of what might be a "reasonable" level of production and proceed by adding to, or subtracting from that figure in subsequent years for population increase, the state of the harvest and whether the area planted was thought to have increased or fallen. For crops accounting for about one third of total value, the annual increase is taken to be the population growth-rate.[28]

Table 13 Alternative Estimates of Maize Production (000 tons)

Year	A	B	A - B
1985/86	2671	2211	+460
1986/87	2244	2359	-115
1987/88	2423	2339	+84
1988/89	2528	3128	-600
1989/90	2227	2445	-218
1990/91	2332	2331	+1

Source: Bhaduri et al. 1993

Even for maize, Tanzania's major staple food crop, the Ministry of Agriculture puts out two separate sets of production figures. As Table 13 shows, it is hard to believe that these estimate the same things. Even the direction of change - whether production increased or decreased from one year to the next - is different in three out of five cases! There is also evidence from the figures, of periodic revision upwards - a series cited by

[28]This is at least superior to the method often used by FAO statisticians, which is to copy last year's figures without allowing for population increase.

a World Bank publication shows breaks in 1973/4 - 74/5 and 1982/3 - 83/4. There is probably good reason for upward revision of figures concerning "subsistence", but this does impart an upward bias to time series data.

One can conclude that Tanzanian agricultural production figures must be used with the greatest caution and seldom to draw conclusions which lack independent backing.

Table 14 Agricultural GDP, 1980-93

Year	Agric. GDP, 1976 Tsh bn	Inter-ann'l growth	Agr as % of GDP, current prices	Agr. as % of GDP, 1976 pr.
1980	9.4		44	40
1981	9.5	1.0	46	41
1982	9.6	1.3	50	41
1983	9.9	2.8	52	43
1984	10.3	4.0	53	44
1985	10.9	6.0	57	45
1986	11.6	5.7	59	46
1987	12.1	4.4	59	46
1988	12.6	4.5	63	46
1989	13.2	4.6	62	46
1990	14.1	6.6	57	47
1991	14.6	4.0	61	47
1992	15.3	4.4	61	47

Sources: 1976 price GDP and growth-rates from National Accounts of Tanzania 1976-93, Dar es Salaam, 1994. Agric. as percent of GDP from World Bank, Tanzania Agricultural Sector Memorandum, 1994, Stat. Appendix: 2-4

With these cautions, Table 14 shows the growth of agricultural production since 1980, at 1976 prices, and as a proportion of total GDP, at current and 1976 prices. The rate of growth increases significantly from 1984 onwards, from around 2 percent per annum for 1980-84 up to over 4 percent for 1985-89. This leads to a 5 percent increase in the measured contribution of agriculture to total GDP in 1976 prices, or about 15 percent in current prices, indicating a significant shift in the rural-urban terms-of-trade in favour of agriculture. This growth came almost without exception from the non-measured (food-crop) sub-sector, since export-crop production, the main focus of ERP policies scarcely increased at all. Devaluation led to a large increase in the border price of Tanzania's exports, albeit offset to some extent by terms-of-trade decline. But since marketing remained monopolized by parastatals, and since adjustment-oriented macro-economics policies imposed extra costs on them, producers saw little of this. Their share of the international price fell from 72.5 percent in 1981-85 to 59 percent in 1986-91 (Mans 1994:Table 23), which also meant a fall in real producer prices and a larger fall in net revenues (less devaluation-increased input costs).

Even for major food crops, *official* producer prices declined in real terms from 1985/86 onwards, as shown in Table 15:

Table 15 Official Producer Prices of Food Crops (1977 prices, index 1984/5 = 100)

Crop	1984/85	1989/90-91/92
Maize	100	70
Paddy	100	89
Wheat	100	126
Sorghum & Millet	100	60
Cassava	100	68
Beans	100	94

Source: URT Stat. Bureau. 1994. Selected Stat. Series 1951-91, Table 24, Dar es Salaam

But since marketing was liberalized and state monopolies had never controlled much of food markets, it is highly likely that the asserted increase in growth (or some of it) did occur.

Some World Bank reports claim increasing food crop production as a success. Others attribute the failure to expand export-crop production to parastatal obstruction and inefficiency, apparently unaware that critics had made this argument against a "single-string" price-policy from the early 1980s. That is, simply increasing prices would not necessarily increase production since the price increase might well not reach the producers and physical bottlenecks in the marketing/transport/ processing chain could well obstruct increased exports, even if more was produced and offered for sale. This latter was indeed an issue for cotton, where increased production often encountered stores full with the produce of previous years because ginneries were not operating (Netherlands 1994).

Figures for more recent years differ widely between sources, as shown in Table 16.

Despite the negative figures, it seems likely that growth has continued at about 4-5 percent, and with some growth of exports. But claims of 25 percent export-crop growth in 1994, on account of liberalization and increased coffee prices seem far-fetched. In early 1995, the Economist Intelligence Unit estimated 4.0 percent growth for total agriculture, and no-one met in Tanzania in November 1994 mentioned an export boom.

Table 16 Different Estimates of Agricultural GDP Growth, 1990/1 to 1993/4

Source	1990-91	1991-92	1992-93	1993-94
Nat'l Accts of T. 1993	9.5	3.5	5.7	..
Budget Survey 1993	-16.0	2.3	7.3	..
URT 11/94 (for C.G.meeting)	0.0	2.2	7.3	*2.7
WB Agric Sector Memo 1993	4.0	4.4	..	..
EIU 95/1, Table p.5	..	3.5	5.7	3.5
EIU 95/1, diagram p.19	-2.0	-4.0	-1.3	..
FAO Prod'n Yrb'k 1993	-2.0	-4.3	-1.1	..

Note: * Provisional

Table 17 Contribution to Total Value-added (percent, 1990 prices)

	A	B	C	D	E	F	G
Year	Starchy Staples	Beans & Pulses	Oil-seeds	Fr. & Veg.	A-D	Sugar	Export
1976	48	9	9	9	75	1	25
1977	49	7	9	9	75	1	25
1978	51	8	9	9	78	1	21
1979	52	8	10	10	79	1	20
1980	51	10	9	9	80	1	19
1981	51	9	10	9	80	1	19
1982	54	10	9	10	83	1	16
1983	56	10	10	10	85	1	14
1984	53	15	9	9	86	1	13
1985	57	13	9	10	88	1	11
1986	60	10	9	10	89	1	10
1987	58	13	9	10	89	1	10
1988	57	12	9	10	88	1	11
1989	58	13	10	9	90	1	10
1990	57	12	11	10	90	1	9
1991	55	13	11	10	88	1	11

Source: WB 1994 (Agric. Sector Memo), Unnumbered appendix table, p.30
Notes: A = Starchy staples, B = beans & pulses, C = oilseeds, D = fruits & vegetables, E = total food crops, F = sugar, G = "traditional" export crops, H = total

To get more idea of where growth has occurred, one can turn to a recent World Bank study (Agricultural Sector Memorandum 1994), which provides estimates of value-added (value of production, less purchased inputs and services) by crop, or group of crops (33 different categories), at fixed 1990 prices. Table 17 presents this in percentage terms for broad crop-categories from 1976 to 1991.

The most obvious trend to show is the steady decline, up to 1991, in the proportion contributed by the major export-crops, starting at about 25 percent of the total in 1976 and declining to little more than 10 percent now, without taking terms-of-trade losses into account, since this is an index from which price change has been excluded. Growth over the period came entirely from food crops. Taking the years 1976-78 as 100, the overall index for 1989-91 is 133, giving an average growth rate of about 2 percent per annum. For food crops the index was 163, giving average growth of about 3.5 percent. For export crops the index for 1989-91 was just 57, a decline of over 40 percent during the period 1976-78 to 1989-91.

Table 18 Value-added by Different Crops and Crop Groups (Tsh.Bn. 1990 prices)

Year	A	B	C	D	E	F	G	H
1976	49.4	9.2	9.0	9.3	68.8	1.0	25.3	103.1
1977	52.3	7.9	9.6	9.6	79.4	1.0	26.1	106.3
1978	53.8	8.3	9.6	9.8	81.5	1.0	22.5	105.0
1979	55.2	9.0	10.2	10.1	84.5	1.0	20.9	106.3
1980	56.1	11.4	10.3	10.3	88.1	1.0	20.6	109.7
1981	57.4	10.6	10.7	10.6	89.3	1.0	21.8	112.1
1982	59.9	11.4	10.0	10.8	92.1	1.0	17.7	110.8
1983	62.2	11.2	10.8	11.0	95.2	0.9	15.5	111.7
1984	64.4	17.6	10.5	11.2	103.7	1.1	15.9	120.6
1985	69.1	15.3	11.5	11.7	107.6	1.0	13.7	122.3
1986	73.6	12.6	10.7	12.0	108.9	0.9	12.3	122.0
1987	74.3	16.0	11.2	12.2	113.7	0.8	13.3	127.8
1988	74.3	15.9	11.5	12.9	114.6	1.0	14.7	130.3
1989	85.0	18.9	14.2	13.3	131.4	1.0	14.3	146.7
1990	76.3	16.3	14.9	13.4	120.9	1.3	12.7	134.4
1991	75.9	17.5	15.0	13.9	122.3	0.9	15.1	138.3

Source: As for Table 15
Notes: A = starchy staples (cereals & roots), B = beans & pulses, C = oilseeds, D= fruits & vegetables, E = total food crops, F = sugar, G = traditional exports, H = total

Table 18 shows the same thing in fixed price (1990) Tanzania shillings. What emerges is a halving of export crop production between 1976 and 1985, with stagnation since then. The obverse of this has been increase in the proportion represented by basic starchy staple crops (grains and starchy roots) and by beans and pulses, while oilseeds and fruits and vegetables held their position without increase or decrease. Sugar, whose production has stagnated, is listed separately from other food crops, since it is produced entirely on plantation scale.[29]

When figures for the actual value-added of specific crops are examined, a rather different pattern shows up. Comparing 1986-91 with 1980-85, overall growth in the latter period is slightly higher, that for export-crops and for pulses, oilseeds and vegetables is much higher, while the rate of growth for staple food crops actually falls. What do not show from the table are the severe problems with most of these figures and estimation procedures. One needs more than figures to understand the trends.

4.2 Food-crop Production, Sales, Imports and Security

Tanzania's major marketed food crop is maize. Cassava and other roots, plantains (cooking bananas) and other cereals, like millet and sorghum are also important staples, but far less of total production comes onto markets, especially official ones. Rice is the second most important officially marketed cereal (about half the value of maize). Wheat production is much smaller, comes mostly from one donor-funded state-farm, is mostly sold and accounts for about half of local consumption. Beans and various pulses and oilseeds are important components of the diet in much of Tanzania, and sold in large (but unofficial and uncounted) quantities. In addition, the diet includes a wide variety of minor crops and collected wild vegetation,[30] including fruits, which make a valuable addition to the diet, especially of children, but which fall outside almost every system of measurement or estimation.

Food security, and its changes over time are very difficult to estimate. In rural areas it depends in part on own produce consumed and in part, especially for those with insufficient resources to produce their own subsistence, on the price and availability of food to purchase. It also depends on factors having little to with physical food production, like income levels, social networks to help out with loans or gifts in time of need, or movements of cereals by state agencies to hold prices down or provide for emergency. For the urban population, the food price is a much more direct determinant, as are wage-levels, state ration or subsidy policies and social networks. At present it is fashionable to deride any activity by state agencies as inevitably corrupt, inefficient and counter-productive. The record is certainly not good, but rather more complex. Rationing systems have tended to favour civil servants, but emergency actions during famines have sometimes been effective in saving lives and relieving hardship.

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[29]Strictly speaking, one should also exclude wheat, almost all of which is produced under large scale (parastatal) conditions.

[30]One of the most common sauces eaten with ugali (maize porridge) is based on mchicha (spinach) a common term for several wild and cultivated plants.

There is a tendency to link food security to the price and availability of food to buy, and to equate food insecurity with imports. But food security is not just a matter of physical availability. It is crucially a matter of access or entitlement - the wherewithal to buy it, the work with which to earn it, or the networks through which to beg or borrow it. Discussions of national trends in food availability touch upon the above only at certain points. It is impossible to assess what proportion of Tanzania's food-crop production is aimed at household subsistence production and how much for the market. In all probability, there is a large quantity whose end-use is not decided before the household finds out how large the harvest was, and what are the relative scarcities and prices of a variety of consumer and household necessities. The notion that households produce rigidly for subsistence is one of the more misleading myths about African agriculture. Households have been making decisions across this boundary for many decades.

Until its functions were drastically reduced from the late 1980s, the National Milling Corporation (NMC) was the sole official buyer of maize, and purchased between 5 percent and 15 percent of the total crop, according to the harvest (and the crop estimate). It is conventionally asserted that 50 percent of the total crop is self-consumed, an estimate based on little more than that one half is a convenient divider. The remainder is sold in local markets and to traders who move it to deficit areas - in and outside Tanzania. One intractable problem facing any assessment of Tanzania's food production and security, is the large but uncounted portion which is smuggled out of the country in almost all directions.

Trends in maize production. During the colonial period, official emphasis focused on white estate producers. African production was controlled by a marketing board whose main purpose was to prevent competition with the whites. This system was dismantled during the 1950s, stimulating a major increase in marketed output from African producers.[31] This continued during the 1960s, though at somewhat lower pace. The government introduced monopoly purchase by co-operatives and resuscitated the marketing board, to organize programmes to intensify production through increased input use. Subsidized input distribution, and credit had already increased marketing margins significantly by the mid-1960s, but production continued to rise, despite increasing diversions onto informal markets. By 1970 discussions were under way, about reducing the maize price to reduce the surplus which had to be exported at a loss to the treasury. Soon afterwards, this problem disappeared for the next decade and a half. With an increasingly cumbersome marketing system, and a serious harvest shortfall in 1974, partly due to villagization, NMC was unable to purchase enough for local needs and forced to import maize, which it then did in most years until the late 1980s. The government and donors spent these years trying expensively to increase food production, assuming that falling availability arose from falling production, rather than (as seems more likely) its increasing diversion from official markets.

In 1973-5, a number of programmes to increase food production were set in motion. Most involved increases in fertilizer use and credit for this purpose. Thus they depended heavily on the monopoly institutional structure mentioned above. The parastatal

[31]Much of it unfortunately produced by cheap but destructive methods of "mechanized shifting cultivation" which ruined the fertility of Ismani in Iringa Region.

National Milling Corporation (NMC) took over the primary maize purchase from the co-operatives which had previously bought on its behalf, the area within which maize was purchased officially was expanded very significantly, and an already partly existing system of "pan-territorial pricing" extended.[32] This increased production (or official sales) of maize, but enormously overloaded the limited capacity of NMC. Apart from increases in costs and so reductions in official producer prices, this meant long delays in collecting produce and longer ones in paying for it, virtually forcing production onto parallel markets. All this happened at a time when the "first donor aid boom" was increasing investment levels and with them urban incomes and demand for food. With low fixed official retail prices and shortages, increasing amounts of food were bid away from official markets, increasing the official shortages and (at least in the short term) expanding the price difference between the two, to bid yet more produce away. Over-valuation of the exchange-rate meant that increasing quantities of maize were smuggled out to Kenya, but ironically also encouraged increased official imports.

The maize shortfall was generally assumed by policy-makers to result from low production rather than its diversion onto parallel markets. Technical agriculturalists have a tendency to see problems in production terms (and to recommend fertilizer use or husbandry improvement as solution). The topic of parallel marketing was embarrassing to officials, since it was illegal and reflected policy failure. And much of the imported grain which filled the gap, was food aid, applications for which must refer to "genuine shortage", not just failure to purchase what is there. Both sides had a further interest here. Food aid allows donors to off-load surpluses at little cost, but higher valuation, to bump up the aid figures. For the NMC, experiencing huge problems in collecting produce from scattered peasant farmers, the arrival of grain in Dar es Salaam by the ship-load was a boon. And the heavy (food aid) subsidy and exchange-rate over-valuation, together with high internal transport costs, combined to make this a cheaper and more convenient, solution.

Pan-territorial pricing (PTP) was successful in increasing official maize sales, especially from the areas furthest from Dar es Salaam and most costly to collect from, mainly in the Southern Highlands. This was supported by successive World Bank and IFAD maize/fertilizer/credit programmes despite the otherwise vehement opposition of the World Bank to PTP. Support for the southward shift was ostensibly based on its more reliable rainfall. But the real reason for unreliability in northern deliveries was the proximity of the Kenya border, and behind it all the commodities which were unavailable in Tanzania, plus Kenya's own variations in crop production. The southern highlands backed onto Zambia, Malawi and Mozambique, none expected to compete strongly with NMC, though Zambia did, because its maize production campaign sometimes paid higher prices than Tanzania's.

But the soils of the southern highlands are lower in nutrients, especially phosphates, than those of the north, so that growing maize requires more fertilizer. Thus the shift southwards involved a major increase in (imported) input-use, further overloading of of an already overstretched transport and marketing network **and** a major increase in

[32]The same price all over the country, regardless of transport costs.

subsidies, for transport and fertilizer.[33] Two of the "big four" southern highlands maize-producing regions (Ruvuma and Rukwa, where 90 percent and 70 percent of peasant farmers used fertilizer) are so far from Dar es Salaam, and the nearest railway, that market-determined prices for maize would have been near to zero, and those for fertilizer very high.

Yet under pan-territorial pricing, these regions came to produce over half of the total officially marketed supply because most of what was produced nearer to Dar es Salaam or the northern border was sold informally, for higher prices to private traders. Rukwa and Ruvuma were "reliable", since only from NMC and under subsidies could they get a reasonable price for their maize, and cheap fertilizer.

This system was already being changed prior to adjustment. Co-operatives were re-introduced and purchased maize (for sale to NMC) from 1985. From 1986, under ERP there were pressures to eliminate consumer subsidies on maize flour, reduce transport subsidies and eliminate the fertilizer subsidy, and to reduce the role of the NMC to buyer of last resort, while legalizing the already important role of private traders. The course of events is complex and confused (see Bryceson 1993, Chs 4 & 5), but the fertilizer subsidy still covered 80 percent of cost in 1991, partly because of a large increase in donor grant import-support supplies which had to be used. So were a number of "unintentional subsidies" arising from miscalculations of costs and inadequate margins set by the government for NMC and the co-operatives. This was especially so in 1986 and 1987, when high prices and good harvests flooded the latter with maize and involved exports at massive losses. Official maize purchases increased rapidly in these years, as the official price was suddenly higher than on the parallel market, but to claim, as Mans (1994:399) does that "foodgrain production doubled" is absurd. Tanzania's official maize purchases have always been extremely volatile from year-to year, reflecting the low proportion of the crop sold officially and the fact that official prices are lower than the informal, except after bumper harvests, which often spell financial disaster for the marketing agencies (as in 1987). From 1986 to 1989, pulled in different directions by government directives and IMF conditionality, aggravating its prior problems of inefficiency and corruption, NMC's already massive debts grew further, while its functions were successively transferred to co-operatives (which also accumulated large debts) and the private sector, which was not fully legalized until well into the 1990s. The fertilizer subsidy has now disappeared and all evidence indicates a sharp fall in use (and deliveries from) the Southern Highlands.

What is astonishing about World Bank accounts of maize marketing is the way in which maize policy tends to be seen as a technical success, entirely ignoring its implications for parastatal costs and inefficiency, while the latter is considered almost entirely without reference to the policies and programmes which made up so much of the costs. It is particularly disconcerting to read that "returns to extension" are very high, so justifying the introduction of the World Bank's expensive and top-down "Training and Visit" (T&V) system. The "return to extension" is measured as the relation between spending on extension and increases in output - (those parts not

[33] Under Tanzania's period of a myriad directives in 1975, transport had been severely disrupted throughout the country, when the Vice President ordered all trucks to report to Tanga, to move fertilizer from the factory down south.

explained by other factors). When increased production and incomes depend on timely supplies of cheap fertilizer, and when extension personnel can "facilitate access" in one way or another, it is a fair bet that such a correlation will be found. This says little about whether the content of the extension message is useful, relevant, or even listened to. The chances are, since it refers to using fertilizers, that everyone knows it already but sits through the message for the *nth* time to improve the chances of getting it.

With the dismantling of the state purchasing system and pan-territorial pricing, production has moved back northwards. Official imports have largely ceased, while Tanzania continues unofficially to export maize to neighbouring countries. There is talk of boosting maize as an (official) export crop, though under private management. This seems dubiously realistic, given the distance of surplus areas from markets, as do the calculations which purport to show maize under intensive management as one of Tanzania's most profitable crops. The fertilizer subsidy seems eventually to have gone, as has the fertilizer factory.[34] Quantities used have, very reasonably, fallen. Ex-producers in Southern Highlands villages, where growing maize needs cheap fertilizer and selling it requires a transport subsidy, could reasonably feel that they had been led on a wild goose chase, by the designers and implementers of the various maize, fertilizer and subsidy programmes (the Ministry of Agriculture, the World Bank and sundry other donors). But, like everyone else, they will probably just blame the NMC.

Export crops - Although "traditional" export-crops only account for about 10 percent of the total value-added in crop production in the 1990s, their strategic value is rather greater than this, since they comprise by far the major proportion of Tanzania's official merchandise exports.

The major aim of the ERP was to increase real producer prices for export-crops, reverse the apparent shift of the 1970s and early 1980s into food crops (for informal sale) and increase production and exports. Devaluation and control of parastatal margins were to be the two poles of this policy. In the event, part of the benefit of devaluation was lost to terms-of-trade decline, the proportion going to parastatals increased rather than decreasing and the shift was, if anything further towards food crops, at least up to 1992/3. More importantly for the long run, it seems highly questionable whether the international prices of Tanzania's major exports will ever recover to an extent which makes them a viable basis for an open, export-oriented strategy.

Table 19 shows the very different trends for the main export crops.

[34]No loss. The factory was hopeless in design, location and economically. Some of the fertilizer subsidy leaked into keeping it alive too long.

Table 19 Indices of Volumes Sold of Major Export Crops (1976=100)

Year	Coffee	Cotton	Tea	Cashew	Tobacco	Sisal
1951-60	39	48	16	..	15	162
1961-70	72	128	45	97	40	188
1971-75	95	168	89	154	100	134
1976-80	93	130	118	84	121	84
1981-85	102	107	115	52	100	44
1986-91	95	151	117	25	96	29
1986	101	74	99	23	88	27
1987	78	163	103	20	116	29
1988	92	183	106	29	91	29
1989	105	131	124	23	81	29
1990	97	79	135	21	83	30
1991	109	109	106	19	42	..
1992	99	172	145	36	89	..
1993	134	168	170	54	92	..

Source: 1951-91, Selected Stat. Series 1951-91, Tanz. Bureau of Statistics. DSM March 1994. From 1991 Hali ya Uchumi (Budget Survey) 1993, DSM June 1994.

The following paragraphs consider trends and issues for the major crops.

Sisal is grown only on large-scale plantations, where it is processed into fibre as raw materials for string and cordage). It was the major single export-crop for most of the colonial period and a few years after, and the major single user of labour during its period of dominance. This ended abruptly in 1964, when synthetic binder twine was introduced, and the bottom fell out of the market. The crop might have been marginally economic since then under efficient management. Under the Tanzania Sisal Corporation it has generally been sub-economic. Recently many estates have been privatized, but so far this has not halted a steadily decline in production, which peaked in 1964 at 234,000 tonnes. In 1993, some 6,000 tonnes were sold, a slight increase on the 4,100 tons of 1992. One problem with sisal is that clearing the old stumps is more expensive than clearing bush, so they tend to be left, putting the land out of productive use.

Coffee took over as major export crop after the sisal price crashed, but was soon afterwards hit by price problems, and by quota limits under the International Coffee Agreement, which aimed to hold prices up by limiting exports onto world markets.[35]

[35]This makes economic sense if achievable, since demand for coffee is inelastic. But this raises problems of equity as between new and established producers and has been opposed (as market distortion) by GATT and the IFIs, whose policies have consistently ignored it. The ICA quota no longer exists.

At Independence, most coffee was produced on settler estates but most growth in production thereafter came from peasants. During the 1960s, coffee production more or less doubled, but since then it has more or less stagnated, fluctuating between 40 and 60 thousand tons. This may hide an increase in total production, much of it smuggled to Kenya and recently Uganda, though low international prices have led to some uprooting in recent years. Smuggling would account for wide fluctuations in supply during the 1980s. For two decades, international coffee prices have been at rock bottom levels, except when there is a frost in Brazil, by far the world's major producer. Until 1994, the last major frost was in 1977, with a small one in 1986. The extent of smuggling of Tanzania's crop can be gauged from the fact that the current frost has strengthened the currencies of both Kenya and Uganda considerably, but seems not to have affected the Tanzania shilling. This episode now seems to be over (EIU 95/1:14) and the prospect for increased export revenue must be near to zero. Coffee marketing has been privatized, and the export retention increased to 100 percent. Combined with high prices this has attracted a reported 40 or so private buyers and has led to optimistic assessments of exports and their future prospects. Recent EIU figures however (95/1), put exports for 1993 at about half the Budget Survey figure cited in Table 19, with the 1994 level no higher than that of the late 1960s. However this could reflect lower reporting with privatization or higher smuggling with high international prices.

Cotton has been produced in Tanzania since the early years of the century. By far the most important growing area is to the south and east of Lake Victoria, where its peasant cultivators include some tractor-scale producers. Production grew rapidly in the 1950s, with high prices, and new planting encouraged by the development of co-operatives under the aegis of a fairly efficient (Lint & Seed) Marketing Board. Growth continued until the late 1960s, though avoidance of repayment of credit for tractors and inputs, was already raising marketing margins. Production peaked in 1967 and remained at about the same level until the mid-1970s, after which it started to decline. Relevant factors include villagization, which was highly disruptive (especially to livestock owners) in the lake area, poorer weather in the early 1970s,[36] and price-reduction arising from the inefficiency of the marketing structures, aggravated by large-scale projects aiming to increase production, which were put through them. While the Tanzania Cotton Authority (the renamed LSMB) is usually blamed for this, the previous co-operatives were as inefficient and corrupt and just as vulnerable to state pressures to undertake projects or "assist" villages.

Production sank to very low levels in the early 1980s, when lack of foreign exchange put a number of ginneries out of commission. But the resumption of aid, and a major Dutch-funded programme for ginnery rehabilitation (now terminated) have not so far generated a stable increase in production. With prices for 1985-87 set well *above* the f.o.b. price, production increased rapidly to 1988, when it was only just below the 1967 peak, but in 1990 and 1991 it sank to less than half that level. In 1992 and 1993 it rose again, but fell in 1993/4, with a further decline expected for 1994/5. Much of this has to do with marketing and processing. During the 1980s, failure to privatize was held responsible for the problems of inefficiency which kept ginnery capacity too low to deal with the crop. But privatization does not seem to have had much positive effect so far.

[36] "This caught out a number of producers who had penetrated too far south into high-risk dry areas in the Shinyanga area.

The run-down condition and large debts of most ginneries have seem to have discouraged private buyers, though there have reportedly been purchases in 1994 and one or more new ginnery set up. But neither most private operators nor the co-operative which still run most ginneries have access to loan funds for rehabilitation, given the shifts in credit policy. Should these problems be solved, others loom. While TCMB and the co-operative ran marketing as a monopoly, they provided both certified seed and input-credit to producers. Neither of these can be expected under private marketing (UNCTAD 1994:43-5).

Cashewnut production in Tanzania started in the 1950s and grew rapidly until 1973, after which production fell even more rapidly. A variety of technical reasons have been sought for this, but villagization did more than anything else to kill cashewnut production. Prior to villagization, most growers lived within their cashewnut groves, which provided shade, while household convenience provided a reason to clear the soil under the trees, so improving yields. Villagization moved producers up to several kilometres away from their trees and brought a deluge of rules, including orders to weed cashewnut groves, with fines of jail sentences for failure to comply. Since this would mean travelling considerable distances to weed cashew groves which could then not be protected against vermin or thieves, many people just forgot about their cashewnuts. Others retained the trees but took the product as cashew apples for alcoholic drinks rather than as nuts.[37] Production having increased from 56,000 tonnes in 1960 to 128,000 tonnes in 1972, had fallen to 57,000 tonnes in 1979 and continued on downwards to an average of 43,000 tons in 1981-85 and only 21,000 tons in 1986-91. Cashewnuts were the first major export-crop whose marketing was privatized, in 1992, and production is reported to have risen since then. Some 50 private traders were reported to have handled 85% of sales in 1993/4 and to have formed 12 export groups from among themselves. But poor reporting leaves the amounts involved unclear. Tanzania's cashewnuts have traditionally been exported raw to South India, where labour costs are lower and productivity higher. From the mid-1960s, efforts were made to encourage factory processing. In the 1970s, just when production was beginning its catastrophic decline, the World Bank funded construction of eight factories (and failed to stop funding despite the increasingly evident absurdity of the venture). Not one of the factories has ever been used or ever will be, but Tanzania bears the debt from this piece of donor stupidity. At present all local processing seems to be manual.

Tea has been produced in Tanzania since the colonial period, at that time all on settler plantations. From the late 1960s, Tanzania started developing small-holder tea, on a nucleus estate - satellite peasant model modelled on that of the Kenya Tea Development Authority. The Tanzania Tea Authority (TTA), with World Bank funding, spent more of it funds on developing "nucleus" estates, and less on smallholders than KTDA. Moreover, like every other agricultural endeavour in Tanzania, tea production was disrupted by villagization, by the costs of subsidy-based programmes initiated during the 1970s, and by the general malaise and lack of morale induced in parastatal officers by declining real wages and economic overheating. Since tea-producers were already spatially allocated by the needs of the crop, they probably suffered less from villagization than most, so production stagnated, but did not fall in the late 1970s. It

[37]Producers have to choose between these options, since the nuts do not ripen until the apple has rotted.

held steady from 1981 to 1985, fell significantly for the next three years but has increased since then to record levels. As for other export-crops, purchasing has been de-confined, though for tea, this probably does not mean much as satellite smallholders will hardly find alternative processors for their crops. Given the natural monopsony of a tea-factory, it is unclear how privatization will benefit small producers at all. Any private purchaser taking on such an undertaking would probably find it necessary to operate on a similar basis, setting fixed delivery schedules, to keep the factory in regular use, providing inputs on credit and deducting from the price, to maintain a regular quality level.[38]

Tobacco was grown during the colonial period by whites alone. Limited production by African smallholders was permitted from the mid-1950s, on the basis of organized settlement schemes, this being felt necessary to ensure the correct husbandry measures to ensure quality. Excessive nitrogen in the soil produces a rank and unsmokeable leaf, so tobacco was mainly introduced in areas of *miombo* forest, where the soils tend to be infertile and the trees provide a cheap source of fuel for curing. This is now recognized as a significant cause of serious deforestation in such areas. Until about 1980, international tobacco prices were high enough to cover high scheme administration and marketing costs and still stimulate growth in production from smallholders and continued production by large-scale commercial farmers. In the short-run, even villagization stimulated production, since it resulted in the setting-up of a number of new tobacco villages. But in 1980 Zimbabwe re-entered the international market and the world price of tobacco fell by nearly fifty percent, since when it has stagnated at below that level (in deflated $US, WB/ASM 1994 annex). With the other problems of the economy and increasing costs of the bureaucratic superstructure of the settlements, growth gave way to stagnation in the early 1980s and then decline, with limited signs of recovery until the present. Recent IMF figures show rapid growth in 1992 and 1993, as do one set of Tanzanian figures but not others. Real producer prices were almost doubled between 1990/91 and 1991/92. Since then marketing has reportedly been privatized, or opened to private competition, but no information is available about its operation.

Non-traditional agricultural exports - as problems with increasing traditional export-crop production emerged, attention turned to "non-traditional exports", many of them actually very traditional exports from even before the colonial period, like honey, beeswax and hides and skins, or from the early colonial period like groundnuts. The advantage of these crops was that they had never been effectively state-controlled and were decontrolled before 1986 with a more generous export retention than for major export-crops.

Taken together, non-traditional agricultural and forest products account for around 30 percent of total non-traditional exports, and like them, after rapid growth between 1985 and 1987, they have not grown much since. This conceals differences between particular crops. Horticultural exports started to grow in the late 1980s, but this faded for lack of credit and difficulties in organizing air transport. Exports of forest products increased to 1990, since when they have declined (or gone informal). Exports of meat

[38]But this tends to be referred to by the IFIs as "contract farming" which is assumed to be efficient, as opposed to "parastatal monopoly" which is not.

products have also risen and then declined. The main sustained growth has been in exports of oilseeds and pulses, most of which is apparently accounted for by exports of haricot beans, organized in the northern highlands by a Belgian company, which can organize its own finance and transport. A recent study of this development finds that lack of state support, and credit, are among the major factors limiting growth of non-traditional exports (UNCTAD 1994).

Agricultural parastatals and liberalization. In 1980, virtually all agricultural marketing was formally confined to parastatal corporations, which also accounted for a varying proportion of production, almost all wheat and sugar, a minor share of maize and rice, quite a lot of what beef and dairy produce was officially marketed though little of total production.[39] By the early 1980s, this very comprehensive and rigid set of controls was not only reducing producer prices and services to producers, but running up huge deficits at the state-owned banks, partly on account of inefficiency and corruption but also because of the many loss-making activities forced upon the parastatals by the government and party.

Adjustment started with the aim of reducing both the scope of their activities and the costs and deficits involved. But for the first several years the latter actually increased. Some of the state austerity was achieved by shifting costs (but not the subventions to cover them) onto parastatals - as for example the fertilizer subsidy. Similarly directives to supply inputs or credit to non-creditworthy individuals and villages continued. At the same time, devaluation increased the costs of equipment (for rehabilitation) and transport (both equipment and fuel). Though CIS made this grant-based for Tanzania, parastatal corporations were supposed to pay the counterpart funds, which were added to their bank overdrafts if and when they did not, these being further expanded by rising interest rates. The debts of NMC far outweighed those of other parastatals, coming to some 3 percent of GDP alone. But with *de facto* liberalization its impact on cereal marketing was limited. Export-crop boards ran up smaller (though large) deficits, but retained their monopolies and charged part of the cost to producers whose prices, in real terms and as proportion of export revenues fell from 1986 to 1989.

Later, both the IFIs and the Tanzania government (under pressure) shifted to liberalization of marketing and liquidation or privatization of production activities. "Minor", or "non-traditional" crops had never been effectively controlled and were liberalized before 1986. Next came cereals other than maize, followed by maize - in fact, if not in law, since private trade was only fully legalized after the NMC had almost entirely left the scene, contributing to a slow response by private traders (UNCTAD 1994:27). Of the major exports crops only cashewnuts had been liberalized up to 1993, but during that year all the others reportedly were. However "owing to the unsure legal basis for private sector activities and the resulting hesitation of the private sector to fill the void, the marketing boards have in fact been asked by the government to execute many more functions than they are supposed to under the reformed system." (UNCTAD 1994:27). It is hard to find information on just how privatized most export-crop marketing is, and what this means.

[39]As of 1993 the Tanzania government had decided on privatizing all or most of these and ceased to allocate funds to them. But donor spending on seven large parastatal production units came to about 30% of total development spending in agriculture for 1993/94. (WB 1994, Public Expenditure Review:46-7).

4.3 Other Aspects of Agricultural Change

Land and land tenure. Most of Tanzania's land is held under "customary tenure", which descends from colonial transcriptions of "local custom" as recounted by the appointed chiefs, via a system of local courts and their decisions. Ex-settler and some other land is held under formal right of occupancy, normally a 99-year lease. Though formally equal, the customary tenure system has always been less secure than formal right of occupancy in that it could more easily be over-ridden for purposes of administrative convenience or "development". The customary rights of pastoralists to grazing land have been particularly vulnerable since administrators, both during and since the colonial period, tended to see cropping as a more advanced form of agriculture and so give preference to settlers proposing arable farming. Thus while most alienation of land for European settlement ceased after the 1920s, transfers for settlement schemes, state farms and ranches continued, and increased after independence.

This accelerated in pace during the early 1970s, with a number of new state, regional and military farms and ranches, but most of all with villagization which *de facto* simply expunged customary land rights, replacing them with new legislation under the Villages Act, whose implications were and are far from clear. One version, the official one, was that titles within villages would gradually be allocated on the basis of land-use plans, the other was that village authorities should simply take over the role of the "customary authorities" with regard to allocation and conflict resolution over land. With only about 20 percent of villages having even registered a global title, the latter seems far more common. In reality this means a wide variety of different things since customary land law and authorities differ widely between areas, as do the relations between village and customary authorities. Since 1985, this has generated a number of problems as to the extent of village land and the status of sub-rights to land-use within villages. There have also been a number of cases where groups of people (notably pastoralists) have complained about alienations of land for "development" purposes, both public and private. A major current case concerns a several thousand ha. parastatal/donor wheat farm at Bassotu, taken from Barbaig pastoralists. There are also a number of cases of large-scale alienation of Masai grazing land, also in northern Tanzania.

At various points under adjustment, the suggestion has arisen that private registered property in land should be introduced as soon as possible. It could then be pledged as collateral for loans, the argument goes, so avoiding the problems of low repayment which have plagued small-scale credit schemes in tropical Africa, and notably Tanzania. There are several problems with this. Experience from Kenya and elsewhere shows that even with registration of title deeds, small parcels of land are not satisfactory collateral for banks. If such a system does work, it does so through mortgage foreclosure, historically the most effective process for dispossessing peasants of their land and concentrating it in larger holdings. Experience from other African countries shows that women lose unwritten, but often quite important rights in land as land held under complex systems of overlapping rights is simply registered as the property of a male household head. Individual property rights are especially unsuitable for pastoralist herding people, where common access to range land and water is a necessary condition for continuing the method of production.

IFI support for freehold titling has probably receded somewhat, since the publication of a recent World Bank study (Bruce & Migot-Adholla eds. 1994) making some of the above points. But locally, World Bank economists may still be pushing it. In Tanzania, all this resonates with local disagreements over the topic, with powerful forces favouring freehold and having down-graded the report of a Land Commission which found against.

Livestock herding is an important component of agriculture in many parts of Tanzania, but one hardly touched on here for lack of space. State and donor policy has been yet more modernization dominated than for crop production, with policies and programmes mainly focused on costly attempts to set up ranches and dairy farms. Most of these collapsed in the 1980s and now exist mainly as bad debts. Given that most of these were grossly uneconomic and pre-empted land better used by local herders, the schemes themselves are no loss. But the costs and additions to Tanzania's debt are substantial.

Credit and input-supply to agriculture have until recently been the province of a parastatal agency, which has passed through various forms and names, but provided input-credit through co-operatives, and often in kind under standard modernization assumptions. That is, credit was provided for "packages" found by the experts to be beneficial, not what the borrowers wanted to borrow for. Security, such as it was, rested on a "crop-mortgage", effected through "deduction at source" through the standard monopoly marketing system, its marketing boards and co-operatives. These organized repayment (or failed to) and undertook most of the not insubstantial administrative burden. From the very start, before independence, this system was subject to systematic abuse by rich peasants, especially co-operative committee members, employees and other local notables, who allocated loans among themselves, sold outside the single-channel and left the loans to be paid, if at all, through a levy on all the members or a reduction of all their producer prices.

Unsurprisingly, the expansion of input-supply schemes increased the extent of misuse and reduced rates of repayment during the 1960s. This already highly problematic system then became enmired in villagization and 1970s project-mania, emerging in the 1980s with huge deficits, which grew still more rapidly after 1986, as repayments declined to vanishing point with removal of monopolies, as the debts of other parastatals were loaded onto the Co-operative and Rural Development Bank and as rising interest rates accelerated their growth. CRDB has now been completely restructured and partially privatized and is to run on a commercial basis. One question is simply who it will lend to, since only a minute fraction of Tanzanian farm households have land title and almost all of them are large farmers. Even they may have problems in getting access to credit. According to UNCTAD (1994:28), banks do not currently accept even formal right-of-occupancy leasehold titles as collateral for loans unless applicants have erected physical structures on the land, whose value then limits the extent of the loans. For the present, however, almost all credit in Tanzania is on hold, due to the lending-stop imposed by the IFIs as part of their campaign to impose hard budget constraints.

From the 1970s, most agricultural input supply was confined to parastatal agencies and often available only for credit through CRDB. This has now gone, as have fertilizer subsidies, and it remains to be seen how large the drop in use is, since this will affect the interest of private traders in handling such items. Access for poor farmers in areas of poor transport seem likely to disappear almost completely. Thus, while no-one doubts that the massive structures and deficits of the 1970s and 1980s were counterproductive, it is far less certain that some more modest system of non-commercial supply might not be useful.

5. Formal Sector Manufacturing and Mining

5.1 Formal Sector Industry

Between the Arusha Declaration and the adoption of adjustment programmes, Tanzanian industry underwent a curious pattern of development. In the years after the Declaration all large manufacturing companies were nationalised and large numbers of new manufacturing parastatals were created. Subsequently the parastatal sector has continued to account for around 60 percent of manufacturing output, employment and installed capacity, and to occupy a monopoly in some branches (beer, cigarettes, steel, electric cables, etc). Although there was no detailed planning, the process was guided in a very general way by the "Basic Industrial Strategy" of the period, which aimed at both an expansion of Tanzanian industry generally and a shift in its output away from consumer goods (70.5 percent of value added in 1966) towards intermediate and capital goods, particularly those which could utilise local raw materials and particularly in the form of large-scale enterprises.

At first the Basic Industrial Strategy appeared quite successful: value added grew by 10.5 percent p.a. between 1967 and 1973. Thereafter it began to fall, declining by an average of 3.3 percent per annum in the following decade. Value-added per worker declined much faster than this as employment expanded from 63,000 in 1973 to 103,000 in 1982. Employment growth corresponded to growth in investment and in installed capacity rather than to output. As a result capacity utilisation levels fell sharply, from around 70 percent in 1970 to less than 30 percent by 1982 (most of this decline occurred after 1978). Skarstein (1986) further shows that of the industrial branches for which information is available and which it is known increased capacity after 1976, over half were already operating at significantly below capacity when the decision was taken to increase it. Even more remarkably, Skarstein also shows that despite the huge increase in employment, wage costs declined as a share of value added between 1975 and 1982 due to plummeting real wage levels (in 1982 only 32 percent of their 1972 value).

According to a 1989 industrial census there were roughly 1200 enterprises employing more than 10 persons. Of these the largest number were in wood and wood products (30 percent of the total), followed by textiles and leather (18 percent) and food, beverages and tobacco (17 percent). In Dar es Salaam, besides Tanga the main traditional industrial centre, there were 458 enterprises of this size, of which 98 employed more than 100 persons. 42 of the latter were parastatals (all figures from Dutz and Frischtak, 1993).

As elsewhere, it was anticipated that Tanzanian industry would benefit from adjustment largely through forex liberalisation and by the higher premium placed on efficiency through internal and external trade liberalisation. In addition, several export promotion incentives were introduced and in 1989 a specific World Bank sectoral operation of "Industrial Rehabilitation and Trade Adjustment" was adopted. This operation reflected World Bank thinking generally on the industrial sector (and specifically the parastatal one). In relation to four sub-sectors selected for their combination of currently low capacity utilisation and supposed high (export) potential- textiles, edible oils, leather goods and meat packing- it aimed to formulate agreed programmes for rationalising production in a smaller number of more competitive firms, which would then be privatised, and- on the basis of offering funds for their rehabilitation- persuade the government to close the remainder. Studies were carried out in each of these sectors except for meat packing. The textiles and leather sub-sector studies came up with the anticipated recommendations. Initially it appears that the government implemented only a handful of them, but a number of tanneries have subsequently been reconstituted as joint ventures and the Dar es Salaam branch of the textile company Kiltex has been formally closed for three or four years. The edible oils study actually suggested an expansion of capacity and seems to have been buried by the World Bank and the general extent of restructuring even the sectors selected has been slight.

On the basis of the rather patchy data available, Table 20 provides a broad picture of trends for manufacturing as a whole under adjustment.

Available data indicates that manufacturing initially benefited in a limited way from adjustment, but with these benefits tailing off after 1991. After dropping sharply in the crisis years of 1982-85 output recovered to levels close or identical to those of the pre-crisis years of 1976-80. Value-added recovered less markedly, although the latest figures are not available. Exports grew sharply to 1989 but then declined. Output as a share of GDP has been stabilised, but only at the level of the crisis years. Capacity utilisation appears to have remained extremely depressed until around 1989, when it recovered marginally, but also seems to have tailed off since 1991. Meanwhile, as employment continued to inexorably rise, labour productivity appears to have actually declined. Figures for the normal indicator of value added/employee show a fall until 1987, followed by a stabilisation to 1990. Data for total output/employee show a fall from Tsh 22,400 per worker in 1982 to Tsh. 16,187 in 1986, followed by a limited recovery to Tsh. 18,596 in 1989 (all constant 1976 prices). Employment in parastatals rose in line with the increase in employment generally according to government figures, although according to the World Bank it fell. Wages continued to fall precipitously, to be almost completely worthless by 1990 in terms of their 1980 level.

Table 20 Industrial Sector Data, 1980-93

	1980	82	83	84	85	86	87	88	89	90	91	92	93
Output: vol index					100					114	117	110	110
Tsh. mn.*	2683	2304	2103	2159	2075	1991	2081	2228	2399	2338	2607	2663	2719
Rate of growth (%)	-4.9	-3.3	-8.7	2.7	-3.9	-4.1	4.5	7.1	7.7	-2.5	11.1	2.2	2.1
Output/GDP(%)	11.5	9.8	9.2	9.1	8.5	7.9	7.9	8.1	8.4	7.8	8.2	8.1	8.0
Val-add (Tsh mn)*	1972	1693	1564	1425	1546	1493	1556	1666	1794	1749			
Exports ($m)				33	53	39	63	73	105	99	63	86	60
Share tot. expts(%)	28			9	19	11	18	20	25	22	18	21	16
Capacity utilzn(%)					33	27	28	29	31	36	37	38	35
Employment (000)	102	103	115	116	121	123	124	125	129	130			
of which parastatal					58	46	52	54	54	58	62	64	65
Val-add/employee (Tsh*)	19333	16436	13600	12284	12776	12138	12548	13328	13906	13453			
Real av wage Tsh/yr+	6618	4196	3746	3464	3164	2334	2011	1874	1593	1483			

Sources: World Bank, *Tanzania Economic Trends* (various), URT National Accounts, URT (n.d.) Analysis of Accounts of Parastatal Enterprises 1983-92, Bhaduri et al (1993) , EIU (1995)

Notes: * constant 1976 prices
+ constant 1977 prices

The limited data available on the composition of value-added since 1986 shows consumer goods industries to have increased their share from 40.2 percent in 1986 to 47.7 percent in 1991. The share of total value-added contributed by capital goods fell correspondingly, from 28.5 percent to 12.8 percent. Thus the general structure of industry is moving in the opposite direction to that intended under the Basic Industrial Strategy. Physical output figures show rapid expansion since 1985 in production of spirits, cigarettes, tyres and cement. Output in the important textile sub-sector remained very low (averaging only 29.4 percent of capacity 1986-92). Production of fertilisers ceased completely in 1991 when the German junior partner and managing agent, Klöckner, withdrew.

Output levels in 1994 fell back almost to their level of the crisis years (index of production (1985=100) = 101, Economist Intelligence Unit, *Tanzania Country Report* 1/95). An end of year review in the local *Business Times* (30 December 1994) stated that very severe power supply problems, water problems, competition from cheap imports, increased input prices and high interest rates had combined to force the at least temporary closure of many important companies- amongst them Mwatex, Mutex, Tabora Spinning Mill, Ubungo Spinning Mill, Sunguratex, Steel Rolling Mills (Tanga), Ubungo Farm Implements, Sabuni Industries, Rubber Industries, Kibo Match Corporation and Southern Paper Mills.

According to Willer and Rosch (1993) this overall picture conceals rather different performances by enterprises under parastatal, Tanzanian Asian and Tanzanian African ownership. In a non-random sample of 174 enterprises in five urban centres covering performance in 1985-91, the 52 African-owned companies identified had marginally higher profit/turnover ratios and levels of capital growth than the 91 Asian-owned companies, and both out-performed the 31 parastatals in the sample by a very high factor. The African companies had almost all been formed since 1980 and 37 percent had been formed since 1986, and they still had on average only a quarter as many employees and fixed assets as the Asian-owned companies. Bhaduri et al (1993) give capacity utilisation figures for private and parastatal manufacturing in 1991 and 1992, in which private companies averaged utilisation levels of 38.5 percent and parastatals 30.3 percent.

Parastatal industrial performance seems to have dramatically worsened during the adjustment phase. According to Tanzania Audit Commission data[40] analysed by Ericsson (1993), net profits for manufacturing parastatals were recorded from 1983 to 1986. Throughout this period there were about 30 companies recording losses each year and around 70 recording profits. In 1987 the number of companies recording losses outnumbered those recording profits for the first time. Subsequently net losses grew from Tsh 2,000 mn. in 1987 to Tsh 31,000 mn. in 1991, with about half of all companies recording losses each year. Recorded losses fell sharply in 1992, but according to Ericsson this was because many loss makers failed to return audited accounts. For the whole period the worst loss makers were Mwatex, Kiltex, Tanganyika Dyeing and Weaving Mills, Mbeya Cement, Tanga Cement, Southern Paper Mills and the Tanzania Fertiliser Company. As noted above, some of these companies have subsequently closed. The poor performance of the textile producers seems to date from the initiation of the "own funds imports" scheme in 1984. Presumably there were also some substantial profit-makers but no researcher has so far identified which they are.

No reliable data is available on new industrial investment. Of the 300 projects approved by the Investment Promotion Centre (IPC) from its inception in July 1990 to September 1992, 133 were industrial, supposedly corresponding to new investment worth $80.6m. However, a 1993 World Bank document stated that not a single one of these projects had yet materialised. An examination of the *Business Times* for 1994-95 indicates that by February 1995 there had still been only a few new industrial start-ups, comprising three or four breweries, a gin distillery (Macholong), a diamond cutter, an aluminium windows and doors producer (Show Max) and a broiler chicken producer (Pollo Italian Tanzania).

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[40]Ericsson (see also Section 8) uses Tanzania Audit Commission data throughout, in preference to the parastatal accounts produced by the Bureau of Statistics (URT, n.d.). The latter show net profits by parastatals in every year from 1967 until the current year. This results from rather curious accounting techniques, which count increases in stock as income.

IPC continues to produce apparently impressive figures (534 projects worth $1.3 bn by mid-1994). It would not be entirely correct to describe these figures as worthless, however, at least for the individuals gaining approval. Until July 1994 such approval meant that, regardless of whether their project was genuine or not, they could then take steps to obtain from the Treasury letters giving them exemption from import duties and sales taxes (see below, Section 6). The local industrial lobby, such as is (particularly managers of the textile parastatals) have complained that this system, far from leading to foreign investment is simply leading to subsidised imports, and in the process making more severe the difficulties of companies already experiencing crisis conditions.

5.2 Formal Sector Mining

In the 1950s mining's share of GDP was 10 percent and the industry- mainly comprising gold and precious stones- provided a major source of government revenue. In the 1960s activities wound down, largely because of the stagnation of the gold price (less than 10 percent its present levels). A number of smaller foreign companies withdrew in 1967-72 leaving Williamson's Diamonds Limited (since before independence a joint venture between the state and De Beer's) as the only large-scale operation. The State Mining Company (STAMICO) took over the running of all companies in 1972 (though De Beer's remained a minority shareholder in Williamson's). Of the 11 companies taken over or established by STAMICO, only two (Williamson's and Kiwara Coal Mines) were still functioning in 1994. Williamson's remains the only large-scale company and has registered steadily declining production, but official mining production and exports have soared since 1989 on the basis of the partial officialisation of a long-established and extremely extensive informal mining industry (see Table 21).

The adjustment period has also seen the emergence of renewed interest in the country by some genuinely large-scale international companies. The only tangible results so far have been De Beers' purchase of a controlling interest of Williamson's and a limited rehabilitation (valued at $3.5m) of the Mwadui mine and a $13.6 investment in graphite production by Graphtan (a subsidiary of the UK-based junior company, Samax) at the Mererani tanzanite site near Moshi. The large-scale Canadian operations Sutton Resources and Romanex International have been involved in serious exploration of both gold and nickel/copper/cobalt reserves in Kagera region since 1992, and mine development seems likely, though not until 1999. At least one well-known junior gold producer, the Anglo-Zimbabwean Cluff Resources is seriously considering investment as is a well known junior diamond producer of similar provenance, Reunion. 55 Prospecting and Reconnaissance Licenses were issued in 1993, almost as many as those currently valid at the beginning of the year. Other than in tourism mining presents the most serious prospect for new direct foreign investment. However, except in base metals this is likely to be at the direct expense of informal producers.

Table 21 Mining Data, 1962-93

	1962	1970	1980	1985	1989	1990	1991	1992	1993
Off. prod, diamonds (kg)	139	142	54	43		14	14	14	7
(,000 cts)								67.3	42.7
Unoff prod, diamonds (kg)*								1.5	
Off. prod, gemstones (kg)	330	1072	5748	218					3520
Unoff prod, gemstones (kg)*								500	
Off prod, gold (tonnes)	3.1	2.4	0	0.005		1.64	3.85	3.13	3.24/ 4.49#
Unoff prd, gold (tonnes)*								1.5	
Official output, minerals(Tsh Mns)**					139	165	236	293	
Off mins output/GDP (%)					0.5	0.6	0.8	0.9	
Official exports, minerals($m)					11.9	26.6	45.0	53.2	
of which gold					1.2	13.6	29.1	40.3	
Mineral expts/total expts (%)					3.1	6.0	10.7	12.3	

Sources: Chachage (1995), Nanyaro (1994), World Bank, *Tanzania Economic Trends* (various), *Business Times*

Notes: *World Bank estimates
** constant 1976 prices
# both figures have appeared in the *Business Times*

6. Informal Economic Activities

Under this heading will be discussed two distinct but loosely related sets of economic activities. The first are those of small-scale enterprises (SSEs, normally defined as enterprises with less than 10 employees), whose activities are "informal" in the sense of not necessarily being registered, not necessarily following formal legal requirements regarding conditions of operation and payment of relevant taxes, and equally not normally being eligible for the benefits of formality- for example, credit. The second are informalised aspects of formal economic activities, or formal political/administrative activities with economic dimensions. These generally imply activities organised on a larger scale than SSEs- not necessarily in terms of numbers of persons who are involved in a specific operation, but in terms of turnover and profit.

6.1 Small-scale Enterprises

Data on informal sector manufacturing, especially on a time-series basis, is almost completely absent. The 1989 census reported by Dutz and Frischtak (op. cit.) counted 16,747 manufacturing SSEs in Tanzania, of which almost half were in the textiles and leather branches, followed in terms of numerical significance by food manufacturing and wood and wood products. A slightly different rank order is suggested by Bagachwa et al's (1993) survey in five urban centres, which however was based on a stratified sample and attempted no general head count. The largest group of manufacturing enterprises in the sample were in food manufacturing (bakeries, posho mills, etc.) followed by footwear, furniture, "iron and metal products" and transport equipment manufacture and repair. The latter three categories made up the bulk of operations described as "Intermediate and Capital Goods Manufacture", where enterprises appeared to be significantly older than in other sectors and where cash wages were the highest (approx Tsh. 6,000 ($12)/month, assuming a 54 hour working week). The authors draw no conclusions about the relation between adjustment and changes in the sub-sector, except to point out that since liberalisation there has been a major expansion of privately-owned grain processing (posho mills). Earlier regional surveys dating from the pre-adjustment crisis years (e.g., Havnevik, 1993) show already high concentrations of small-scale manufacturing and repair activities even in remote rural areas, supporting the impression that most of such activities are not a new phenomenom. Indeed, it seems likely that prior to trade liberalisation, many branches of small-scale manufacturing and repair- specifically those substituting for confined/unavailable consumption goods- probably existed on a larger scale than is the case today, when better quality imported versions of most such goods are now freely available.

If there has been one major internal change in the composition of SSEs before and after adjustment it has almost certainly been in an expansion in retail and wholesale trade and in services. Private activities in these sectors, particularly trade, were restricted by confinement and other policies in much of the 1970s and early 1980s- and via the absence of incentive and investment goods caused major problems for agriculture. There is little or no hard data on the subsequent expansion of trade, except the limited information cited above on trade in agricultural products. A survey of 12 villages carried out by Booth et al in 1992 (Booth et al, 1993) suggested the lines of retail trade which have expanded fastest in rural areas have been in *mitumba* (second-hand clothing), cycles and ploughs. However there has undoubtedly also been a vast expansion in the turnover of basic consumer items. In urban areas there also seems to have been a major expansion in small-scale construction activities, although data on this is completely absent. In urban areas demand has not only increased through the removal of previous artificial restrictions, but also probably reflects an overall increase in household incomes. In rural areas the situation is less certain (see below, section 7). Booth et al (ibid) report increased rural consumption being funded by a diversification of household activities through the multiplication of minor *miradi* (projects), listing beer, wine and spirit brewing/distilling, selling cooked foodstuffs, mat and basket making, quarrying and sand collection and "sending children to carry water up the hill" as the most popular activity lines.

Informal sector mining involves somewhere upwards of 300,000 persons (a million including all those living in villages whose main activity is mining, according to Chachage (1995)), on hundreds of sites all over the country. The main minerals involved are gold, rubies and tanzanite in rank order. The industry has a highly organised internal structure but very low levels of technology. The main beneficiaries have traditionally been those owning claims- who collect rent basically as landlords- and gold and gemstone dealers. This branch of mining dates back to the 1930s.

However the adjustment period has seen the emergence of two completely new phenomena.

The first of these has been the official purchase of informally produced minerals- especially gold- by the Bank of Tanzania (in practice by local branches of the National Bank of Commerce and the Cooperative Rural Development Bank) at around 70 percent of the world price. This began in 1990, with the results indicated in Table 21. In 1994 official gold production/exports will undoubtedly show a decline as the prices offered by the Bank of Tanzania (BoT) increasingly diverged from the world price. As it is, the Bank of Tanzania never captured the whole market and some participants in the industry estimated non-recorded production even in 1992 as 6 tonnes. In 1994 stories began to circulate that the IMF had advised the BoT to withdraw from gold purchase and at the end of the year the latter announced that it would do so, albeit only "in the medium term", "as gold purchase operations are in conflict with the bank's basic objective of maintaining monetary stability" (*Business Times*, 30 December 1994).

A second major change has been the registration and operation of a layer of new, ostensibly "large-scale" companies. These companies, some owned by residents but the majority not, have been granted claims after having registered with the Ministry of Energy and/or IPC, in the process thus gaining access to the benefits mentioned in the previous section and explored at greater length below. A few undertake some mining operations of their own, at a technological level only fractionally higher than the small-scale miners, but most simply operate as landlords and/or dealers. As a result the mining areas are probably the only parts of the country where there has been large scale popular hostility to structural adjustment, locally identified as being responsible for the parasitic insertion of these companies into the existing production process (for a detailed analysis see Chachage, 1995). There is justification for this linkage, since despite its otherwise general enthusiasm for the informal sector, World Bank policy on informal mining is unremittingly hostile (see World Bank, 1992).[41]

6.2 Informal Aspects of Formal Business

As elsewhere in Africa, throughout the "modern" period Tanzania has experienced significant levels of smuggling, illicit dealings in hard currency and restricted goods, and systematic fraud of various kinds. The few studies touching on this question tend not to distinguish activities of this kind from the legitimate though equally unrecorded activities of small-scale enterprises. Nonetheless they provide evidence both of a major increase in such activities from around 1978, and significant changes in their content at regular intervals subsequently.

Maliyamkono and Bagachwa (1990) estimate the overall size of the "second economy" in 1978 at 9.8 percent of GDP. According to them it grew very rapidly from 1978-80, and then steadily up to 1986, when its size reached 31.4 percent of GDP. Other authors,

[41] A recent document describes the Tanzanian government small-scale mining policy as "to intensify the regulation and monitoring function of the Mineral Resource Department" and to "allow small-scale miners to sell their mineral rights and claims freely with a view to encouraging the formation of modern formal mining ventures by small and medium-scale Tanzanian investors".

writing in the 1990s, argue that Maliyamkono and Bagachwa were guilty of underestimating its size at this time, and go onto provide estimates of its current size almost double this level. In general it seems to be accepted that both elements of the second economy have continued to expand.

Launching the "Campaign against Economic Sabotage" in April 1983, the late Edward Sokoine cited the major components of what has here been called "informal aspects of formal business" as being smuggling (export of agricultural products and gold and import of consumption goods from basic to luxury items), diversion of official imports, illegal dealing in and hoarding of confined goods by private traders, illegal dealing in foreign exchange, and under-invoicing of imports (to avoid customs duty) and exports (to allow accumulation overseas of illicit foreign exchange holdings), and abuse of expatriate's import privileges. Another issue identified by Sokoine around the same time was poaching and export of trophies (ivory, hides, skins). Growth in many of these activities can be directly related to the incentive structure provided by contemporary economic conditions and policies, such as the increasing over-valuation of the Tsh. (official: parallel market rates moved from 1: 2.6 in 1980 to 1: 5.7 in 1985), declines in manufacturing output (e.g., of cement) and manufactured imports and subsequent shortages of basic consumption items, the NCB grain marketing monopoly, etc. Maliyamkono and Bagachwa suggest that probably the major one of these activities at this time was illegal dealing in and hoarding of confined goods, and that the main "partners" of the private traders involved in this practice were the personnel of parastatals and Regional Trading Companies.

As already indicated, the subsequent fiasco of the Campaign against Economic Sabotage (and Sokoine's death in circumstances which still have never been satisfactorally explained) were followed by the first "home grown" moves toward deregulation, including the "Own Funds Import Scheme" launched in 1984. Under this scheme, private traders with undeclared overseas forex holdings could obtain licenses to import goods of certain kinds on a "no questions asked" basis. Simultaneously, the first significant devaluations began the slow process of reducing the premium on illicit forex dealings. After IFI-led adjustment followed in 1986 much of internal private trade became deconfined and foreign exchange also became officially fairly freely available, through Commodity Import Support (CIS) and the OGL. There was also a renewed influx of expatriates, growing uncertainty about the long-term fate of parastatals and a general (informal) weakening of controls on acquisition of assets such as land, as state regulative agencies became debilitated through collapsing salary levels. According to Maliyamkono and Bagachwa (ibid.) these changes eliminated illegal trade in confined mass consumption items and made illegal trading in foreign exchange much rarer but at the same time created incentives and opportunities for new types of illicit activities, including land speculation, building/renting of housing for lease to expatriates in hard currency, theft of public property, and illegal foreign exchange acquisition and export through the OGL (by over-invoicing imports). The CIS and OGL were also subject to a variety of other abuses, mainly non-payment of counterpart funds. By the end of 1994 Tsh. 112 billion ($5.5mn) were said to be outstanding on the CIS, of which approximately Tsh. 80 billion was owed by parastatals (some of them apparently now under receivership) and Tsh. 32 billion by private sector companies. Somewhere between a further Tsh. 16 and 26.6 billion was outstanding on the OGL. Moreover, their claimed role of relieving capital and intermediate goods shortages was never really reflected in correspondingly higher levels of industrial capacity utilisation or agricultural production.

Bol (1993) argues that despite the own funds import scheme and trade liberalisation via the OGL, the period 1986-90 was also characterised by continuing perceived shortages of certain consumption goods, especially luxury items. This meant that internationally very high prices could be obtained for them. As a result of this, and increased incentives in the form of fairly high Export Retention Scheme quotients, a boom in "non traditional exports" (NTEs) ensued. Officially recorded NTEs increased from $86mn in 1986 to $202mn in 1990, before subsiding to $177m in 1992. Besides this there is evidence of a contemporary boom in unrecorded NTEs. Both officially and unofficially the main growth areas apparently involved the plunder of natural resources of various kinds (especially mineral, marine and forest products). Bol relates the subsiding of the NTE boom to a combination of depressed demand and falling prices for luxury goods on the Tanzanian market and increasingly freely available foreign exchange as the OGL window steadily grew in size and as foreign exchange bureaux were allowed to function (see section 9).

Since 1992 much donor attention has been focused upon issues of import duty and tax avoidance. As will be seen, this has been a long-standing source of additional income for many enterprises and individuals in Tanzania and in historical terms may actually have declined; the main novelties are that- ostensibly at least- it is the private sector which now seems to be the main beneficiary, and that as other fiscal reforms were implemented its visibility dramatically increased.

According to Ericsson (op.cit, 29-33) official exemptions for payment of import taxes and duties have been common ever since independence. Besides those statutorally provided for (i.e., for foreign diplomatic missions, religious bodies, NGOs, etc) between 19 and 225 discretionary exemptions were issued by either the Treasury of the Minister of Finance personally each year from 1961 to 1988. Average numbers in 1985-88 were around a hundred each year. Ericsson estimates their value as between 31 percent and 57 percent of all imports during 1982-87, although she admits that it is unclear whether or not these values refer to only discretionary or all exemptions. In relation to the value of duties actually collected their value fluctuated between 60 and 147 percent each year. In 1989 their relative value was 122 percent and in 1990 241 percent. Ericsson states that parastatals accounted for most of the exemptions granted, especially after 1986 when devaluation strongly increased their operating costs.

This implicit subsidy to parastatals was of considerable concern to donors in the late 1980s and was one of the main concerns behind pressure on the Tanzanian government to review the entire taxation system. A comprehensive tax reform was eventually introduced in 1992 under the incoming Minister of Finance, Kighoma Malima, and included legislation abolishing all exemptions currently granted to government organs.

Despite the apparent increasing level of exemption values during the period to 1992, total tax revenue as a share of GDP increased from 17.1 percent in 1988-89 to 19.6 percent in 1990-91 and further to 20.7 percent in 1991-92. However, it then fell sharply to only 15 percent in 1992-93. At the time the IMF attributed this to lack of administrative capacity to implement the tax reform agenda. By 1994 however a different view had emerged. The non-termination of many existing exemptions, the issuing of many new ones, and non-collection of duty/taxes on non-exempted imports were identified as central problems. According to IMF figures, in the first half year after the tax reform exemption values declined to 4.5 percent of total dutiable values; in the first three quarters of 1994 they ran at 35.3 percent. The ratio of exemption values to taxes collected did not dramatically change from the late 1980s, being 132 percent for the second half of 1993 and 161 percent for the first three quarters of 1994. All the latter figures however refer to what the IMF describes as "Tax Assessment Notice Programme" imports, which account for only $1250m worth of the annual overall official import volumes of roughly $1500m, and their method of calculation may not be precisely comparable with Ericsson's.

One of the main 1992 changes in the import duty regime was to end exemptions on the import of raw materials, then identified as the main form of subsidy which the system was providing to parastatals. Their actual share of exemption values prior to 1993 is not known, but between the second half of 1993 and the first quarter of 1994 this fell from 51 percent of values to 17 percent. There was a steep rise instead in exemptions granted as a result of project registration with IPC, from 38 percent to 60 percent. The significance of the latter is that IPC registrations are exclusively private sector or joint ventures, and wholly-state owned parastatals are excluded. Of a total of Tsh. 70 billion in exemptions and uncollected taxes in the first three quarters of 1993, Tsh. 15.4 billion could be attributed to 20 companies, including Tsh 10 billion to one alone (Merchant Vintners Ltd.).

The overall revenue situation began to improve again after 1993, but it is clear that this is largely the result of increases in revenue from petrol, road tolls and sales tax levied on locally-produced goods and services. Not only has the value of import duty exemptions rebounded but levels of collected tax on non-exempted imports fell from 77 percent in the first half of 1993 to 35 percent in the first three quarters of 1994. This is despite the contracting out to private agencies of an increasing number of the functions of the customs and excise department (see below, section 9). Interestingly, this increased contracting out was undertaken mainly in order to combat the reappearance of the problem of import *under*-invoicing- a phenomenom whose recurrence seems to be related mainly to attempts to annul the effects of various elements of the 1992 tax reform package.Towards the end of 1994 donor pressure led to the removal of Kighoma Malima from the Ministry of Finance, only for him to metamorphose as Minister of Industry and Commerce. He was replaced by the minister previously responsible for minerals (!) It also led to a public act of contrition by the Head of State, and promises of a thorough-going investigation and collection of at least Tsh. 20 billion in outstanding taxes prior to the consultative group (CG) meeting at the end of February 1995. A few weeks later, on January 20th 1995 the *Business Times* carried a letter claiming that one private company at the centre of controversy on this and other issues, Mohamed Enterprises, had already received fresh exemptions; a month later, to coincide with the CG meeting, it carried a story stating that only Tsh. 2.8 billion of the Tsh. 20 billion target had actually been recovered and that the investigation had not been completed (*Business Times*, 25 February 1995).

An aspect of the problem of import duty/tax evasion has been the proliferation of unsupervised bonded warehouses, mostly on the premises of importers. 177 such installations were identified in June 1994. After donor pressure the Tanzania government undertook to reduce the number to 65 by June 1995. A separate but related issue is tax and sales exemptions granted on goods landed in Zanzibar or Tanzania mainland and declared to be in transit either to each other or to beyond Tanzanian frontiers, but which in fact never leave their original destination. No estimates are available of the magnitude of this practice, but it is said to have become widespread during the 1990s.

Besides the OGL and the tax exemptions, a third area recently identified as a major locus of corruption has been the Debt Conversion Programme. Billions of Tanzania shillings are said to be unaccounted for through this programme, whose beneficiaries are private sector entrepreneurs undertaking new investments. One beneficiary was charged with illegally repatriating $1.25m fraudulently received as part of the programme but before he was brought to trial was declared persona non grata and thereby subject only to deportation. The former Minister of Home Affairs, Augustine Mrema, threatened to resign his current job (Minister of Labour) in protest, but was pre-emptively sacked before he could do so (*East African*, 26 February 1995).[42]

There has also been a notable increase in Tanzanian involvement in the international drug trade. The country appears to be part of triangular trades involving export of gold and gemstones to Asia and purchase of opium/heroin (mainly destined for Europe) or mandrax (mainly destined for South Africa) with the proceeds. In January 1994 a consignment of mandrax said to be worth Tsh 4.7 billion ($9.4m) was seized in Dar es Salaam (*Uhuru*, 7 January 1994).

Throughout the periods both of pre-adjustment crisis and of adjustment itself it is evident that most of the major money-making niches in Tanzanian society have been located at the intersection of public and private sectors. Adjustment has largely involved shifting their specific locations, but not this aspect of their character. Ostensibly at least however the centre of gravity of the public-private straddling involved has increasingly shifted to the private sector, although some of it involves public programmes to assist the latter. In any case, according to local "street wisdom" many private sector "entrepreneurs" are simply fronting for the interests of individuals who remain firmly embedded in the state apparatus.

7. Poverty

Unlike most neighbouring countries, Tanzania has witnessed a relative surfeit of survey-based studies attempting to measure household incomes and expenditures. The first (1976-7) was a large-scale Household Budget Surveys (HBS) carried out by the Government of Tanzania Bureau of Statistics. Following this, two smaller surveys based on the same sample were carried out in 1980 and 1983 by teams led by British academics (Collier et al, 1986, Bevan et al 1988). Finally in 1990-93 no less than four

[42] The businessman involved also mysteriously received Tsh. 78 million in compensation from TANESCO for the construction of electricity lines across the sisal estates, which he had purchased from government for less than 10 million.

studies were produced, one based on a new sample by a team from Cornell University and the Economic Research Bureau, University of Dar es Salaam (Tinios et al, 1993; Ferreira, 1993; Sarris and Tinios, 1994), and three by different Government of Tanzania departments. The Bureau of Statistics produced a further round of the large-scale Household Budget Survey (HBS) (URT Bureau of Statistics, 1994), while other departments produced a Labour Force Survey (LFS) (URT 1993) and a Human Resource Development Survey (HRDS) (URT 1994a), respectively.

The four studies carried out in 1990-93 all came up with measures of household income or consumption/expenditure (see Table 22).

Table 22 Household Surveys, 1990-92 (figures in Tsh, current prices)

Survey	date	Samp size	av.h/h consptn (inc. substce)	av. p.c. expnd	av. h/h inc
ERB/	1991	1,046	225,382	36,988	
Cornell			(61,954)		
HBS	1991-2	5,328	262,934		
			(67,267)		
HRDS	1993	n.s.		113,480*	
LFS	1990-91	7,762 (urban)			167,280

Key: Samp size: number of households sampled
Av h/h consptn (inc. substce): value of average household consumption (monetary and non-monetary)
Av adult= consptn: value of average total household consumption divided by number of adult equivalents in average household
Av. p.c. expend.: average per capita expenditure
Av. h/h inc.: average household monetary income
n.s.: not stated
* see text below

As can be seen, the figures in two of the studies appear fairly consistent. The HBS of 1991-92 gives an average household consumption figure 16.7 percent higher than the ERB/Cornell study, but was carried out some months later in a year in which the NCPI rose by 22 percent. At first sight the figure from the LFS survey of 1990-91 also appears broadly consistent with these two others, but the LFS covered only urban areas where, according to the ERB/Cornell and HBS studies, consumption was respectively 67.9 percent and 23 percent higher than for the country as a whole. However, allowing for the fact it was carried out over a year before the HBS and some months before the ERB/Cornell one, this apparent inconsistency is reduced. The only really "rogue" result is that of the HRDS, which gives an apparently staggeringly high figure of Tsh 113,480 for per capita expenditure. However this is found in a table which apparently describes *household* expenditure and in fact probably refers to monetary expenditure by the latter. If so this represents a figure 22.2 percent lower than the average household monetary consumption figure of the ERB/Cornell study, for a period two years later. The overall impression generated is therefore of a band of figures which, when interpreted, are in a range which has some underlying consistency but also fairly sharp differences. The HRDS is at the bottom of the range and the HBS at the top. The ERB/Cornell figures are toward the top, and the LFS toward the bottom. Although the following discussion treats data from most of these surveys as meaningful, it should be stated that some of the findings cast doubt on both sampling methods and data quality. The HBS suggests that no less than 6 percent of households in mainland Tanzania own a motor vehicle, for example.

Recent discussion of the extent of poverty in contemporary Tanzania has been based exclusively on the ERB/Cornell study, since the others listed above have not been as widely available. Using data from the ERB/Cornell study different authors have tried to draw poverty lines and estimate the proportion of the population below them. Tinios et al (1993) argue for a nutritionally-based poverty line and use the survey's data to show that the daily calorific intake of 1900k calories/person needed to sustain the average person in a minimally healthy state would require annual per capita expenditure of Tsh. 51,000 in Dar es Salaam, Tsh. 29,000 in urban areas other than Dar, and Tsh. 25,000 in rural areas. On this basis 43.6 percent of the whole population would not be sustaining themselves. 12 percent would be consuming less than 1200k calories per person, i.e., would be severely under-nourished. If the cut-off point is raised to 2100k calories/person, 51.4 percent of the population would have to be considered poor.

A more arbitrary poverty line has been specified by Ferreira, who takes an adult equivalent per capita income of Tsh 15,030 per annum (1991 prices), and also suggests a "hard core poverty line" of Tsh. 11,171 per annum. These lines are supposed to be based upon the current local Purchasing Power Parity equivalents of $1/day and $0.75/day respectively, apparently assuming an exchange rate of only Tsh. 40: $1, as opposed to the actual 1991 rate of 230 Tsh: $1.[43] According to these lines, in 1991 51 percent of total households were poor and 42 percent hard core poor; if actual as opposed to imputed exchange rates had been used, four-fifths of the population would have had to have been counted as hard-core poor.

A limited amount of distributional data is also available from the surveys, although this has generated less discussion. All the studies however appear to point to a considerable polarisation of consumption/expenditure and incomes. It is interesting to note, for example, that only 18 percent of households in the ERB/Cornell study had incomes at or above the average level of consumption that they calculate. Despite the much higher average consumption level figure given, the HBS survey comes to an identical conclusion. The same survey states that the members of 68 percent of all households had per capita incomes of below Tsh. 12,857/year and that no less than 28 percent of all households had *total household income* of below Tsh. 12,000/year.

[43]However derived, this calculation assumes that in 1991 40 Tsh. had a purchasing power parity (PPP) equivalent to the international purchasing power of $1. At the time, the exchange rate was Tsh 230: $1, making an ironic comment on the realism of prevailing exchange rates. They are, at best, dubiously "market" determined, given that they derive almost exclusively from forex obtained outside of international trade. The large discrepancy between the exchange rate and the PPP underlines the fact that, apart from donor balance of payment support, the major factor determining the exchange rate is the price local economic operators are prepared to pay to engage in capital flight.

Both Sarris and Tinios (ibid) and Ferreira (ibid) have tried to make comparisons between the results of the ERB/Cornell survey and earlier surveys, and on this basis draw conclusions about the effects (or non-effects) of structural adjustment. However, these exercises are sometimes not rigorously conducted, or the conclusions drawn from them are not really warranted. Sarris and Tinios make their comparison with the 1976-7 HBS data. It should be recalled in this context that 1976-7 was a good year in terms of agricultural incomes and was definitely prior to the onset of the economic crisis. The comparison nevertheless apparently shows extremely impressive increases in real consumption expenditure. These range from 35 percent/person in rural areas to 125 percent/person in urban ones. On this basis the authors declare that "the results explored in this paper should help quiet the critics of stabilisation and adjustment programmes in Tanzania who claim that they have a detrimental effect on the poor" (ibid: 35). However elsewhere in the same text the authors point out that these apparent increases should be weighted against an in-depth consideration of how to calculate the increase in living costs. Using a Laspeyres-type Base Weight deflator instead of the national consumer price index (NCPI) to take account of these, the authors generate a second set of figures showing that average household per capita monetary consumption in rural areas actually fell slightly, although in urban areas it still increased by 67.3 percent. Moreover, even if their first set of figures is accepted what is basically shown is a movement of considerable numbers of (largely urban) households out of the "poor" category, rather than any improvement in the position of those who have remained poor (see below).

Ferreira meanwhile compares the same 1991 data with that from Bevan et al's 1983 study. 1983 was a year of extremely poor economic performance and in most respects represented the nadir of the crisis. In any event, using "the deflator implicit in the GDP" on the income side, a fall is said to have been recorded from 65 percent to 51 percent of households in poverty and from 54 percent to 42 percent of households in hard core poverty. Probably the most favourable description which could be applied to these procedures is that they are methodologically sketchy. Leaving aside the issue of the non-transparency of the poverty criterion employed, using what amounts to the NCPI as the sole income deflator generates only one set of figures within a broader range which should have been considered.

Another problem with both Sarris and Tinios' and Ferreira's use of the ERB/Cornell data is that it focuses almost exclusively on the consumption side. In the process there is a general neglect of questions of individual incomes and the numbers and statuses of individuals within the household contributing to the overall household income. It is clear that real formal sector incomes have fallen consistently throughout the period and while little is known about changing levels of real informal incomes it is widely acknowledged that there are now more household members contributing to the aggregate household budget than in earlier periods. Increasing amounts of work for appallingly low returns by household members who in an earlier period may either have been at school, or retired, is therefore an aspect of poverty which should be taken account of with the same seriousness as overall levels of household expenditure, but about which little is known.

Despite suggesting an overall reduction in the proportion of the population who are poor, both Sarris and Tinios and Ferreira conclude that the gap between the better off and those who have remained poor has widened considerably during the adjustment period. Ferreira for example calculates that while the average real per capita income of the "better off" increased from Tsh 27,100/year to Tsh 70,069/year (1991 prices) between 1983 and 1991, the average real per capita income of the bottom half of the population fell from Tsh 4053/year to Tsh 3295 and of the lowest forty percent from Tsh 3326 to Tsh 2366. In the process the ratio of the average income of the better-off to the hard core poor rose from 8.1:1 to 29.6:1.

On the basis of the data from the ERB/Cornell survey, the widening gap between rich and those who have remained poor appears to substantially overlap with what appears to be a widening urban-rural gap. The HSB survey confirms such a gap, but one rather smaller than that suggested by the other survey (its figures for urban consumption/-expenditure are considerably below the ERB/Cornell ones while its figures for rural consumption/expenditure are considerably above).

All those working from the ERB/Cornell study also note an apparent increase in differentiation in rural areas, although the degree of significance they attach to this varies. Ferreira in particular notes a polarisation in land ownership, a finding supported by case-study research such as Loiske (1994) and by the Presidential Commission of Inquiry into Land Matters (United Republic of Tanzania, 1994b). Loiske surveyed 600 peasant households in Babati in 1991, finding that 50 were landless while another five were accumulating extensive tracts of land both in their own villages and neighbouring ones. Meanwhile the Land Commission found evidence of very extensive land alienation in Morogoro, Arusha, Tanga, Coast, Lindi, Mtwara and Kilimanjaro regions, often to very small numbers of highly-placed officials. The ERB/Cornell study reports a sharp increase in the hiring-in of rural labour (and therefore presumably in its hiring out) but does not link this to the land question.

The official gloss placed on the ERB/Cornell study seems to be that the main sources of poverty and inequality are inter-area differences in environmental and infrastructural advantage and inter-household ones in "human capital". The latter are said to be reflected in low agricultural market involvement and low off-farm incomes. What is therefore required is more growth, a widening of markets and more adjustment. This broadly repeats the conclusions of the British studies of the early 1980s, and is in line with current general thinking about poverty in the World Bank- while implicitly acknowledging of course that adjustment in Tanzania has so far rewarded and penalised almost exactly the opposite groups than those intended. However it is difficult to reconcile with the growing evidence of structural differentiation in ownership of material assets like land and appears to systematically overlook intra-household differentiation. The latter is examined in the ERB/Cornell study only with reference to literacy, where the gender gap is said to be closing and education, where somewhat paradoxically it is said to be growing. Otherwise gender is only examined in either the ERB/Cornell study or the HBS one through looking at the levels of consumption of male and female-headed households (The findings of the two studies in this respect are consistent with regard to stating that rural female-headed households are worse off than male ones, but appear to be inconsistent on this same issue in urban areas).

No systematic data on formal wage employment and average monthly pay has been available since 1989. According to World Bank documents on the manufacturing sector, wages there held up somewhat better than in most areas of employment. However, the figures cited in Section 5 above indicates that they still fell in value by 78 percent between 1980 and 1990. This compares with a fall of 39 percent between 1970 and 1980, making real wages in 1990 worth only 13 percent of their 1970 level. The sharpest falls were in 1980-82 and 1985-6 but the trend has continued steadily downward in the adjustment period. Wage employment is apparently retained not because of the value of wage incomes but because the latter are at least paid regularly, and because the workplace is a useful source of other benefits (allowances and fringe benefits, employer property and contacts for other economic projects). As elsewhere in Africa, labour has felt the costs of crisis and adjustment in the manufacturing and parastatal sectors in income terms rather than in retrenchments. The finding casts doubt on how an apparently massive improvement in urban living standards such as is reported by Sarris and Tinios could have occurred without almost all household members having substantial incomes from "business".

Like most other adjusting countries in Africa, Tanzania acquired a Social Dimensions of Adjustment programme at the end of the 1980s, known in the Tanzanian case as the "Priority Social Action Programme" (PSAP). Unlike in other adjusting countries however, there was little or no emphasis on assisting retrenches. The programme contained a number of projects, or ideas for initiatives, in the education, health, water and agricultural sectors, plus a monitoring project. Some of the initiatives outlined were already being undertaken, while others took the form of vague general commitments to increase expenditure or rehabilitate unspecified numbers of "badly run-down schools" (a description which could be validly applied to almost any school in the country), and the programme lacked any core or - apparently - any coordinated means of implementation. The monitoring project appears to have disappeared without trace.

8. The Social Sectors

This discussion will deal with developments in education and health. General patterns of outcomes in both cases are obviously affected by developments in the economy as a whole (levels of employment, incomes, subsidies on consumer goods, etc) as well as by other exogenous factors, for example food security, and by trends within the education and health services themselves. The presentation will deal mainly with trends within the services themselves but acknowledge other factors where relevant.

8.1 Trends in Health and Education Provision

Most figures provided on state expenditure in the health and education sectors appear to show these sectors increasing their share of GDP and per capita expenditure in the first five years of adjustment but then declining quite sharply. Moreover, the downward trend may be sharper than is apparent here. Until the last three years figures have tended to have exclude a considerable level of donor expenditure not included in central budgets. As a result of changes in practices, a far higher proportion of the latter has now been recorded as mainstream spending. Since the overall shares described have remained fairly constant this implies a real decline (however no attempt has been made to quantify this). A further problem is that relative to many other African countries both health and education expenditure (and outcome data) is quite incomplete.

Table 23 Health Expenditure Data 1986-87 to 1993-94

	1986-87	87-88	88-89	89-90	90-91	91-92	92-93	93-94	Av 90-94
Share net public expend (%)								12.8	10.1
Share GDP (%)	4.1	4.3	4.8					3.7	
Share recurrent expend (%)									12.8
Share dev. expend (%)									3.2
Health expenditure p.c.(constant 1976 Tsh.)	10	12	15	18	28	17	14		
of which public health								0.5	
of which recurrent (ECU)	0.8	0.9	1.1	1.3	1.1	0.9	0.8		
No. of health workers (,000)			32						

Sources: World Bank; Bloom et al (1992); Semboja and Therkildsen (1995)

The overall pattern of government health expenditure also seems to have remained fairly consistent during the adjustment period. Curative medicine has accounted for around 80 percent of total expenditure, roughly evenly divided between hospital- and non-hospital- based facilities. Preventive medicine has accounted for only about 14 percent (and a much smaller proportion of the recurrent budget). Had donor spending on immunisation programmes been generally "on" rather than "off" the books, this figure would presumably be much higher though.

The adjustment period has seen a considerable rise in the importance of non-governmental providers. One source gives figures for non-governmental ownership of hospital facilities, health centres and dispensaries in 1990 of 44 percent, 96 percent and 74 percent respectively. More recent work in 1993 in nine regions by Kiondo (1995) gives proportions of 57 percent, 76 percent and 63 percent respectively and reports a major growth in non-governmental provision (NGO and commercial) in Dar es Salaam. Official figures meanwhile also show an increase in government-provided medical facilities during the adjustment period. Health centres rose from 183 in 1979 to 267 in 1992, while dispensaries rose in number from 2,282 to 2,392.

Most observers concur that the central problem of health provision in Tanzania is less that of coverage by health facilities and more the grossly inadequate nature of the services which the latter are able to provide. There are major (but unquantified) shortages of most grades of professionally-qualified staff and most facilities are run-down and poorly supplied with basic necessities. Munishi (1995) details the sorry state of the public health sector in Kagera region, the epicentre of the AIDS epidemic in Tanzania, where only 12 percent of rural dispensaries surveyed were headed as recommended by a rural medical aid, only 32 percent had an employee qualified to use a microscope and where only 20 percent of total diagnostic instruments at all dispensaries surveyed were in working order. Despite new and more efficient procedures for distribution of drugs, public health facilities routinely obtain levels of monthly supplies which are exhausted two weeks into the month. Though real funding levels have probably been maintained, they are increasingly unable to support the provision of gradually expanding services to a rapidly expanding population.

A rosta of user charges for designated services in public health institutions was introduced during the period 1992-94. However, according to Lawson (1994) , at District Hospital level at least, none of the preconditions specified by the designers for their successful implementation had been met in advance. For example in 1994 there was still no system enabling units levying charges to replenish their drug stocks from government stores with the money collected. No data is yet available on collection rates or magnitudes.

Non-governmental health facilities are not necessarily in better condition than public ones, particularly with regard to the presence of qualified staff (Kiondo, ibid). However, despite the fact that government grant levels to them have remained unchanged since 1986 they appear to be on a better financial footing than state ones. Bloom et al (ibid) observe that, contrary to widespread impressions, roughly two-thirds of their income comes from user fees.

Table 24 Education Expenditure Data, 1970-94

	Av 1970-79	1980	1990-91	1992-93	93-94	94-95	Av. 90-94
Share net public expend (%)	16				15.1		17.5
Share GDP (%)		4.4	4.0		4.5		
Share recurrent expend (%)							21.8
Share dev expend (%)							6.0
Ed expend p.c. ($)							
primary				16.2	15/16.8*	15.2	
secondary					167		
university					3500		
total (constant 1976 Tsh.)		50	30	25	22		

Sources: World Bank; Svantesson (1994); Semboja and Therkildsen (1995)
Note: * World Bank Public Expenditure Review document/ Svantesson (1994). Svantesson states that donor assistance to primary education per capita in 1993-94 was $2.7

The broad picture of public education closely resembles that of health. After falling sharply in the early 1980s, expenditure recovered in the first five years of adjustment before falling again after 1990. The pattern of expenditure has meanwhile again remained broadly constant, with primary education, secondary and university and other tertiary accounting for about 50, 13 and 19 percent of expenditure respectively, and with teacher remuneration accounting for 81 percent and O & M and Materials together only five percent of the primary recurrent budget. Again there has been a slight increase in the number of facilities, even under adjustment. Primary schools (almost wholly public) for example increased from 10,583 in 1992 to 10,892 in 1994 (Wort, 1994). Likewise there has been an increase in both primary and secondary school teachers, with the result that national pupil: teacher ratios in public education have remained fairly stable (see Table 25). Probably from the inauguration of Universal Primary Education, and definitely now, these expenditures are grossly inadequate to the coverage of services offered, however.

Table 25 Teacher Numbers 1985-92

	1985	89	90	92
Primary	92,586	98,392	96,850	101,306
of which women teachers (%)				42
of which properly trained				30
pupil: teacher ratio			32:1	35:1
Secondary	3837	5267	7863	5060 public + 3866 priv
of which graduates (%)		30.3		18.1

Source: World Bank

Lawson (ibid) provides a telling example to illustrate this point. In 1992-3, student welfare costs accounted for 51 percent of the recurrent expenditure for public secondary schools (about 110 schools of a total of about 330). But this was only half of the overall budget allocation. Meanwhile the budget allocation was itself calculated on the basis of being sufficient only for four months' boarding expenses per pupil. A similar picture emerges concerning teacher remuneration. Although accounting for excessively high levels of expenditure, they are grossly inadequate to attract or retain properly qualified teachers. The vast majority of primary teachers in 1994 earned less than Tsh 120,000 per annum, i.e. about half of average household consumption (monetary and non-monetary) levels. According to a 1991 World Bank study, at least three quarters of all teachers had other occupations.Interviews with teachers at three secondary schools in Dar es Salaam in 1992 indicated that, without exception, teachers regularly undertook paid private tuition (Lugalla, 1993).

Fees were introduced for public sector schools in the 1984-5 budget and today stand at Tsh 200/pupil/year for primary schools and Tsh. 2500/pupil/year for secondary schools. These are very low, but they are only a small part of what parents have to pay in practice. The total current costs (registration fee, levy, materials and uniforms) for public primary education are Tsh 4,000-8,000/pupil/year and for public secondary education up to Tsh 100,000/pupil/year (Lugalla, ibid). According to the recent World Bank-drafted Public Expenditure Review, the government plans to increase expenditure on primary education by Tsh.10 billion in 1994-95, through increasing fees and (except in teacher training institutions) charging parents formally for most elements of provision except teacher salaries and buildings maintenance. At the same time they plan to reduce teacher numbers, on the basis of "competency testing" (!) The idea of distributing vouchers to parents, presumably floated by "libertarian" neo-classical consultants, is also mentioned in recent government documents. How the additional Tsh. 10 billion is to be spent is not spelt out and it is not clear that the government is even in a position to allocate this amount.

8.2 Health and Education Outcomes

Given the state both of health facilities and the government statistical service it is hardly a surprise that data on health in Tanzania is sketchy in the extreme. This is by no means a new phenomena. Even in 1978 available statistics on life expectancy diverged in a range between 44 and 51 years (the commonest estimate for 1991 was also 51). Today the situation makes impossible any firm conclusions about trends. For example, estimates for Infant Mortality (deaths 0-12 months) in 1988 varied between 107 and 115 per 1,000 and in 1991 (the last year for which estimates are available) between 99 and 115. Similar discrepancies are evident in estimates of the Child Mortality (deaths 13-60 months) rate. The only apparently unambiguous data is on Under-5 malnutrition, from a Unicef survey of 1991-92, which showed over half of this age group to be suffering from one form of malnutrition or another. The commonest form was height-for-age (47 percent nationally, ranging from 28 percent in Dar es Salaam to 65 percent in Mtwara). 29 percent nationally suffered from weight for age malnutrition and 6 percent from weight for height. Lindi, Mtwara, Singida and Coast regions had consistently the worst scores for all types. The same survey reported that 80 percent of all pregnant women presenting at Unicef-run facilities were anaemic. No time series data exists from earlier in the adjustment period, or prior to it, to compare with these.

It seems that infectious diseases, particularly Cholera, are on the increase but again systematic data is absent. In any event it is notoriously difficult to attribute changes in health status to changes in economic policies, even where the effects of the latter on incomes are unambiguous.

The same goes for educational outcomes. However in this case there is at least more data available, particularly on enrolments. Enrolments in secondary schools in Tanzania have for some time been the lowest in eastern and southern Africa and have remained consistently around the 3 to 4 percent of age group level (girls 45 percent of lower grades, 25 percent of upper ones). The main trend in the sector is a growth in non-government-owned schools, most of them run by local development trusts (see below, section 9) and mostly considerably worse-off in resource terms than the public schools.

Although secondary education is not expanding it is at least not in a state of crisis. Unfortunately this is the only way to describe the situation with regard to primary education. Enrolment trends in this sub-sector are described in Table 26.

Table 26 Estimates of Primary School Enrolments, 1978-94 (% of age group)

	1978	80	83	84	88	90	91	92	93	94
Official est., gross	95	93			73	74	81			
Lugalla est, gross*				83		63		68	69	69
Official est, net						63	59			
Cooksey, net	60				47					
Bevan et al/ERB/Cornell										
net 7-9 y.o.			31				27			
net 10-13 y.o.			78				65			

Sources: Svantesson (ibid), Lugalla (ibid) adapted, Cooksey et al (1993), Bevan et al (1988), Ferreira (1994)
Note: gross enrolments: total enrolments as proportion of all 7-13 year olds net enrolments: proportion of 7-13 year olds attending school

Since 1990 there has been a significant increase in official enrolments, of a perhaps suspiciously sharp character, but an extension of Lugalla' s method of calculation show that even if they are accepted as genuine they are still considerably below the pre-adjustment level of 1984. The net statistics, extracted by Cooksey et al from census returns, are even more depressing, although the survey material results of 1983 and 1991 seem to suggest somewhat higher levels. This might be an effect of geographical biases in their sampling frame , for Cooksey et al also report a regional spread of 1988 net enrolment rates between 36 percent (Singida) and 64 percent (Kilimanjaro). But whatever series is accepted, a downward trend is clear. Fieldwork by Cooksey et al (ibid) presents overwhelming evidence that the decline is based on low parental perceptions of the quality and cost effectiveness of public primary education, which is perceived in a fairly widespread way as a service offered by semi-literates and performed under totally unconducive conditions. As already noted, only a minority of primary teachers have received proper training. Concerning conditions of instruction it is perhaps sufficient to cite data from Coast Region presented by Lugalla (ibid) . In 1983 the region boasted 1884 classrooms and 26,868 desks. By 1992 the number of classrooms had fallen by a third and the number of desks per classroom by a half.

Girls and boys suffer in fairly even measures under these conditions. Recent years has also seen the difference close in the (appallingly low) rates of completion of primary school (Standard 7). In 1991-92 the rate for boys was 9.4 percent of the cohort and for girls 7.6 percent.

Given these trends, literacy rates have predictably fallen. Official estimates of illiteracy in 1986 were 10 percent and in 1992 16 percent. The self-assessed figure provided by the ERB/Cornell survey (1991) was 32 percent. A national figure from the 1988 census is not yet available but figures cited by Kiondo (ibid) for some of the regions covered in his survey suggest that even the ERB/Cornell figure is on the optimistic side.

As already implied, the planning and budgeting aspects of social sector provision in Tanzania have never been well-coordinated, particularly in the case of education, and the quality of the services offered have deteriorated extremely sharply as natural population growth and a tendency to add on new projects have continued in the absence of new resources. Structural adjustment has impacted on the social sector mainly via its dampening effect on government deficit financing and its apparently demoralising effect via falling real incomes, on workers in the sector. Had structural adjustment not been applied then spending levels would have been higher and sector workers perhaps retained a greater level of professionalism. But the basic problems of the sector are likely to have been at least equally intractable.

9. Public Sector Reforms

9.1 Civil Service Reform

The Tanzanian mainland civil service grew in size from 90,000 employees in 1961 to 139,000 in 1971, 215,000 in 1981 and 299,000 in 1988. The major part of the increase between 1971 and 1981 was accounted for by a growth in primary school teachers. The growth between 1981 and 1988 was mainly in the category of "other employees", i.e., non-education, -health and -agricultural service personnel.

Already in the phase of "home grown" adjustment, two government commissions were set up to investigate a rationalisation of civil service functions and employment, and civil service wages were allowed to fall, although not by levels as precipitous as in other sectors. 12,760 central government retrenchments were carried out in 1985 although many of those retrenched appear to have been re-employed as local government staff (Mamuya, 1991). Local government, resurrected in 1983 and broadly responsible for local social service delivery, today employs around half of all those counted as in civil service employment.

World Bank and IMF agendas on civil service reform in Tanzania have been almost identical to those elsewhere in Africa. The civil service is said to be overstaffed, underpaid, poorly equipped, and suffering from poor morale, low motivation, widespread absenteeism and corruption. The World Bank and the IMF have concentrated on trying to reduce numbers (said to be a precondition of any significant wage increase) while the UNDP has been deputed the task of carrying out inventories aimed at rationally adjusting staffing levels to agreed functions.

The first serious attempt to address these issues was via a ghost worker census in 1988. This was poorly designed and concluded that almost a third of all those registered as in civil service employment were ghost workers. Later this number was reduced to 16,000 (or about 5 percent), and these were eliminated from the payroll. A World Bank-produced Public Expenditure Review was conducted the following year, which concluded, on the basis of inexplicit reasoning, that the civil service was overstaffed by 50,000 in relation to its currently agreed functions. UNDP was brought in to identify which posts should be abolished and eventually concluded that the actual level of overstaffing was 27,000.

Here the matter appears to have rested until 1992-93 when the World Bank succeeded in getting the number 50,000 re-instated and a timetable apparently agreed whereby 10,000 would be retrenched in 1992-93 and 20,000 more in each of the following two years. A retrenchment package was also simultaneously agreed. It is unclear how many retrenchments have actually occurred under this agreement. According to the *Daily News* (10 March 1993) 2,123 retrenchments were carried out in 1992-93. Mans (1994) puts the figure at 3,000, but the Tanzania government Civil Service Reform Programme Action Plan, produced for the 1994 Consultative Group meeting, states that there had been 10,292 retrenchments by mid-1994. Personnel in health and education were exempted from the exercise on the grounds that they were in "short supply" . In fact, in education at least, their numbers have continued to grow (see Section 8). It also appears that, intentionally or otherwise, local government generally was excluded from the exercise.

The 1989 Public Expenditure Review also drew attention to the current low level of wages in the sector. Pay was said to have fallen between an unspecified date in the 1970s and 1989 by 80 percent in real terms. An increase in the salaries of certain grades was stated to be desirable (it was said that the minimum:maximum pay differential within the service of 1:10 was a performance disincentive to managers and professionals), but no mechanisms were suggested for effecting it.

The 1994 Public Expenditure Review, also carried out with little or no Tanzania government input, took a still more critical tone than that of 1989. Civil service numbers were said to have actually increased to 355,000. This was blamed on continued hiring of all teaching and health trainees graduating from government institutions each year (in fact this accounts only for about a third of the increase, if an increase on this scale has indeed occurred). The Tanzanian government therefore had to consider not just the adjustment of its staffing levels to its agreed range of functions but also the immediate pruning of these functions themselves. The Review now stated (again on the basis of inexplicit reasoning) that the "real feasible" size of the civil service was only 225,000. It was therefore necessary to carry out 40,000 retrenchments per annum for the next three years, and that previously exempted grades be included in the target groups.

It seems extremely unlikely that much will come of this proposal. Reasons have been found to avoid implementing even the later stages of the 1992-93 to 1994-95 retrenchment plan. A new ghost worker survey was conducted in March 1994, resulting in the removal of a further 14,764 names from the payroll. All but a thousand of these were then deducted from the target of 20,000 retrenchments for 1993-94. Likewise the list of government functions which the Tanzanian government has explicitly proposed it should withdraw from (as opposed to consider withdrawing from) was still by October 1994 confined to the running of a water depot, three small Ministry of Tourism boat yards, four bee centres and the Central Medical Stores (already under the effective control of DANIDA).

Both the 1994 Public Expenditure Review and the 1994 IMF Background Report focused increasing attention on the issue of civil service pay, where attention has increasingly shifted from inadequate basic levels to the "non-transparency" of the whole remuneration system. Of course, already in the late 1980s this system had become non-transparent, with most managerial grade employees supplementing their basic pay not merely through official personal allowances and rebates of various kinds but also through frequent safaris, for which per diems could be claimed. Since 1989 the allowance element of total official remuneration has increased considerably, especially for senior grades, where in some cases they contribute 80 percent of remuneration. The introduction of petrol allowances for lecturers at the University of Dar es Salaam in 1992 after the departure for overseas employment of many senior staff led for example to the restoration of salary levels comparable with many better-off third world countries, but a protracted struggle to withdraw them again occurred in 1994. Prior to this there is said to have been a decompression of public sector wages to the extent that the ratio of highest to lowest real official civil service income had reached 50:1. Such allowances are much scarcer in local government however, where both incomes and services seem to be in an virtual free-fall situation.

Alongside these trends has been a growing tendency of official and unofficial privatisation of civil service functions. The most important example of official privatisation has been in customs duty collection. Some time prior to adjustment pre-shipment import inspection and tax assessment was contracted out to a Swiss agency, SGS. Early in the 1990s a similar contract was awarded to another (linked) Swiss company, Cotegna, on the basis of a geographical division of labour. In 1993 their contracts were extended to include the issuing of tax notices on these assessments and in July 1994 they were also made responsible for ensuring that tax and duty had been paid on them, by means of reconciliation exercises with the Treasury and Bank of Tanzania (see above). The selection of these companies has been challenged by a number of donors on the grounds that it was non-transparent. A joint donor mission carried out early in 1995 under the auspices of the Special Programme for Africa found that their reporting procedures were not uniform, lacked clarity in some respects are were actually unintelligible in others. A steering committee set up to coordinate their activities with the Treasury, Customs department and BoT had never met and their was little communication between the different agencies.

A second, unofficial, form of privatisation was noted by Kiondo in his recent (1995) survey of local development politics in eight regions. Here, alongside the more predictable extension of the role of non-government providers in education and health was found to be the emergence of local elite-rooted organisations providing or aiming to provide a comprehensive set of services across a number of sectors. The most developed of those he encountered were in Hai (Kilimanjaro Region) and Newala (Mtwara Region). In both districts private and apparently unaccountable (explicitly and deliberately unaccountable in the case of Newala) Development Funds were not merely running schools or other services on the basis of voluntary contributions but were levying compulsory cesses and taxes and in the case of Hai had become the actual employer of most local government workers. In the case of Newala they were also carrying on purely commercial activities in partnership with leading members of the business community.

9.2 Parastatal Reform

Even basic data on parastatal enterprises in Tanzania are somewhat vague. In the late 1980s most texts on the subject refer to there being around 400-410 parastatals. In the early 1990s however the figure 344 seems to be the most widely used. Equally unclear is the breakdown of this number between commercial and non-commercial organisations. The World Bank in different documents gives figures of 30 to 100 non-commercial parastatals and in its main report on the subject refers in different places to there being 270 and 290 commercial ones. Figures on total employment are correspondingly inconsistent. The World Bank puts the latter at "around 150,000" while the government's *Analysis of Accounts of Parastatal Enterprises 1983-92* (URT, n.d.) gives figures of 168,000 for 1983, 160,000 for 1986, 185,000 for 1989 and 192,000 for 1992. The same data source suggests that this growth in parastatal employment is largely accounted for by a growth in employment in parastatal manufacturing companies.

An initial, limited parastatal restructuring exercise was carried out in 1987, immediately after the adoption of adjustment. 10 parastatals, almost all involved in agro-processing or marketing, were liquidated and 12 others, all estates owned by the Tanzania Sisal Authority, were sold off. The latter sales were mainly to Asian former owners and attracted accusations of favouritism and underpricing. The exercise was discontinued without explanation in 1988 (Kiondo, forthcoming).

The main feature of parastatal performance generally under adjustment has been a very sharp increase in their losses and debts. While an unduly catastrophic picture has been painted of these by some authors and donor agencies, they are still very serious indeed. Like the problems of the manufacturing parastatals- to which it is closely related- they appear to be a phenomena which first emerged in a major way in 1984. According to Ericsson (op. cit) total parastatal losses in the latter year were only Tsh 1,800 mn., but since 1989 have never fallen below Tsh 32,000 mn. Net losses (these figures minus the surpluses generated by profit-making parastatals) were recorded in 1984 and 1988-91. The largest net losses were Tsh 7,453 mn. in 1988 and Tsh 11,176 mn in 1989, corresponding to 2.6 percent and 3.3 percent of GDP respectively.[44] Ericsson goes onto show that agricultural parastatals, especially NMC and the Cotton Marketing Board, accounted for the bulk of losses in 1984-6, and industrial parastatals in 1987-91 (see section 5 above). There are also some heavy loss makers in other sectors, notably the railway company. This situation has led to recent heavy borrowing (apparently mainly local) and to an accumulation of debt. The World Bank estimated the latter in 1992 as Tsh 1 trillion. How this has been computed is unclear: as will be seen, the total cost of cleaning up the balance sheets of the Bank of Tanzania, National Bank of Commerce and Cooperative Rural Development Bank in 1992-3 was at the most Tsh 240 bn., although of course foreign debts may be high.

Parastatals are also said to be a major beneficiary of subsidies. Ericsson states that these have officially amounted to Tsh 600- 7,400 mn. per annum over the last decade. The

[44] Ericsson and the World Bank give ratios several times larger than this, but these are based on considering loss-making enterprises alone.

great bulk of the official subsidy turns out to be accounted for by the routing of the fertiliser subsidy to peasants through the account of the Tanzania Fertiliser Company, though. Parastatals have also enjoyed additional subsidy-like "elasticities", in the form of non-payment of counterpart funds, exemptions from import duties and sales taxes and non-payment of pension fund contributions. Like bad debts, these still appear on their balance sheets as increased deficits, however. And while it is clear that the parastatal sector has enjoyed the bulk of them, the private sector has also apparently systematically avoided its commitments in this respect.

Besides the industrial restructuring operation of 1989-92 described in section 5, and the various reforms to the agricultural parastatals described in section 4, efforts since 1988 at public enterprise reform have been directed mainly at the banking sector. Since 1992-3 there has been a more general public enterprise reform programme also.

Banking sector reform was at the heart of the second adjustment programme and has probably been the most successfully implemented element of any of the different programmes. The reform comprised an effort to open up the sector to private participation and to reconstitute the three main state banks (the Bank of Tanzania (BoT), which is the central bank, the National Bank of Commerce (NBC) and the Cooperative Rural Development Bank (CRDB)) on a viable basis.

As a result of legal changes allowing the establishment of new private banks and forex bureaux, two international banks have started operations in Tanzania and a third will do so in 1995. The international banks which have already started operations are the South African multinational Standard Chartered and Meridien BIAO, a multinational domiciled in Zambia. Both apparently concentrate on forex-related business. The US-owned Citibank and Eurafrican, a subsidiary of Banque belgolaise, will soon join them. Meridien BIAO almost collapsed internationally in February 1995 after becoming unable to meet the Zambian Central Bank's statutory reserve requirements (*Financial Times*, 28 February 1995) and its Tanzanian operation had to be taken over by the Bank of Tanzania shortly afterwards. According to the *Financial Times* (10 April 1995) the bank had lent excessively to a company owned by the Sardanis family, who were also the bank's main shareholders. No data appears to be available on numbers of forex bureaux, but there are visibly large numbers of them in the main towns and their officially recorded transactions increased from purchases and sales with a combined value of $11.8m/month in May 1992 to $106.8m/month in December 1993. According to local critics of adjustment, despite this high overall turnover level many bureaux systematically underdeclare their real level of transactions and are vehicles for continuing capital flight.[45]

Reforms to the BoT, NBC and CRDB have, as already indicated, mainly taken the form of ridding them of the non-performing debts and overdrafts of parastatals (including marketing boards) and cooperatives. During 1992 and 1993 Tsh 24 bn on non-performing loans were transferred from them to a Loans and Advances Realisation

[45]The method used is to provide informal Tsh. premia to customers selling dollars but not requiring receipts.

Trust (LART), which is charged with trying to recoup as much of the debt as possible. A further Tsh 205 bn in overdrafts has been formally replaced by 20 year Treasury bonds at 11 percent and Tsh 8 bn has been injected for recapitalisation. The costs of servicing the bonds to the Tanzanian government was Tsh 13 bn in 1993, while the budget reservation for 1994-5 is Tsh 12 bn. (Ericsson, ibid).

According to the IMF, even while this operation was underway, NBC and CRDB continued to make credit available to cooperatives with poor repayment records. There was also a continuation of the expansion of credit to the private sector which began to take off around 1989 (NBC lending to the private sector rose from Tsh. 8.103 mn. in 1988 to Tsh. 24,243 mn. in 1990 and Tsh. 46,201 mn. in 1992 (Ericsson, ibid). In March 1995 Augustine Mrema, now in opposition, claimed that 51 private businessmen accounted for Tsh. 90 billion of debt to the CRDB alone (*Business Times* ,24 March, 1995)). In any event, CRDB credit was frozen completely in August 1993 and NBC credit was frozen with effect from January 1994. These freezes were still apparently in force at the end of 1994. If enforced, these drastic measure will obviously have major repercussions throughout the economy.

The current objective of the banking reforms is to turn over NBC and CRDB to the private sector. The Boards of both organisations have been restructured and attempts made to call in non-performing loans from former directors and employees. A first instalment of retrenchments has occurred at NBC and at the end of 1994 a partial flotation of CRDB, aimed at small local shareholders, occurred. Apparently DANIDA will also take a major equity stake in CRDB. BoT has also experienced considerable retrenchments and is said to be being restructured into a "monetary management and banking supervision role".

The likely outcome of this development is that, unless it is split up, NBC will become a private monopoly in urban Tanzania with some indirect competition from CRDB in rural areas. Both are likely to contract very sharply because there are so few viable large-scale customers to do business with. The foreign banks who have started business seem unlikely to become involved in mainstream commercial banking. The main result will therefore probably be the bankrupting of most of NBC and CRBD's unviable account holders.

After a number of years of pressure, the Tanzania government eventually agreed to undertake a comprehensive programme of public enterprise reform in 1992-93. As elsewhere this is supposed to comprise re-allocation of non-commercial parastatals to government departments, commercialisation of utilities and the closure or divestment (whole or partial) of all other commercial parastatals, by 1997. A Parastatal Sector Reform Commission (PSRC) was set up in 1992 under the chairmanship of George Mbowe with a brief to work out a timetable and modalities for this programme, which is supported by a specific World Bank Parastatal and Public Sector Reform Credit.[46] Two timetables have subsequently been published. At the end of 1994 the PSRC stated that 30 parastatals had been sold or leased, 22 had been closed or were under receivership (with LART acting as the receiver) and a further 117 were at "various

[46]The credit involves hiring six expatriates on contracts of between 3 and 5 years at salaries (presumably tax-free) of $180-240,000/year. Some will receive over $1mn in remuneration in the process.

stages of preparation for privatisation". However, this figure appears to include a few liquidations and privatisations occurring prior to 1992 and it is unclear how many have occurred as a result of the efforts of the Commission.

Information has appeared in the press concerning only about a dozen of the sales. The PSRC has supplied information to donors on about 9 others, all except one sizal estates. The different sources suggest a number of trends. Firstly, interest by large transnational companies- despite being courted- is quite limited. Acquisitions in this category are restricted to the purchase by Indol (South African Breweries) of 50 percent of Tanzania Breweries and three subsidiaries, South African Airways' effective purchase of Air Tanzania (and Air Uganda) to form a new regional airline, Alliance,[47] and Asea Brown Boveri's purchase of a majority stake in the electrical engineers TANALEC. BAT is being courted hard to acquire the Tanzania Cigarette Corporation, and this may soon be added to the list. The Commonwealth Development Corporation is purchasing Sao Hill Saw Mill, but while a transnational the latter is a public sector rather than private one and hence this arrangement does not even count as a privatisation.

Secondly, most if not all of the remaining private purchasers are of east African Asian origin (Chandaria Group, Nas Hauliers, Rostrom Aziz, Gulled & Co., etc.). Thirdly, deals have tended to be surrounded by controversies about the methods of handling bids, the relation of the agreed price to known valuations and the post-purchase behaviour of the purchaser. Complaints respectively focus on "sweetheart" deals and on asset stripping/substitution of distribution for production functions.

There are good reasons for thinking that the remainder of the programme's stated objectives will not be fulfilled. The main reason for this is that it has apparently been agreed that individual parastatals will in the first instance be responsible for assessing their own prospects of viability, financial needs for privatisation and other requirements. This is likely to slow down the process indefinitely. Secondly, even if parastatals assess themselves as ripe for divestment and preparations are made to this effect, most are unlikely to find buyers or partners, given their generally run-down plant and low net value. Meanwhile it is also important to note that the institutions which hitherto had responsibility for regulating the parastatals, SCOPO and the holding companies, have technically been abolished (although many of the holding companies, notably the National Development Corporation actually continue to exist and in some cases have taken over the viability assessments mentioned above). Except in the case of the utilities for which performance contracts have been agreed- and there is considerable doubt about the likely effectiveless of these too[48] there is no working system of supervision. The most probable consequence, as Man (ibid) has pointed out, is that since the now effectively autonomous parastatal managers have no clear future role, they will engage in (or step up) informalised asset-stripping.

[47]It might be argued that Air Tanzania had already all but disappeared prior to this development, since it owned only one plane (and rented another). Nevertheless it had a staff of 700 plus including no fewer than 50 pilots.

[48]Effective performance contracts presuppose, amongst other things, long-run underlying enterprise viability and the respective capacities of the regulator to regulate efficienctly and of the mangement to restructure effectively. It is unclear whether any of these conditions are present.

10. Environmental Issues

Land shortage, soil fertility and soil erosion. During the past fifty years, under stimulus of population increase, many or most of Tanzania's rural households have intensified their cultivation enormously. At the end of the last century, most cultivators based their techniques on long fallow shifting cultivation, though there were areas where permanent cultivation and irrigation were already practised. Since then fallow-lengths have invariably been sharply reduced, where they have not disappeared entirely. Similar pressures have forced people to move out of the most climatically favoured areas into areas of low and variable rainfall, where their previous cultivation methods may not be adequate and where they may come into conflict with herders who graze the drier areas on a seasonal or rotational basis. In other cases, population and other pressures push people into cultivating on increasingly steep slopes.

Such processes are under way in many parts of Tanzania. As is almost always the case, it takes people time to adjust their cultivation methods to changed circumstances, and this has produced soil deterioration and erosion in a number of areas. This does not relate closely to structural adjustment in either direction. There are those who claim that ending fertilizer subsidies will lead to accelerated soil fertility decline. But since fertilizer has all too often (and especially under heavy subsidy) been used as a substitute for more intensive cultivation and conservation methods, rather than as a complement to them, this is not necessarily true. On the other hand, it may push people into cultivation more steeply sloping and erodible areas. Others see the ending of fertilizer subsidies as environmentally positive, by reducing the pollution of groundwater by nitrates, though this is hardly a serious problem in most of Tanzania given low levels of fertilizer use. The point is that one cannot generalize without taking into account local factors - which will usually turn out to be more important than adjustment.

Deforestation and catchment problems. By no means all erosion either occurs on farms, or has its effect confined there. Given current problems with the hydro-electricity supply, these are of some relevance at present. Other things being equal reduction of vegetation cover in a river catchment, alters the river-flow regime (increasing that during and just after the rains, reducing it later in the year) so putting at risk the electricity at the end of the dry-season, especially after a few dry years, as at present, when the reservoirs do not recharge fully. Deforestation is generally seen as one of the main causes of accelerated catchment erosion, though under certain circumstances, grass cover has been shown to be a better catchment protection than trees, and though there is wide disagreement over whether tree-clearing in the catchments is a significant cause of Tanzania's current hydro-electricity shortage problems.

Reasons for cutting trees or clearing forest include the following:

- Logging is extensively practised though mostly informally. Most of Tanzania's hardwood stand has already gone. The demand for softwood building timber is increasing, but so is woodlot production.

- Charcoal is a major urban fuel and so demand continues to grow. Can destroy large areas of forest, but the effects vary enormously according to conditions of production.

- Firewood is by far the most important rural fuel. Villagization, by concentrating people has concentrated the effects of their fuelwood gathering around them, both leaving ever larger areas denuded and involving extra labour and travelling time for the women who cut firewood. Here the development of wood-lots is complicated by the fact that most customary tenure systems makes trees male property.

- Clearing for cultivation is a major reason for deforestation, and is cause for particular concern when it occurs on steep slopes and/or in important river catchments. In some cases charcoal burning is wrongly blamed for deforestation, since it merely uses wood which would have been felled for clearing in any case.

- Crop processing - two of the worst crops for deforestation are tea and tobacco, since both use large amounts of timber as fuel in processing the crops. In both Iringa and Tabora, tobacco farmers have denuded much of the land around their farms. In late 1994, and despite assurances to the contrary, the Tanzania Tea Authority was still clearing some of the last rain-forest in highland Iringa, both for plantation establishment and for fuelwood.

- Burning - cultivators, herders, hunters, poachers and miners all have occasion to burn the vegetation off land, each different type of burn having different effects on the subsequent vegetation. There is much talk of stopping this through bye-laws. But most bye-laws have been on the books for decades now without the slightest effect. When cultivators have no more than hand-tools, it is inevitable that fire will be used to clear new land.

In most cases, the relation of this to structural adjustment is not very clear. In some it is more so. Devaluation increases the cost of imported fossil fuels and so would tend to increase use of firewood or charcoal. Various encouragements to informal exports, seem likely to have increased the extent of hardwood logging, which is among the more successful "non-traditional exports". In general, the increasing pressure to earn foreign exchange may increase the difficulties in enforcing rules which may limit that goal - though there was not much evidence of effective enforcement before. In any case, current thinking is that plain enforcement achieves little more than to alienate local people, and that efforts to increase their material interest in (say) forest or game reserves are more likely to be effective.

Erosive and non-erosive crops. One argument recently put forward is that adjustment by increasing the returns to "tradables" (in this context export-crops) could lead to a positive shift away from erosive crops, like maize and cotton, towards non-erosive crops like coffee and tea. Apart from the fact that cotton is as much an export-crop as coffee, this argument seems to have little to recommend it. Not only is the relation between "tradable" and non-erosive purely fortuitous, the different groups of crops in question are not feasible substitutes. Most maize, for example is grown at altitudes and in climates where neither tea nor coffee would survive. In any case, it makes little sense to recommend a general shift away from Africa's most important food crop. It makes far more sense to consider erosive and non-erosive ways of growing crops than crops themselves.

Chemical use. Another issue concerns the negative effects of excessive fertilizer or chemical use, in terms of pollution of soil or water, or of direct poisoning. A variety of studies purport to show that structural adjustment either does or does not favour "dirty" (chemical-using) crops at the expense of others. Most such studies can point in either direction, according to the prices chosen (or prevailing). It seems highly likely that reduction or elimination of fertilizer subsidies will lead to its lower and more careful use. Whatever the effect of structural adjustment, the problems are more serious for the really poisonous chemical, like insecticides and herbicides. Few peasant farmers know about the rules for their use and avoidance. Fewer take any notice of them. Pointing out that people's children will suffer from pesticide poisoning twenty years ahead - if even that is done, seems to have limited impact, besides which, the instructions are usually in a foreign language and not all farmers are functionally literate anyway.

There is little sign that the authorities are any better informed or more concerned. One of the definite health gains from SA-induced austerity is that most Districts have had to close down their cattle-dipping services. This may (but may not) reduce cattle health but also reduces the amount of deadly poisonous acaricide which seeps into the groundwater, or local rivers (many dips are sited far too near running water for safety).

Pollution from industry and mining. Mining is among the most polluting activities, and especially gold-mining as currently carried on in Tanzania. This involves the use of mercury as a catalyst with which gold grains are precipitated from a watery sludge. There are two different ways in which this mercury pollutes its surroundings and puts human beings in danger. The atmosphere of informal mining ventures is not such as to increase concern or care about such factors.

Tanzania's own industrial sector is so small and declining that pollution problem might be assumed to be negligible. That would be too optimistic, for controls are so minimal that industrial production near to human habitation may easily lead to dangers.

To date, there is no evidence of Tanzania importing and "disposing of" other countries' poisonous or radio-active wastes. But given the country's poverty and foreign dependence, its lack of other foreign exchange earning opportunities and the general insensitivity of political leaders to such problems, it would seem not unlikely for the future.

Water pollution. Another problem is the pollution of drinking water supplies in Dar es Salaam and a number of other cities. For Dar es Salaam, the city's population has expanded far beyond what the water-supply was designed for, so that water passes through the treatment plant too quickly for pollutants to precipitate out. More importantly, low pressure in the pipes (and no water in them at all for much of the time) means that groundwater seeps into the very old pipes. Since much of the groundwater around Dar es Salaam is polluted by leaking septic tanks and other sources of faecal matter, drinking unboiled tapwater is "a recipe for chronic diarrhoea". Here the relation to reduced government spending is more direct.

11. Conclusions

There is no doubt that Tanzania's pre-adjustment economy was much constrained and distorted by the effects of a dogmatic state-orientation, and that de-confinement of trade was very necessary to unlock resources and skills. In our opinion, the course of adjustment has been marred by a similarly dogmatic attachment to the market and a current stance which can be summarized in the words "privatize it". This, together with weaknesses of the current Tanzanian leadership, has led to a situation in which any direction to policy is largely notable for its absence, and in which the major beneficiary seems to be "wild capital", more concerned with working the donor-driven incentive system, in speculation and smuggling than in more mundane and less profitable productive activities.

Overall production (GDP) has grown faster since 1986 than in the preceding years, but once allowance has been made for better weather, high investment rates and import decompression it does not appear particularly impressive. Adding informal production and exports should not increase growth-rates, since, if anything, the proportion of such activities should have fallen as adjustment brought activities back into the official economy. It probably has not, but there is no reason to suppose it to have increased.

Other macro-economic indicators are rather less favourable. The real exchange-rate is now "market-determined" *with* large amounts of donor grant funds, but the system would rapidly collapse without them and most of the effects supposed to follow it have not. The gap between imports and exports has not narrowed, and in consequence, despite large flows of donor aid, the level of indebtedness has continued to increase to quite unsustainable levels. Current levels of debt-service, though quite high, are less than half what they would be without rescheduling, underlining Tanzania's heavy dependence on donors.

While devaluation has had some effect on agricultural exports, these have been limited by structural factors and poor sequencing of adjustment. For industry the impact of lowered protection (but most all of the arbitrary system of exemptions for which adjustment cannot be blamed) seems to have reduced rather than increased competitiveness. A system of lower but coherent tariffs without exemptions would arguably provide better protection and more revenue than the present system, but rapid change cannot be expected under present circumstances.

Similarly, while there was some success in the first few years after 1986 in reducing the public spending gap, this turned out to be less sustainable and more vulnerable than envisaged. Inflation in the current year seems likely to be up to the levels of the early 1980s. Nor is there much evidence that the imposition of hard budget constraints on parastatal corporation has released funds for private investment. This is put out of the question currently by the IFI-imposed loan stop. But even when this finishes, it seems unlikely that many of those in Tanzania who need credit will qualify for it.

Agriculture is where most of the increase in growth since adjustment has taken place, though not in the main export crops which were prioritized. On the one hand, there can be no doubting the benefits of de-confinement in improving access to basic consumer necessities or its positive effects on output levels in the short-run. There does remain some doubt whether the uncoordinated sequencing of donor projects and CIS with adjustment conditionality, devaluation and interest-rate increases may not have aggravated the problems and magnified the deficits of parastatals and co-operatives. There are also questions about whether the newly privatized marketing channels will continue to supply inputs to peasant farmers, especially those in the less easily accessible areas. Credit for such purposes seems likely to be a thing of the past, with CRDB confining itself to commercial loans to the small minority of farmers with formal leasehold title (and even then, according to UNCTAD only those with permanent structures built on their land).

This points to a contradiction between market-orientation and many of the basic premises underlying standard agricultural modernization policy. It makes particularly dubious the World Bank's pushing of its T & V extension model, which is both expensive and stuck within the former paradigm. Sustainable agriculture with high (devaluation-increased) input prices, requires considerable imagination and capacity to learn from peasants as well as teach them. With high input prices likely to persist, it is particularly important that efforts to develop peasant agriculture should focus on more effective input use rather than just more input use. This is likely to involve the integration of (for example) fertilizer use and local methods of soil maintenance like inter-cropping. It seems unlikely that T & V could contribute much to this.

Industry seems the sector most negatively affected by adjustment in the long run. Attempts under ERP to increase capacity utilization were not very successful - and some of what was achieved rested on reduced capacity rather than increased utilization. The long-term outlook for Tanzania's run-down parastatal industrial sector is far from bright. It is being sold off with all the haste the IFIs can achieve in the face of considerable, if muted, Tanzanian reluctance. Evidence to date is unclear, but actual and potential buyers seem as or more interested in stripping the assets or gaining the markets for imports, as in (re)developing production.

Parastatals are the villain of the piece for the IFIs, and few if any disagree about their inefficiency and corruption, though our understanding differs from that of the IFIs in several respects. Firstly we see the situation as arising not from general tendencies to rent-seeking by the state and its employees, but the particular history of and political process in Tanzania, and that of the institution in question. We do not thus assume that all parastatals are equally bad (while agreeing that in present-day Tanzania all have serious problems), nor that the sole and single answer should always be privatization. We lay considerable stress on the interaction between Tanzania government and foreign donors in the prosecution of a series of policies which depended on and contributed to parastatal expansion - not to exculpate the Tanzania government or political leadership - but because it is striking how totally absent this is from IFI and other donor accounts - and because this seems to contribute to serious misconceptions. Failure to understand how the system worked, together with lack of consistency between project aid seeking to expand operations and stabilization policies aiming to curb spending led to sequencing errors which aggravated the problems and indebtedness. In particular, the effects of import-support seem to have been highly ambiguous, being grants to Tanzania but loans to the companies involved and this, with devaluation and interest-rate increases clearly added to their deficits. But most importantly, there are signs that recent donor support to the private sector is producing some of the same effects previously noted within parastatals. This reflects the fact that simplified notions about separate public and private "sectors" ignores the complex and shifting set of interfaces between public and private economic activities in Tanzania, and the position of economic power in Tanzania astride them.

Poverty. Most of the more critical writings on adjustment have focused on its effects in impoverishing the already vulnerable, and this would seem to be amply confirmed by the results of the recent and massive Cornell/ERB poverty survey, though this is not the interpretation from its authors. The optimistic view of this is that the survey should quiet the fears of those concerned about the effects of adjustment on poverty in Tanzania. According to these findings, the proportion of the total population below an arbitrarily drawn "poverty-line" in Tanzania, has fallen by 10-15 percent, from 65 percent to about 50 percent between 1983, the worst of the pre-adjustment years, and 1991. Yet as both of these studies make clear, this has been accompanied by a sharp increase in income differentiation, both between urban and rural areas and among households within each. One of them calculates that while the real incomes of the richer half of the population have increased by over three times, that of the bottom half fell by about 20 percent and of the bottom 40 percent by almost a third. When upwards of ten million of the poorest people in Tanzania have seen their real incomes fall by nearly thirty percent since the worst years of the pre-adjustment period, the finding that three or four million people from the lower-middle part of the range have moved up out of "poverty" over the same period will hardly be enough to quiet the critics. At that, the Cornell/ERB study, by restricting itself to looking at consumption missed out on other aspects of poverty, like pressures on school-age children or the old to work and others to extend the working day to exhaustion point to get by.

Women. This sort of issue is particularly relevant to the impact of adjustment on women, but unfortunately there is relatively little information. Sample surveys of urban women agree on the increased participation of women in income-earning activities but disagree on the impact on incomes or explanations, one seeing expanding opportunities, the other "distress sale" of already overburdened labour-power. Deterioration in social services could be said to hit women harder than men, but, as discussed below, it is unclear whether they have got worse under adjustment or just stayed bad. The costs have two dimensions, money payments and time spent. It is very difficult, in the absence of detailed information to weigh up the costs and benefits of time spent looking for basic consumer goods, or spent waiting for health services and the money costs of these and other necessities.

Social services. Another area where critics have attacked adjustment is social service provision, which is widely seen as having deteriorated seriously under adjustment. Some of this criticism seems to rest on an overstatement of social benefits in the pre-adjustment period. A significant proportion of the state spending in rural areas which earned Tanzania so much praise in the 1970s, was spent on compulsorily villagizing the rural population, by means which including burning their houses down. The much-praised policy for Universal Primary Education probably did as much to reduce educational standards as falling expenditure under adjustment and the earlier "Education for Self-Reliance", with its accompanying shamba-work and marching/singing political songs, still more so. In the case of primary health care, the negative effects of previous policy may have been less direct, but the decline certainly pre-dated adjustment. It appears that if one takes local government spending into account, total government spending on social services did increase in real terms between 1986 and 1991. But this was certainly not sufficient to improve service levels.

Environment. Many of Tanzania's environmental problems arise out of long-term processes and are highly area-specific, making it hard to generalize about the impact of adjustment. The encouragement to non-traditional exports under adjustment makes yet harder the imposition of controls on the cutting of Tanzania's remaining hardwood forest, but control was largely ineffective before. The same is true of mining pollution. One negative effect of devaluation is to shift consumption patterns in favour of woodfuel - and especially in the processing of tobacco, which has already laid waste many thousand of hectares of *miombo* forest.

General. As a solution to the problems of Tanzania, adjustment has been and is being oversold. With all the supposed refinements added, the focus seems ever more single-mindedly on privatization - and support to a private sector apparently no less skilled in extracting rent from an "enabling environment" than its predecessor or previous incarnation in the parastatal sector. In this complex and difficult situation, Tanzania deserves better than simplicities about the inevitable superiority of the private sector.

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