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THE AGRICULTURAL SECTOR AND POVERTY IN TANZANIA: THE IMPACT AND FUTURE OF THE REFORM PROCESS

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INTRODUCTION

Tanzania is one of the poorest developing countries. It depends on agriculture and most of the poor live in rural areas. Most of Mwalimu Nyerere's life was dedicated to developing the nation and rural areas through a number of policies and measures that generally aimed at improving agricultural production. He had a vision which he did not live to see it realized: an egalitarian society, based on African socialism. The collapse of communism globally made most countries in the world adopt market-oriented economic policies Tanzania being no exception. The country started to institute reforms since mid 1980s. This paper assesses how these reforms have impacted on agriculture and on the poverty situation in the country. It points at the main causes of poverty and at the measures adopted during the reform process in order to improve the poverty situation. This section reviews the structure of the Tanzanian economy, the economic potential, and shows why agriculture, which has been called the backbone of the economy for decades, is neglected. The second section reviews Mwalimu Nyerere's basic ideology and the measures he took to address agricultural and rural problems. Section three provides a review of the economic reforms in Tanzania, their origin and the major reform measures. Section four analyses how these reforms impacted on agriculture and the measures that specifically addressed the poverty problem. Section five looks at the future of the reforms by pointing at the basic issues that need to be addressed to promote faster development of agriculture and thus fasten the process of poverty alleviation.

The Structure of Tanzania's Economy

Tanzania's economy is basically agrarian. Agriculture is an inescapable fact of economic life in the country. The sector is not only the lead sector but also essentially the primary engine of economic growth. Agriculture is predominantly smallholder and subsistence in nature, marked by backward technology and low utilization of modern inputs, and with poor linkages to other domestic sectors. It accounts for over 50 % of the country's GDP, provides 85% of merchandise exports and is directly or indirectly a source of employment and livelihood to nearly 90% of Tanzanians. Industry, which constitutes mainly of manufacturing enterprises, accounts for about 8 % of GDP. This sector concentrates on processing agricultural products and light consumer goods, with limited production of equipment and machinery. Industrial development has mainly been pursued in the form of import substitution and is marked by low technological adaptation and absorption.

Tourism and mining are potential booming sectors. In terms of eaarnings from among African countries, Tanzania held the 6th position in 1996 and 1997 Her position improved to 4th in 1998. Furthermore, the country earned 3% market share of the 1995 total earnings in the continent. This share grew to 4% in 1996 and went up to 4.5% and 5.9% in the succeeding years. The number of tourists visiting Tanzania increased by 34% from 360,000 in 1997 to 482,000 in 1998 boosting foreign exchange earnings from the sector by 45%, from US$ 392 million in 1997 to US$ 570 million in 1998. Unlike in the past, the tempo of tourism is now market-oriented and is guided by a national tourism policy.

Similarly, the mining sector's share of GDP at 1992 constant prices grew from 1.4% in 1994 to 1.5% in 1995. During the latter years of 1997 and 1998 the sector contributed 1.7% and 2% respectively. The contribution of the sector to GDP is expected to rise as mining operations become sophisticated and a formal market for minerals develops.

The Economic Potential of Tanzania

Tanzania, and indeed Africa, has a huge natural resource base. There is a large hydropower potential and huge mineral deposits ranging from gold, diamonds, tin, iron ore, phosphates, coal, gemstones, nickel, to natural gas deposits. The terrain of the country varies and so does the climate and agro-ecological zones to allow production of a variety of crops and livestock. Despite its enormous potential and rich resource endowment, Tanzania is among the least developed countries in the world. Almost four decades since independence, the country has not exploited its potential resources for the benefit of its citizens. Real growth has been stagnant and poverty has remained pervasive and deep. Accessible resources have not been effectively utilized and managed. Good land and climate notwithstanding, the country puts only 14% of the 43 million hectares of the available arable land into use. Potential irrigable land is estimated at one million hectares but only 18% of this land is under irrigation. Yields on farmed land are still extremely low. They are often 25-30% of the land's potential, largely because of the inadequacy of farm inputs and technologies. Maize and paddy yields, for example, stand at 1.2 and 1.6 tons/ha. As a result, the country is still facing problems of poverty, food deficits, extreme imbalance of trade and payments resulting from declining foreign exchange generation, and growing social insecurity.

Agriculture: Neglected Engine of Economic Growth

It was pointed out earlier that owing to its importance in terms of GDP contribution and employment opportunities, among others, agriculture is the most dependable sector in Tanzania. However, although the country has an enormous potential for accelerated agricultural and economic growth, she is still far from achieving the best agricultural production levels. The following are the major inadequacies.

- Poverty is primarily a rural phenomenon in Tanzania. The incidence of poverty and its severity are more prevalent in rural areas than in urban areas.
- One of the serious and chronic predicaments in Tanzania is that of poor policy implementation and law enforcement. This is not peculiar to the agricultural sector. Most of the important agricultural policies are available but they are full time on shelves . After abandoning Nyerere's ideology of socialism and self-reliance, the new agricultural policies have not adequately been implemented. This means that the drawing up of new agricultural policies will never transform the sector if implementation strategies are not addressed.
- There is frequent disruption, interference and therefore poor performance of local institutions. Cooperatives and local councils can make good examples of these institutions. Interference in such democratic institutions not only erodes democracy but also denies participation of the stakeholders in the decision-making process and management of the economy. The efficiency and performance of such institutions therefore tend to decline.
- Investment in the 'rural' sector is insignificant and declining. Public investment in the rural sector, which reached historic levels during the 1973-76 period when millions of dollars in donor funds were channelled towards building up agricultural parastatals, and financing large-scale agro-based projects and regional integrated planning, now amounts to only 3.8% of total real government expenditure budget (World Bank, 2000). The real budget allocation to agriculture of the total government budget used to be 5.1% (1990/91), 3.6% (1993/94), 2.7% (1996/97) and 2.1% (1997/98).

- The investment environment in the agricultural sector is still not conducive to attract large-scale private entrepreneurs thus, there is inadequate involvement of private sector in agribusiness.
- With the exception of some few pockets, there are no signs of agricultural transformation. Four decades after independence, agricultural production is still based on traditional technologies despite existence of a backlog of profitable technologies released by the National Agricultural Research System lying on shelves (Limbu, forthcoming). The profitable agricultural technologies have not been 'marketed'.
- There is excessive dependency on rainfall. About 80% of the country experiences insufficienr water during the growing seasons, even on the basis of mean rainfall expectations. In some regions, drought is considered a persistent environmental hazard (Hankins, 1974; Lema, 1993; Limbu, 1995).
- There are no legal titles to land that can be offered by landowners and investors as securities to obtain loans from lenders of loanable funds.
- Appropriate government policy and active support for the non-agricultural activities in rural areas are lacking e.g. small-scale industries. There is lack of an enabling environment to attract people into non-farm economic activities
- Insensitivity to environmental consequences particularly land and forest conservation renders a bigger portion of the country's agricultural land susceptible to environmental degradation. Economic development cannot be sustained without sustainability of agriculture, which in turn cannot be sustained without sustainable environment.
- There is lack of an efficient financial network in the country that can serve the low-income segment of the population in the rural areas.
- Currently the government's attention seems to have shifted towards the so called potential sectors such as tourism and mining. A recent report by the Bank of Tanzania (1994), for example, does not point out agriculture as one of the key sectors that are expected to bring rapid economic growth. The priority sectors are mining, tourism and manufacturing for export.

The above inadequacies in the agricultural sector suggest two things. First, in terms of policy, agriculture in Tanzania is treated as a follower, not as the engine of growth. Second, the constraints impinging on the sector are inextricably numerous. This calls for a thorough review and adjustment of past initiatives and strategies adopted by the government.

NYERERE AND THE AGRICULTURAL SECTOR IN TANZANIA

At independence, Tanzania's economy was dominated by agriculture whose GDP share was close to 60%. The agricultural sector at that time was based on plantations, settlers and an expanding number of African large-scale farmers.

The importance of agriculture could also be reflected in the Three-Year Development Plan for Tanganyika (1961-64) where it was emphasized that the development of Tanganyika would depend fundamentally on the transformation of agriculture and animal husbandry. It was obvious that the inherited economic structure was not meant to serve the interests of the people. It was a capitalist economic system, which served a small group of people, and alienated the majority. Furthermore, income inequality was widening and Nyerere was not happy with the trend towards inequality, which was associated with African capitalist farming. That is when the socialist ideas started to cement among the leadership under Nyerere. Following this development (polarization of the society) the government decided to change its political and economic path in 1967.

Agricultural Transformation

Nyerere's firm stand in favour of, and his thinking about, agriculture and the rural sector had been prominent since 1962. He believed that to be able to get rid of poverty in Tanzania one has to transform the agricultural sector and/or the rural areas where the majority of the people earn their living. Any development initiatives should therefore target this sector. Nyerere's speech on becoming President in December 1962 is a testimony to the argument:

> If we want to develop, we have no choice but to bring both our way of living and our way of farming up to date. The hand-hoe will not bring us the things we need today. We have got to begin using ploughs and tractors instead (Coulson, 1982: 237)

The Arusha Declaration and Villagisation

If Tanzania had made any important political and economic change since independence, then this was to be found in the 1967 Arusha Declaration, whence massive nationalization of the major means of production was undertaken. Apart from nationalization, the emphasis of the new ideology was to encourage smallholder farmers to leave in groups, in proper villages, and share basic services and in order to make it easier for the government to reach them and improve their living standards. Again, Nyerere's model targeted the majority of the rural population. Poverty eradication and the well-being of the people were therefore priorities of his development model.

Obviously, this is an idea whose destination is supported by all Tanzanians. Tanzania cannot therefore afford to abandon such policy objectives. Nevertheless, the government needs to work out a proper mechanism to take Tanzanians to this desirable destination, but for sure this cannot be the one instituted by Nyerere in 1967, as it has proved to be unsustainable in the long run. The current model (the market economy) is relatively more realistic, despite the fact that its course of implementation falls short of a corrective mechanism evident from the emerging weaknesses.

The Cooperatives

To supplement the initiatives made in the Socialism and Rural Development model, Nyerere's government saw cooperatives as useful vehicles for national development. It was admitted that cooperatives would assist in achieving economic independence, and would ensure that the indigenous people rather than foreigners controlled the economy. The government knew that no other type of organization could be so well suited to the problems and concept of rural development than the cooperatives.

As noted earlier, cooperatives were seen as a supplement to the government, which could be relieved from many responsibilities. As a result, the government amended the Cooperative Societies Ordinance of 1932 to allow for registration of more cooperatives in the country. However, following unsatisfactory performance and frequent interferences and suspicion by the government, cooperatives were abolished in 1976. Later on, the government decided to re-establish the cooperatives and a new Cooperative Act, the 1982 Cooperative Act, was enacted by Parliament, based on the recommendations of the report by the Commission of Inquiry into the possibilities of re-establishing cooperative unions.

A new wave of reforms of the co-operatives was apparent through the 1991 Cooperative Act. This was largely made possible by the pressure from Nordic donors who had long supported Tanzania's cooperatives. Thus, the government passed a new Cooperative Act and installed a reformist leader from the Cooperative College in Moshi. The new act mainly reiterated the need to have democratic cooperatives whose members will decide for themselves what they wanted to achieve through the cooperatives.

There were also many other policies that Mwalimu Nyerere formulated which focused on developing the rural communities in general. Such policies included: 'Siasa ni Kilimo' (i.e. Politics is Agriculture); Social Services for All (health, water, universal primary education - UPE); Musoma Resolution on Higher Education etc.

Nyerere and the Reform Measures

Tanzania accepted to reform the economy after a long period of resisting calls from the international community particularly the IMF and the World Bank for a shift in economic policy towards increased deregulation in all spheres of the economy. Obviously, Mwalimu was sckeptical about whether or not the national objectives he set under the Socialism and Rural Development model would be met using the new approach. Thus, there was generally a negative attitude by the government towards the policy changes.

Looking at the series of economic policy changes in Tanzania, one conclusion is pertinent, that is both the pre-reform and post-reform economic policies aimed at improved well-being of the people as the final goal. The advocate of the pre-reform policies was Mwalimu Nyerere who had to defend his model almost throughout his lifetime and tried to convince Tanzanians on the effectiveness of the model. However, as we all know, the results were not that satisfactory. The model was a failure mainly because it was encouraging wastage and could not be sustained by any country striving to develop.

When suggestions for economic changes were submitted, Mwalimu Nyerere could not sanction them. As noted, he could not see the possibility of attaining the goals of 'raising the living standards of the people' using the new model given the fact that it was more or less the same model he had dismissed after independence.

In practice, the first model is not sustainable, while the current one can only lead Tanzanians towards the desirable destination when the problems in managing the economic reforms are resolved and corrected. Some of these problems are discussed in the coming sections.

ECONOMIC REFORMS IN TANZANIA

As noted earlier, the economic stagnation during the implementation of Nyerere's model of development necessitated the government to thoughtfully enter into economic reforms. Though encouraging at the initial stage, performance of the first model was devastating following poor economic policies and excessive government interference in economic management. Rapid expansion of parastatals and passive government policies aimed at favouring the public sector and discouraging private initiatives are some of the frequently mentioned factors.

The policy of socialism and self-reliance adopted in 1967 placed even more responsibility on the part of the state. This model gave the government an upper hand not only in the management of the economy but also in the production of goods and services. As Wagao (1993) puts it, the policy orientation was dominated by heavy emphasis on government control and ownership, an excessive party and government influence on resource allocation, more equality and a pronounced price regulation regime. After the Arusha Declaration, nationalization was massive and expensive resources were deployed to set up new public enterprises and expand others. Subsequently, by 1979 a total of 380 parastatals had been registered and by June 1990 this list had already reached 425 parastatals. The socialist attitude, patriotism and anti-colonial mentality, which had grown tremendously among early politicians of Nyerere's post 1967 regime, intensified this mission even further. The outcome of the operation was the creation of a huge public sector and village settlements all over the country .

During this period indigenisation was the catchword, in the minds of most educated Tanzanians who felt that it was their turn to take over prestigious positions in the new created public sector. There was practically a marginalisation of private sector involvement in almost all key economic sectors. Apart from being sidelined, legislations were passed to protect the newly created public sector (BCS, 1997). As noted, this is one of the important policy changes in the history of Tanzania. The impact of the changes on the socio-economic side was two-fold.

First, there were notable benefits and especially social gains to the Tanzanian society, namely:

- Through nationalization of foreign investments and private companies, ownership of most major means of production was shifted from the domination of the minority to the public, thus making it possible for the Tanzanian people to influence the decision-making process in the country to some extent;
- The established huge public sector created many employment opportunities to the indigenous people (see for example URT, various years); and
- The government was able to provide "free" basic social services in many parts of the country, which were more or less ignored before. These services included education, health and water.

In general, the results in the short run were encouraging particularly during the first half of the 1970s. Output grew on average by 5.1% per annum between 1966 and 1970 and 4.8% per annum between 1970 and 1976 while inflation averaged less than 10%. There were tremendous achievements in the social services sector.

Secondly, there were serious problems that resulted from the weaknesses of Nyerere's model of Socialism and Self-reliance. A few examples are presented below:

- Tanzania did not have enough and skilled workforce to manage the public sector. Most of the middle and sometimes low-level cadre were given top executive positions based on 'Africanization' and 'Ndugunization;' (know-who)
- In the effort to reduce the income gap most executives were paid very low salaries, thus encouraging them to misappropriate public funds;
- Likewise, employees were not adequately remunerated, as the salaries were very low;
- Both economic as well as business principles were not adhered to; political interests were overriding economic interests. For example, the income generated by parastatals was re-directed to finance political agenda sometimes against financial regulations, loans were extended contrary to the guiding financial rules and many projects were created to fulfil political motives etc.;
- The income generated by most public enterprises was not ploughed back (re-invested), thus with time these enterprises tended to be dilapidated; and
- The decision-making process tended to be very bureaucratic.

Following these inherent problems the survival of many public enterprises depended solely on government subsidy. This is one of the ambitious roles, which the government could not sustain thus, the shape of the Tanzanian economy started to disintegrate and the country continued to receive loans and grants from outside. At a later stage the donor countries felt that millions of the money they pour in does not make the desirable impact and therefore they became reluctant to pour more resources into Tanzania unless some basic structural constraints were resolved.

ECONOMIC CRISIS AND GOVERNMENT RESPONSE

Mwalimu's ideology of socialism and rural development, which included subsidized agriculture, substantial investment in unprofitable, state-owned companies and social services, was not accompanied with a proportional rate of economic growth. For most of the 1960s and 1970s, Tanzania's macro-economic performance was largely satisfactory. For example, up until 1977 the economy was running a balance of payments surplus. However, from 1979 when Tanzania went into war with Uganda onwards, the country's economic position changed dramaticaly. The country's economic development was undermined, among others, by heavy economic costs of financial support for liberation movements in other African countries, long-term engagement in the war against Uganda, the oil crisis, the collapse of the East African Community and mounting corruption.

The government responded to the emerging economic crisis by adopting economic stabilization and reform policies. The attempts to stabilize and stimulate economic growth began with rather unsuccessful 'home-grown' economic reforms in 1981 and 1982. Failure to address the economic problems with home-grown solutions led to the adoption of IMF supported economic reform programmes in 1986. Thus, between 1986 and the present time more reform measures and programmes have been initiated and implemented.

Major Reform Measures Instituted in Agriculture

Distortions in the Tanzanian economy that were caused by government policies up to mid 1980s required major reforms and external assistance from the IMF, the World Bank, and the donor community. A series of mandated adjustment programmes, policies, and credit arrangements and facilities were implemented and provided under the IMF/World Bank-led assistance. These included, the 1986 stand-by arrangement whereby the IMF agreed to grant Tanzania a 64.2 million SDR, the 1987 Structural Adjustment Facility, the 1991 Enhanced Structural Adjustment Facility (ESAF), and the 1996 ESAF. With the on-set of the economic reform programmes since mid 1980s, agricultural development has been addressed through the following policy measures:

- Restructuring and privatisation of agricultural parastatals;
- Liberalization of crop marketing;
- Participation of the private sector in importation and distribution of farm inputs and veterinary drugs;
- Establishment of a national Farm Inputs Fund to ensure effective distribution of important farm inputs at reasonable prices;
- Removal of subsidies on manufactured fertilizer;
- Introduction of export tax on agricultural commodities; and
- Revival of cooperatives.

Most of the above mentioned measures have been completed. The government has withdrawn, almost completely, from direct production, distribution and in the setting of prices. The privatisation of agricultural parastatals is currently at its final stage and resource allocation and prices are primarily determined by the interplay of market forces of supply and demand.

THE IMPACT OF THE REFORM MEASURES ON AGRICULTURE

There is a general agreement among researchers and policy makers that the impact of reforms on the agricultural sector is mixed and that they have generally brought about a low agricultural supply. The acknowledged improvement in macro-economic policy has not been accompanied by efficient and broad-based response by both smallholders and private investors. The withdrawal of the state from Tanzania's agriculture has left a vacuum in rural areas away from cities. Resources to finance core-support services and meet capital and operational expenses have declined substantially. The sector is under-funded and resources have been decreasing yearly. Agriculture expenditure amounted to 6.25% during the 1984-88 period but fell drastically to 3.74% in the 1997/98 financial year. During the 1996/97-1998/99 period, the budget allocated to the Ministry of Agriculture and Co-operatives (MAC) averaged 2.5% of the total government recurrent budget, when, in fact, the sector has on average been contributing over 50% to the GDP. Currently, Tanzania spends below 1% of the agricultural GDP on agriculture compared to about 12% in most developing countries. In addition, over 90% of the development funds are from donors (URT, 1999). This suggests that the government has neglected the sector in as far as the budgetary allocation is concerned despite the fact that agriculture is supposed to be the engine of economic growth in the country.

The implementation of the reforms has faced a number of obstacles, which jeopardize the achievements of the new policies. For example, the process of transforming the economy from public to private ownership has created havoc as losers have outnumbered winners. The government's capacity to manage the changes is still weak and unless it improves, the number of losers will keep on multiplying. During the reform period the government was meant to take a facilitative role by way of not only creating and sustaining an enabling environment, but also strengthening, monitoring and accordingly instituting corrective measures where necessary. However, so far government institutions have not been able to effectively commence this important function.

Specific Effects of the Reforms

Reforms were introduced to redress, among others, declining rural incomes. The impact of the agricultural recovery on rural incomes has varied, however. Generally, cash crop producers and areas close to urban markets and those connected to transport infrastructure have gained most (Lugalla, 1993). Variations in the gains reflect differences in access to inputs, proximity to markets and infrastructure, and in resource endowment. The relatively well-off areas include those with the most intensive agricultural systems, especially the coffee, maize and legume systems of the Southern Highlands, and coffee, banana and dairy systems of the North. On the other hand, the relatively poorer regions including the agro-pastoralist zone of the semi-arid central plains and the cashew and cassava areas of the south have gained less.

The reforms have changed agricultural systems substantially: from a single-channel marketing and distribution system for both inputs and outputs with fixed prices and centralized planning to a free market system. Hammond (1997) notes that Tanzania's agricultural sector is now actually freer than those of its major donors. Specific effects include the following:

Inflation on the Decline

After an initial decrease in the first few years of the programme, inflation began to rise reaching 36% in 1994 and 28% in 1995. The third phase government has very successfully managed to cut down inflation from 28% it inherited to 7.7% in June 1999 (BoT, 1999). This is a commendable achievement and it needs to be sustained despite the fact that this impact is not felt and appreciated by the majority of Tanzanians.

Debt and Donor Dependency on the Increase

Tanzania is one of the heavily indebted poor countries, which has become more dependent on donor funds than ever before. Dependency of donor finances for agricultural development expenditure is above 90%. The overall total debt stock, which includes both external and domestic debt as at 30th June 1999, stood at US$ 8,871.7 million. During the financial year 1998/99 actual debt service amounted to US$ 310.6 million. To service this debt the government spent about 33% of the actual budgeted revenue. In November 1999, the total external debt committed was US$ 7,296.3 million while the total domestic debt stock owed by the country comprising of government securities (i.e. stocks, bonds, treasury bills, promissory notes, sales agreement and tax reserve certificates) and contingent liabilities stood at TShs. 901.3 billion. The position regarding the implementation of the Paris Club V Agreed Minutes indicates that debts worth US$ 861.5 million have so far been cancelled, while US$ 787.9 million and US$ 13.4 million were rescheduled and deferred respectively. These amounts relate to bilateral agreements with the Governments of France, Germany, Austria, Norway, Netherlands, Canada, USA, Belgium, United Kingdom, Brazil, Italy and Russia. The Paris Club V bilateral agreement with Japan has not been signed (BoT, 1999).

Degradation of the Natural Environment

The expanding aggregate demand together with other poverty driven factors have disrupted and impacted negatively on the natural environment in the country. Empirical evidence has revealed that nutrient loss in the country is severe (Sankhayan, 1994). For example, according to the findings, land use systems in the country have led to a net loss of 27 kg of nitrogen per ha, 9 kg of phosphorous per ha and 21 kg of potassium per ha in 1983. Projections indicate that in year 2000 nutrient losses are likely to be higher as the net nutrient losses are estimated to be 32 kg per ha (nitrogen), 12 kg per ha (phosphorus) and 25 kg per ha (potassium).

Agricultural Technology

For most parts of Tanzania, farming is an extremely low-intensity affair making very little use of manufactured inputs. Although animal traction is used in a few localities and a few members own tractors, the short hand hoe is still the only ubiquitous capital input. Most farmers use seeds from their last season's crop harvest and apply little or no chemical fertilizers or pesticide. According to Lele in Putterman (1995), only 10% of the area planted with maize was under improved maize seed compared to 95% in Zimbabwe and 65% in Kenya. An average of 8-9 kg of chemical fertilizer are used per cultivated hacter, lower than the African average of 10 kg and far below the 49 kg average for Latin America, the 116 kg average in developing Asia and 98 kg average for the world as a whole. Agriculture is rain-fed, weeding and manure are limited and spacing of seeds is casual.

Devaluation has dramatically increased the prices of inputs required for both food and export crops. Between 1989 and 1992 alone the price of fertilizer increased between 183% and 412% depending on type. The price of improved seeds has also gone up under the adjustment programme to an extent that between 1986 and 1991 there was a 60% decline in the number of households using improved varieties (Bagachwa et al., 1995). A recent study (World Bank, 2000) observes that input use on food crops is not profitable in many situations and has fallen substantially. High input prices have discouraged food crop production and caused great losses for producers and unpredictability of returns.

Agricultural Productivity

As noted earlier, following the low level of technology, yields on farmed land are still very low. Nevertheless, producers in different locations feel the effect of liberalization differently. For example, while in some areas the average farm harvest is 1.4 tons of maize per ha, up from 0.7 tons in early 1970s, others manage only 0.5 tons of maize per ha (World Bank, *op cit*).

Agricultural Marketing

Many observers have viewed the response of private traders to the economic reforms favourably. However, the absence of government institutions in the areas of facilitation, co-ordination, monitoring etc has marginalized many farmers allowing unequal flow of benefits accruing from the liberalized economy. There are cases where dishonest private traders, for private motives, distort the good quality of Tanzania's coffee in foreign markets. This tarnishes the country's image abroad. Furthermore, private companies have cheated farmers in Songea by assigning lower grade to first class tobacco they produce. Again, this is done purposely for profit motives.

The absorptive capacity of the national market still poses a constraint to farmers' productive potential. This is particularly so when there is poor development of the international market for Tanzania's grain. Food marketing, for example, becomes a costly endeavour when farmers in the periphery and favourable growing areas such as Rukwa are forced to ship their products over 1200 km to the Indian Ocean port of Dar-es-Salaam. The city could be supplied more cheaply by imports, while Rukwa's consignment could be shipped to the neighbouring land-locked nations of Zambia and Zaire thus improving agricultural earnings.

Farmers feel neglected when they see their government importing maize from outside before clearing the existing stocks in the villages. Liberalization has neglected many farmers in the remote localities as private traders avoid the areas due to higher transportation costs. For many years Tanzania has been one of the important destinations of refugees. However, one would wonder why food for these refugees is imported from outside when there are huge stocks in the domestic villages. It is not impossible to give the local producers first priority given the fact that the refugees' social costs spilling over to indigenous people are very high.

Food Security

According to the World Bank (2000), food security can generally be defined as the situation in which all people at all times have enough food for a healthy and productive life. It therefore involves three components, namely, food availability, food access and food utilization. Food security in the country can therefore be gauged by looking at growth in production and imports and growth in the purchasing power (incomes) and the nutritional intake associated with food consumption.

The situation on food security varies from one locality to another. A few attempts that have been made to gauge the extent of food security in the country have revealed different results. Obviously this is partly because of using different approaches and different sets of data. FAO data, for example, show that apparent per capita food consumption has declined since 1986, while data from the Agricultural Statistics Unit of the Ministry of Agriculture shows that the apparent per capita food consumption which used to be low in the 1980s has been relatively stable since the early 1990s. The household food security, measured by the per capita value of food consumption varies significantly depending on the location, household size, farm size, occupation, type of crops and weather. Also important to mention is the demand analysis made using the HRDS, which reveals that income elasticity for maize is relatively low, while those of wheat, potatoes, animal products and rice are relatively high.

Agricultural Export Performance

Unlike food crops, the reforms in the export crop sector were somewhat delayed. Why state decontrol over trade in traditional export crops came late while that of food crops was instituted early is an interesting question of political economy. The answer to this question ought to be related to the relative magnitude of the financial losses associated with each. In any case, devaluation of the Tanzanian shilling, which accelerated in the late 1980s, might have stimulated exports because the producer conventionally received a portion of the official purchase price. However, the domestic inflation, the impact of devaluation on imported input costs, unfavourable world market price trends and reduced government capacity to subsidize input distribution and marketing operation have tended to deny the producers the windfall gains from exports. Put it in a different way, although export volume of most traditional crops has been increasing, the export value in real terms has been declining; to a larger extent, this is the result of unfavourable world market prices. The prices at the world market are very fluctuating and cyclic. Unless traditional exports are promoted, gains from agricultural exports will remain negligible.

To-date, the government has not promoted the grain trade for fear of compromising domestic food security. Thus licenses to export food are almost absent and if one attempts to apply for one, it must be obtained from the central government, although illegal cross border trade is also substantial in some areas (Ackello-Ogutu and Echessah, 1998).

Infrastructure

Economic reforms have not attracted investments in improving the key infrastructure. Most of the new investments are made in areas with relatively better and/or improved infrastructure and least risks; this makes agriculture even more dilapidated. The poor communication and transportation infrastructures account for many anomalies in the country. For example, it is not uncommon to hear of food insecurity and/or hunger in some parts of the country despite the fact that there is normally a surplus of approximately 38% of major cereals in an average year (Maro, 1999).

Impact on Crop Output Mix

While some sources portray a relatively satisfactory performance of the agricultural sector during the 1985/86-1995/96 compared to the past ten years (BoT, 1999), others contend that it was not impressive, if not negative. The real GDP growth rate of the sector averaged 4.1% in 1985/86-1989/90 and then slightly increased to 4.3% per annum in 1990/91-1995/96. Figures 4.1 and 4.3 indicate a stagnant situation while nominal improvements appear to have occurred in the exports of the major six export crops, and more so for coffee, cotton and cashewnuts (see Figure 4.2). As Appendices 4.1 and 4.2 show, the growth rate of food aid declined substantially from 4.2% before the reforms (1975-84) to -20.2% during 1985-89. It however increased substantially to 38.1% during the 1990-94 period.

Fertilizer imports and use as well as the area under major crops and yields followed the same trend. In terms of yield, the most affected crops were coffee and tea.

Incentives to Farmers

As far as cash crops are concerned, the trend shows that incentives for the respective crops improved immediately after liberalization of agricultural marketing. Thereafter production rose and fell alternately. By the end of 1980s the cashewnut industry was in the brink of complete collapse. The first year of the reform (1991/92) was a failure because of partial liberalization. The second year of reform saw the beginning of tangible improvements. During 1991/92 and 1992/93, marketed production averaged 37,000 tons and export revenues recovered to their levels of the early 1980s. Producers were paid higher prices promptly. This encouraged them to harvest their cashewnuts, rehabilitate their farms and plant new seedlings (Jaffee, 1995).

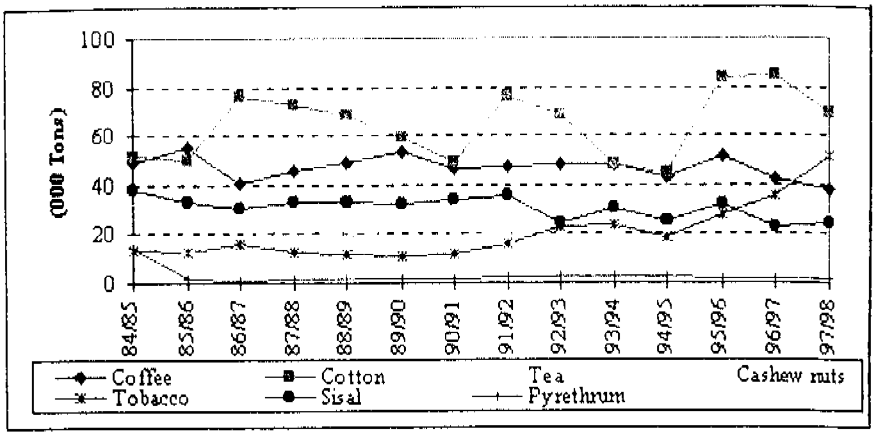

Figure 4.1: *Production of Major Export Crops in Tanzania (1984/85 - 1997/98) (Tons)*

Source: Appendix 4.3

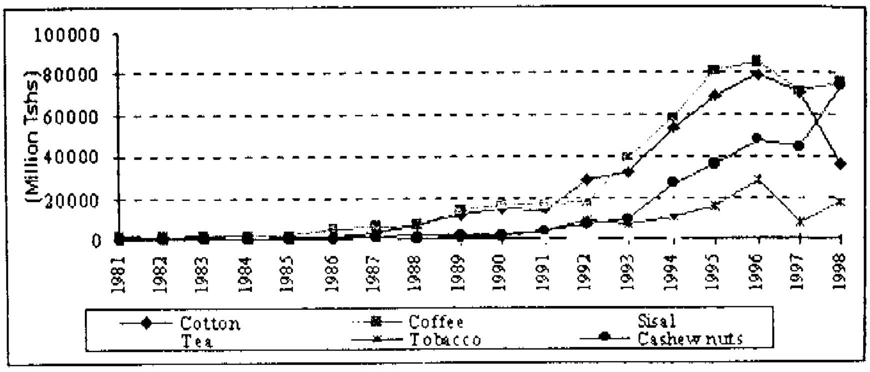

Figure 4.2: *Tanzania's Traditional Exports (1981- 1998) (T.Shs. Million)*
Source: Appendix 4.4

Similar positive trends were observed for cotton whose market was liberalised in 1994. Many private entrepreneurs became involved in the cotton sector while the roles of the Cotton Board and the Cooperative Unions were significantly reduced. Production of the crop almost doubled during the 1995/96 season from 44,500 tons in the previous season to 84,200 tons. In 1997 and 1998, private buyers bought 56% of the total seed crop in the Western Cotton Growing Area, which produces about 90% of all cotton produced in the country. Since liberalization of the sector in 1994, 21 new ginneries have been built by the private sector (Van der Linde *et al.*, 1998). However, production of cotton declined sharply after 1995/96 due to bad weather and essentially due to failure of co-operative unions to pay farmers the announced prices on time. Coffee market liberalisation had similar effects. Farmers received higher prices and this motivated them to maintain their fields but poor buying arrangements failed the crop. The liberalization of tobacco, tea, pyrethrum and sisal markets was effected much later and this similarly brought about positive developments.

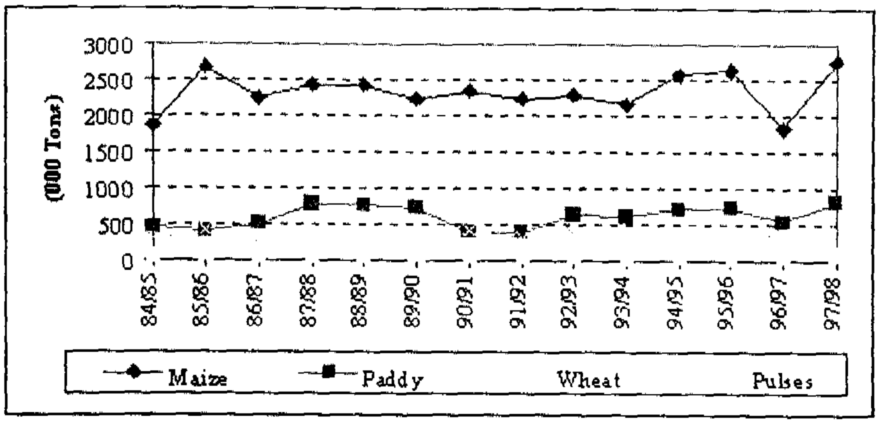

Figure 4. 3: *Production of Major Food Crops in Tanzania: 1984/5-1997/8 (Tons)*

Source: Appendix 4.5

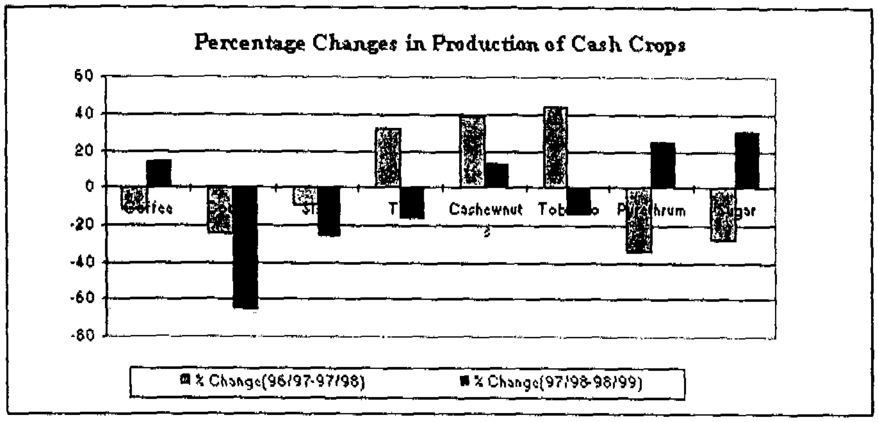

Figure 4.4: *Percentage Changes in Production of Cash Crops in Tanzania 1996/7-1999/00*

Source: Appendix 7

Recent performance of cash crops (1996/97-1998/99) has been very mixed. Extreme changes or jumps from positive to negative growth rates are observable. The extremes are for crops such as coffee, tea, tobacco, pyrethrum and sugar. The only crop that registered consistent positive growth is cashewnuts. Cashewnut production grew by 39% in 1997/98 from 67,500 tons the previous season and by 13% to 105,000 tons in 1998/99. The crops whose production fell persistently were cotton and sisal. Cotton registered the worst fall in production of 24% and 65% during 1997/98 and 1998/99 respectively. Cotton production fell from 501,087 bales in 1996/97 to 133,532 bales in 1998/99 (*see* appendix 7). During the same period, sisal production fell by 19% and 25% respectively. The crops that swapped from positive to negative growth rates are tea and tobacco from positive increases of 33% and 44% to drops of 16% and 13% respectively. The growth in the production of coffee and sugar increased from negative 12% and 27% to positive 13% and 31% respectively.

Recent Initiatives to Redress Some Deficiencies in Agriculture

Despite the inadequacies discussed in the preceding section, the government has taken a number of new initiatives aimed at improving the performance of agriculture in Tanzania. For example, the President convened and chaired two meetings of regional and local government administrators throughout the country, one at Dodoma, and one at Dar es Salaam, that deliberated on the importance of strategies to increase agricultural production in the country. As a follow-up to deliberations of these meetings, the Prime Minister appointed a high-powered team of experts that was to come up with suggestions on how to promote faster agricultural development in the country. The MAC initiated Ministers' round table meetings with stakeholders in agribusiness. Four Ministers' round table meetings on floriculture, cereals, coffee, and cotton have already been held. Four other meetings were planned for June 2000. The MAC is also facilitating Regional Commissioners' round table meetings in all regions of Mainland Tanzania. Regional Administrative Secretaries from the Mainland attended a one-day workshop to sensitise them so that they could successfully organize Regional Commissioners' round table meetings in their respective regions across the country. The overall objective of this initiative is to improve dialogue and institutional relationships with the private sector and other stakeholders in agriculture with the aim of promoting development of agri-business in the country.

Funding of Agricultural Research

It is now a general policy that the private sector should contribute to the funding of agricultural research. The marketing of all major traditional crops has been liberalized, and correspondingly, research has to be demand driven. Consortia of stakeholders e.g. the private sector, researchers, policy makers etc, in the respective crop industries handle issues concerning the respective crops. Research priority areas are agreed upon among all stakeholders. Stakeholders in the cashew and cotton industries have formed boards of trustees while steering committees have been formed for sugar, coffee, and sisal industries. Boards and steering committees oversee the collection and spending of the levy contributions. One example is that of cashewnuts where key stakeholders in the cashewnut industry, including the Cashewnuts Association of Tanzania (CAT), the Cashewnuts Board of Tanzania (CBT) decided to establish a non-governmental organisation called Cashewnut Industry Development Fund (CIDEF) in May 1996.

As far as the cotton industry is concerned, the Tanzania Cotton Marketing Board (TCMB), the government and donors have traditionally funded cotton research in the country. After the donor-funded project stopped in 1982, research activities declined markedly. During the period 1988-1993, an average of 43 million TShs. per year was received, of which 75% originated from the TCMB and 25% from the government. The amounts received were only about a quarter of the requested budgets. This under-funding led to rapid deterioration of research infrastructure, insufficient money for operational costs, low salaries and demoralization of staff. Cotton research did receive sufficient funds even under the National Agricultural and Livestock Research Project (NALRP) where cotton was identified as one of the priority crops.

Since 1996 ginners and traders have been required to pay a research cess per kilogram of seed cotton bought from farmers. The collection of the cess and allocation of the funds to research programmes is handled by the Cotton Research Trust Fund which started in 1996/97. In 1996/97 and 1997/98, the Trust Fund contributed Tshs. 89 million and Tshs. 210 million respectively and about TShs. 220 million in 1998/99. The increase from the 1988-1993 levels is more than 100% and 500% respectively (Van der Linde et al., 1998). This arrangement is expected to make a significant contribution towards reviving cotton research in the country.

Currently, the following rates are charged to contribute to research and development in the respective crop industries: 1% FOB cashewnuts; 0.25% FOB coffee; Tshs. 2 per kg of processed sugar; and Tshs. 2 per kg of green leaf tobacco bought from farmers. Tea research is under the tea industry itself, and it has established its own research institute called Tea Research Institute of Tanzania (TRIT).

Contract Seed Production

Liberalisation of crop markets has enabled producers to sell their produce freely to any buyer. Seed varieties developed for specific areas are now moving freely across ecological zones. This, however, threatens research achievements made so far. To realign with this reality MAC and the National Agricultural Research

System is introducing a new system of smallholder seed breeding aimed at ensuring sustainability and consistence in the availability and use of the varieties. This is basically a community-based seed multiplication undertaking where seeds are produced by what are called pilot farmers, contract farmers, or on-farm seed producers in collaboration with breeders and NGOs such as the Christian Council ofTanzania (CCT) and Italian LVIA at Kongwa for maize and bean seeds, which are already involved in the exercise. In the case of cotton, for example, the Tanzania Cotton Lint and Seed Marketing Board (TCLSMB) will contract villages or farmers to grow specific recommended cotton varieties to be ginned at specific ginneries and the seed resulting therefrom distributed back to producers in that locality.

Joint Ventures and Business Co-operation

The withdrawal of the public bodies from commercial activities in the agricultural sector took place before private entrepreneurs were ready or were prepared to assume the new responsibilities. In other words, institutions to take over the role played by those oriented towards public sector agribusiness development were not readily available. Owing to this vacuum, a number of initiatives have been made towards filling this gap.

In November 1995, Sida appointed Boliden Contech AB Project Manager for the Enterprise Development Programme (EDP) in Tanzania. The Programme is aimed at business-to-business co-operation between Swedish and Tanzanian companies. Partnership in Agribusiness has resulted into formation of firms as indicated in the Table 4.1. The agricultural crops involved include sisal, tea,

Table 4.1: *Partnerships Between Tanzanian and Swedish Firms in Agriculture*

Name of the Firm	Location	Nature of Business
D. D. Ruhinda & Co. Ltd	Tanga	Manufacture of sisal carpets for the European market
Kyela Co-operative Union	Mbeya	EPOPA, preparing for organic certification (KRAV) of cocoa production
Tanzania Tea Blenders	Dar-es-salaam	Export of Africafe and tea to Sweden through Africa Import of Nykoping
Dabaga Vegetable and Fruit Canning Co. Ltd	Iringa and Dar-es-Salaam	Export of canned fruit products to Sweden through Africa Import of Nykoping

Source: Embassy of Sweden/SIDA (1999). "Business on the Way: Commercial Relations in Partnership Between Sweden and Tanzania," Dar es Salaam.

cocoa, vegetables and fruits. The advantages of such partnerships include, capacity building, assured markets for the products and thus improved prospects for framers' incomes, increased ability of local products to compete both locally and in the world markets.

Endorsement of the Land Bill by the Government

Land as one of the major factors of production is a very important resource without which agricultural production cannot be undertaken. The government passed the Land Bill in 1997 and it has become an Act recently. The overall objective of the new National Land Policy is to promote and ensure a secure land tenure system and to encourage the optimal use of land. Given the role of land as a major productive asset, security of land tenure is critical for agricultural investment and development. Further action by the government on this issue is expected to speed up investments in agriculture.

REFORMS AND THEIR IMPACT ON POVERTY IN TANZANIA

We have discussed the changes, which the reforms have brought in the agricultural sector, without specifying what these changes imply in terms of the levels of poverty in the country. The present section attempts to look at the implications of the changes to the incidence as well as severity of poverty in Tanzania.

Tanzania's per capita GNP of US$ 210 is low and far below the Sub-Saharan Africa and East Asia's averages of US$ 500 and US$ 970 respectively. Per capita incomes in Tanzania vary significantly across regions. The majority of regions have per capita incomes, which are between 10% and 20% lower than the national average. The highest levels of poverty are found in the Central Zone (Dodoma and Singida) and the Southern Zone (Mtwara, Lindi, and Ruvuma). The average life expectancy at 48 years is also low but close to Sub-Saharan Africa's average of 52.5 years. Other vital statistics show that the crude birth rate is 41 per 1000 people, crude death rate is 14 per 1000 people, infant mortality rate is 85 per 1000 live births and total fertility rate is 5.5 children per woman.

Using the GNP per capita measure, the World Bank places Tanzania among the bottom five countries. According to a World Bank's Development Report (1997) only two countries - Mozambique and Ethiopia - ranked worse than Tanzania. The average GDP per capita for 2000 prices estimated at US$ 270, still makes Tanzania one of the poorest countries in the world.

On the other hand, the Human Development Index (HDI), a measure designed by the UNDP as a more welfare-indicating alternative to the widely criticized single dimensional money metric GDP measure, indicates that not only Mozambique and Ethiopia, but in fact as many as 26 countries lag behind

Tanzania. Human Development Index measures the country's achievement in terms of life expectancy, educational attainment and adjusted real income. Therefore, if some of the most basic human welfare indicators such as life expectancy and educational attainment are given a weight equal to that of GDP per capita, Tanzania's achievements seem somewhat higher.

The Capability Poverty Measure (CPM), which was introduced by UNDP in the 1996 *Human Development Report*, defines human development as the expansion of capabilities such as capability to lead a life, free of avoidable morbidity; or being informed, educated and well nourished. CPM is a simple index composed of three proxy indicators that reflect the percentage of the population with capacity shortfalls in terms of education attainment and gender equality, health, nourishment and safe reproduction. Using the CPM Tanzania moves further up in the ranking list of world's nations, leaving 43 countries behind. This shows that Tanzania has done relatively better in reducing poverty among her poorest citizens.

Poverty in Tanzania is primarily a rural phenomenon implying that the majority of the poor in Tanzania live in the rural areas. The incidence of poverty in the rural areas is twice as great as in the urban areas while the severity of poverty in the rural areas is three times that of the urban areas (World Bank, 2000). According to the World Bank (1996) about 65% of rural Tanzanians live below the poverty line, with rural households comprising about 92% of the poor. Based on the 1983 Household Budget Survey (HBS), the 1991 Cornell-ERB HBS and the 1998 REPOA HBS, the headcount ratio of poverty as measured by the US$ 1 per day poverty line are given as 65% in 1983, 51% in 1991 and 43% in 1998 respectively. This represents an average decline in poverty of just over 2.6% per year. However the findings from other studies portray a different picture. For example, using 1994 prices, Amani and Mashindano (1999) establish that 47% of Tanzanians were below the poverty line in 1994. Likewise, on the basis of 1998 prices, Rutasitara (1999) reveals that poverty incidence for the rural areas stands at 61%, which shows that in 1998 poverty worsened compared to the headcount ratios for 1991 and 1995, reported to have been 59%. On average about 60% of Tanzanians in the rural areas live below the poverty line. Research findings show that poverty is associated with less education, large size of the household, whether households grow cash crops or not, lack of credit, non availability of implements etc.

It is estimated that 90% of the rural labour force is employed in direct farm activities and the remaining 10% is employed in Rural Non-Agricultural Activities (RNAs). Estimates of the income share of RNAs to total rural income in the mid- 1980s were 33%. This share apparently declined to 10% in 1990. Less than 10% of the working people are employed in RNAs (Collier et al., 1990). This means that agriculture has increasingly remained the main source of rural income.

One of the difficult realities is that agriculture makes those preoccupied in it vulnerable to unreliability of income flows. With capital deficiencies, the chances of being poor while relying on a farm income are much higher than with non-farm sources of income. Given the present level of agricultural productivity, the insignificant non-farm activities and the rather bleak outlook for improved agricultural terms of trade, there is a potential threat for increased poverty incidence in rural Tanzania. This is partly reflected by the high rate of rural-urban migration in recent years.

The neglect of the rural people manifested in various malfunctioning and failures of established systems, has overtime led to a dangerous vicious circle of effects. Based on the preceding discussion, three major conclusions can be made. First, whatever indicator one may use, Tanzania remains one of the poorest countries in the world; the overall picture emerging from recent surveys has generally revealed that poverty in Tanzania has tended to increase during the past two decades. Secondly, poverty is largely a rural phenomenon as incomes are lower in rural areas and the extent and depth of poverty is much greater than in urban centres. Lastly, in the case of Tanzania the choice of indicators has a strong impact on the relative ranking of the country among the poor ones. In other words the results and therefore conclusions on the extent of poverty in the country from different surveys are different mainly due to the use of different sets of data and approaches to measuring poverty.

Causes of Poverty

Poverty is a result of both internal and external factors. Whereas the internal causes can be clustered into economic and social factors, external causes are related to international trade, external debt etc. The internal causes of poverty include all factors that adversely affect economic growth with equity such as poor economic policies followed in the past, disruption of local institutional structure, low technology and inadequate support to the agricultural sector and industries. Most of the external factors have adversely affected the ability of the country to combat mass poverty. As noted earlier, they include unequal exchange in international trade, debt burden and natural calamities.

It is important to note that for Tanzania, poverty reduction efforts are closely related to the transformation and/or performance of the agricultural sector. The discussion on poverty in the Tanzanian context inevitably involves the rural sector, which implies agriculture and rural development. This is particularly so because most of the poor earn most of their income from agriculture.

Measures to Eradicate Poverty

Although the government has had poverty eradication as a policy objective since the 1960s, there has not been notable achievement towards this direction. The government made an implicit assumption that poverty eradication could be achieved as an outcome of economic growth and general distribution policies. However, policies that the government implemented did not promote sound economic growth and as a result there was nothing to distribute. Subsequently, the government has been adopting various structural and economic changes aimed at eradicating poverty; some are: the national Poverty Reduction Strategy (NPRS) and Poverty and Welfare Monitoring Indicators (PWMI).

Among the initial steps taken by the government was to have a National Poverty Reduction Strategy which was followed in 1999, by the Poverty and Welfare Monitoring Indicators exercise, which spells out areas in poverty eradication and mechanisms for monitoring implementation of poverty eradication programmes. All these initiatives attest to the significance and commitment the government attaches to the objective of poverty alleviation. NPES originates from a programme which was known as the "Social Dimension of Adjustment (SDA)." This programme was located in the office of the Planning Commission. SDA was formulated in response to Economic Reform Programme (ERP), which had given more emphasis on what was called growth productive sectors, and down-played the role of social sectors, which were equally important. Following the Social Summit, held in Copenhagen in 1995, all countries were urged to formulate NPES. In Tanzania the National Poverty Eradication Strategy for instance, calls for the reduction of abject poverty by 50% by the year 2010 and the total eradication of poverty by 2025. The process of formulating NPES was generally participatory involving a range of stakeholders (Msambichaka and Mashindano, 2000). Note also that immediately after the World Social Summit a Division of Poverty Eradication was formed under the Vice President's Office.

Poverty Reduction Strategy Paper (PRSP) for Tanzania: Tanzania qualifies for debt relief under the enhanced HIPC initiative, formulated by the World Bank and IMF in September 1999. The crafting of PRSP enabled Tanzania to reach completion point. PRSP aims at addressing the country's deep rooted and pervasive poverty problem through policies and other measures that will raise growth and enhance the participation of the poor in the development process. Like the NPES, PRSP preparation and its implementation were participatory (URT, 2000). It drew most of the inputs from the NPES, but it is more focused. The intention is to begin with a few sectors, namely: Agriculture and Cooperatives, Education, Health, Rural Roads and Water (priority sectors in poverty reduction).

Tanzania Development Vision 2025

The recently endorsed Tanzania Development Vision 2025, envisages to reduce extreme poverty by 50% by the year 2010 and to eradicate it by the year 2025.

Tanzania Assistance Strategy (TAS)

TAS is about to be adopted. The overall objective of TAS centres on the optimal utilisation of the assistance the country receives from both bilateral as well as multilateral donors. Put it simply, TAS is geared towards creating the atmosphere, which will ensure the best mechanism to eradicate poverty and improve the well being of Tanzanians using the assistance the country manages to access.

The National Micro-Finance Policy

The government's overall objective in this policy is to develop a financial network in the country that can serve the low-income segment of the community and thereby contribute to economic growth and reduction of poverty.

The Rural Development Strategy

This focusses on priority areas and actions required to improve conditions in rural ares.

THE FUTURE OF THE REFORM PROCESS

Tanzania is one of the countries which has made a big step in implementing economic reforms in Africa. Macroeconomic indicators indicate strong recovery to an extent that the Intelligence Unit of the Economist (January, 1999) indicated that Tanzania will be among the top 20 fast growing countries in the developing world, with GDP growth exceeding 5% per annum over the medium term. The World Bank assesses the Tanzanian privatisation programme as one of the best in Africa. The acknowledged improvement in macroeconomic performance has however not been accompanied by efficient and broad-based supply response in various economic activities and the benefits have not trickled down to the targeted segment of society. Although the country has succeeded in bringing and maintaining macro-economic stability and it is continuing to remove anti-export bias, it has not been able to eliminate discrimination against agriculture. Per capita growth rates of the sector have remained rather low and are insufficient to make a dent in the rising incidence of poverty.

The lessons that Tanzania can learn from Nyerere's model of development are numerous. The ideal society Nyerere desired to attain is one in which self-reliance guarantees sustainable higher living standards and individual freedom. As already pointed out, this objective boils down to poverty eradication and improved welfare of the people. This was an ideal destiny which all of us would wish to achieve. We cannot afford to abandon these credible ideas. We only need a proper vehicle to take Tanzanians to this admirable destination, but for sure not Nyerere's 1967-instituted model of Ujamaa because it is not sustainable.

The present model appears to be realistic, but it can only work when corrective measures are taken to eliminate existing constraints.

Economic reforms in the country should be seen, fundamentally, as the foundation upon which sustainable and equitable development can be built. Changes are important for development and they normally result from internal and external pressure. Economic changes are not an exception and Tanzania has to accept them. What is needed is to understand the changes very well so that Tanzania can manage them efficiently. This requires change of attitude by the public as well as the leadership.

Private investors are economic agents who are driven by self-interest rather than public interest. They are not concerned with negative consequences of their investments. The government needs to be awake throughout when the new investments are made. There is an urgent need for the government to take up the facilitative role, strengthen monitoring and undertake periodic assessment of the reform process. This arrangement will be of help to enforce policy adjustments and/or corrective measures. With basic liberalization policies almost in place, the future of agricultural transformation and poverty alleviation in Tanzania lies on addressing the financing and infrastructure constraints more vigorously. Information will flow more easily and more incentives will be created; this is expected to motivate stakeholders adopt modern practices in agricultural management. This will enhance productivity and competitiveness in the sector.

The prospects for future growth of the agricultural sector depend on the intensification of production. Most growth in per capita output in the sector will have to come from more intensive use of existing resources. This is not possible if farmers continue to depend on rainfall. It is generally expected therefore that farming in the country will develop from subsistence to semi-commercial and commercial medium-scale farming even though in the process, some of the producers may be eliminated from commercial farming activities due to competition and economies of scale. Successful intensification in agriculture can only be achieved through sound frameworks of macro-and micro-policies, the expansion of investments in agricultural research and infrastructure, building and/or maintaining efficient institutions, promotion of environmentally friendly agriculture, and building the human capacity (human resource). This should be accompanied by the creation of a legal framework to make and enforce appropriate laws.

Agricultural intensification in Tanzania would be feasible if available resource endowments and technical know-how are effectively utilized. A few examples of what to do are given below:

- The available technology from national research findings should be effectively disseminated to the farming population;
- Extension services should be put fully in charge of disseminating the available technologies;

- Farmers should be fully involved in the decision-making process and planning;
- Productive resources such as land and water should be properly managed;
- Credit should be made available to farmers to enable them gain access to production inputs.

Prospects of the agricultural sector will be subject to relieving some of the constraints facing the sector. There is an urgent need to ensure that ways and means are developed to fully utilize and make good use of existing opportunities. Progress could be achieved by:

- Improving governance in general and substantially improving the capacity of the ministries/institutions involved in formulating, implementing, monitoring, and evaluation of agricultural policies specifically;
- Intensifying efforts to promote private sector participation. More direct measures to promote private sector participation should be applied; Specifically, the capacity to give advice to agribusiness should be enhanced.
- Enhancing the capacity of the local producers, agribusinesses and institutions and ensuring that the built capacity is put into use;
- Developing a financial network in the country that can effectively serve the rural population;
- Encouraging farmers to adopt improved agricultural and livestock technologies and packages that have been recommended by research;
- Seeking means and ways to reduce the costs of agricultural production;
- Ensuring availability of ready markets for agricultural produce. This will involve exploiting both local and external markets. Local demand can be stimulated through diversification of product use. Regulated competitive markets will be most desirable;
- Improving rural social infrastructure as an essential component; and
- Substantially increasing public expenditure on agriculture to reflect its importance.

CONCLUSION

This chapter reviewed the reform process to date as it has affected agriculture in Tanzania, assessed the performance of the sector since the initiation of reforms as it affects the level of poverty in the country, and pointed out prospects of the reform process for the agricultural sector. It is evident that the reform measures taken have not adequately impacted on the key variables in the agricultural sector. Agricultural technology and therefore productivity, the infrastructure hence, agricultural marketing and the agricultural financing, among others, have not been adequately addressed by these reforms largely due to policy implementation failures and institutional incapacity. Consequently, this process has created havoc as losers have out-numbered winners.

The resulting dismal performance of the agricultural sector has constrained poverty alleviation efforts in Tanzania, such that whichever approach one uses to gauge the degree of poverty, Tanzania remains one of the poorest nations in the world. Despite declaring war against poverty soon after independence, the incidence of poverty as well as severity of poverty have been taking deep roots in the country. The problem is more severe in the rural areas than in the urban centres. Also important to note is the fact that, owing to its importance in terms of the size of the population dependent on the sector, the sector's share of GDP, its contribution to foreign exchange earnings, poverty eradication in Tanzania is directly related to the transformation of the agricultural sector. Thus, the success in eradicating poverty depends mainly on the extent to which the agricultural sector is modernized and developed.

The government's capacity to manage the changes is still weak and unless it improves, benefits will tend to accrue to the minority and income inequality is bound to widen. During the reform period the government was meant to take a facilitation role by way of not only creating and sustaining an enabling environment, but also strengthening the monitoring and accordingly instituting corrective measures where necessary. However, so far government institutions have not been able to effectively commence this important function. It is clear that the government has been an observer rather than a key player in the reform period, despite the fact that it is supposed to play an important role of facilitation.

The pre-reform and post-reform economic policies are two different models aiming at the same destination; that is, improved welfare of the people. The advocate of the pre-reform policies was Mwalimu Nyerere who had to defend his model almost throughout his lifetime and tried to convince Tanzanians on the effectiveness of the model. However, as we all know, the results were not that satisfactory. Despite its achievements in the short run in terms of enormous social gains, the model was a failure mainly because it was encouraging inefficiency and wastage and could not be sustained in the long run by any country striving to develop. Private initiatives and entrepreneurship were also discouraged on top of the fact that it was emphasizing distribution at the expense of growth. Mwalimu Nyerere could not sanction the new model because he was worried on whether the objectives set earlier i.e. improving the living standards of Tanzanians could be attained.In practice, the previous development model is not sustainable, while the current one can only become effective when the embodied weaknesses and problems discussed earlier are resolved and corrected.

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