Tanzania:
Timeline of Agricultural Transformation, 1960 – 2015

Using a “traffic light” system, the timeline shows the reader our assessment of the impact of policy actions at a specific time and in a specific context. The impact refers to a country's progress (or regression) within and between the phases of agricultural transformation. Green means the policy action had a positive impact, yellow is an ambiguous impact and red is a negative impact. The traffic light approach is not intended to provide a normative judgment of the policy itself, since the impact of a policy depends on where, when and how it is implemented. Policy actions are organized into four categories: public investments, price interventions, macroeconomic policies and institutional reforms. The assessment is based on quantitative data and over 250 sources of literature. "Find out more" links will take you to a reference for the policy event. To learn more about this project, visit https://iisd.org/agricultural-transformation/

INSTITUTIONAL REFORMS

Land and Labour Reform
1960 - 1981

From the 1960s to the early 1980s, Ujamaa policies, also known as "villagization," mandated the systematic relocation of the majority of the rural population to village settlements, where basic social services could be provided. The policy did not create a new legal framework for land tenure, and relocation removed the perceived security of traditional land rights (Gibbon, 1995; Shivji, 1996).

PRICE INTERVENTIONS

Trade Policy
1967 - 1983

The government pursued an import substitution policy from 1967 to 1983, which included controls on imports and exports (OECD, 2013).
MACROECONOMIC POLICIES

**Economic Diversification**

1967 - 1983

Tanzania pursued an import substitution industrialization strategy, which included price controls, restricted trade and centralized decision making. The number of parastatal companies greatly expanded, from 42 in 1967 to 425 in 1984 (Shombe, 2008; OECD, 2013).

PRICE INTERVENTIONS

**Price Policies and Anti-Agricultural Bias**

1967 - 1983

From 1967 to 1983, Tanzania pursued an import substitution policy that included price controls and input subsidies for agriculture. From 1976 to 1984, fertilizer prices fell by 50 per cent due to subsidies. The fall in fertilizer prices was especially important for areas not connected to roads and markets, as the cost of transport made fertilizer unaffordable (Skarstein, 2005; Mogues et al., 2012; OECD, 2013).

Getting Agriculture Moving

1970 - 1992

INSTITUTIONAL REFORMS

**Credit**

1970 - 1988

Through the 1970s credit was under the control of the government, with public banks acting as agents of fiscal policy. The National Bank of Commerce (NBC) and the Cooperative and Rural Development Bank (CRDB) were the main institutions servicing rural areas. The Bank of Tanzania set ceilings on lending and deposits, as well as controlling interest rates. Both the NBC and CRDB had a majority of loans in arrears by 1988 (Wangwe & Lwakatare, 2004).
BIG PICTURE

**Structural Context: Abundant and Fertile Land**

**1970 - 1992**

What pathway should a given country take to best chart its course through agricultural transformation? By understanding the structural context of a country, we can answer this question better. The development transition can be achieved through an emphasis on higher agricultural productivity (the push strategy, because it counts on rural areas driving growth), or through higher productivity in non-agricultural sectors (the pull strategy, because it requires growth in the non-farm economy to pull people out of agriculture); and often a mix of both. To understand the structural context of countries, we clustered countries based on three dimensions: a metric of relative land endowment (abundant/scare), a metric of land fertility (fertile/infertile), and a metric of demographic change to reflect population pressure and to differentiate trajectories based on per capital endowments (low/high birth rates).

**MACROECONOMIC POLICIES**

**Monetary Policy and Exchange Rates**

**1971 - 1983**

The Finance and Credit Plan and the Foreign Exchange Plan launched in 1971/72 implemented a system of allocated credit and foreign exchange in support of the import substitution policy adopted by the government (Rutasitara, 2004).
PUBLIC INVESTMENTS

R&D and Extension Services
1980 - 1995

Agricultural research was overseen by the Tanzania Agricultural Research Organization, an arm’s length organization, from 1980 to 1989. The agricultural ministry took direct control in 1989, and consolidated research stations into a zonal system, with a Zonal Research Institute in each zone. Research institutes that focused on a specific crop were privatized. Structural adjustment policies in the 1980s and 1990s reduced the funding available for agricultural research, and a lack of resources made it difficult to maintain research infrastructure and retain staff (Coulson & Diyamett, 2012).

MACROECONOMIC POLICIES

Monetary Policy and Exchange Rates
1983 - 1992

Structural adjustment reforms began in 1983 with currency devaluation and foreign exchange deregulation. Further reforms were adopted in 1986 including allowing foreign banks to operate in the country and moving to a unified foreign exchange rate by 1992. Controls on exchange and interest rates were abolished in 1990. The reforms increased imports of transport equipment and consumer goods (OECD, 2013; Wuyts & Kilama, 2014).

INSTITUTIONAL REFORMS

Land and Labour Reform
1983

Reforms introduced under structural adjustment threatened to upend the villagization policy as private companies sought to buy land, and displaced people attempted to return to traditional lands. Ad hoc legislation was implemented to extinguish customary land rights and prevent return to traditional land; however it was subsequently overturned as unconstitutional. The National Land Policy in 1995 did not address the issue of land tenure (Shivji, 1996).
PRICE INTERVENTIONS

**Trade Policy**

**1983 - 1990**

Structural adjustment reforms began in 1983 and included a shift toward liberalized trade under the second reform package from 1986 to 1989. Import licensing was ended in 1990, and entry regulations for most sectors were relaxed (OECD, 2013).

BIG PICTURE

**Background Note on Transformation Phase**

**1989 - 1998**

GDP growth averaged 3.16 per cent annually from 1989 to 1998 (World Bank, 2019).

PRICE INTERVENTIONS

**Trade Policy**

**1990 - 1999**

Liberalization of major commodity crops including coffee and cotton was undertaken in the 1990s, with state marketing boards losing their monopoly. Morrissey and Leyaro (2009) argue that agricultural productivity in Tanzania is responsive to relative prices, and therefore greater efforts need to be made to expand market liberalization efforts. However, low expenditures on research and extension and the poor road network hampered trade liberalization, as farmers struggled to compete with imports due to a lack of access to improved varieties and underdeveloped input and output markets (Skarstein, 2005; Morrissey & Leyaro, 2009).

INSTITUTIONAL REFORMS

**Credit**

**1991 - 2002**

The Loans Recovery Program was established in 1991 to recover assets held by public banks. Some banks were privatized and banking was deregulated with the implementation of the Banking and Financial Institutions Act of 1991. Oversight of the banking sector was consolidated under the Bank of Tanzania in 1995. While credit was included in the liberalization reforms of the 1990s, there was still little incentive for banks to extend conventional credit to high-risk and small-scale farming (Wangwe & Lwakatare, 2004; Alphonce, 2017).
PRICE INTERVENTIONS

**Price Policies and Anti-Agricultural Bias**

**1991 - 1995**

As part of the structural adjustment reforms which began in 1983, price controls were ended in 1990. Fertilizer subsidies were reduced in 1991 and removed completely in 1995. The result was a large decrease in fertilizer use, especially in remote areas. Without subsidies, the cost of delivery of fertilizers to remote areas was too high for farmers, with a higher proportion reporting that fertilizer was too expensive for them to use the recommended amounts. The removal of subsidies resulted in production stagnation in key crops, as the high price of fertilizer reduced its use and yields. In Ruvuma, a maize-growing region in south Tanzania, fertilizer use fell from 75 kg of nitrogen per hectare in 1992 to 60 kg in 1996. A study found a significant negative relationship between fertilizer prices and maize production from 1984/85 to 1994/95 (Skarstein, 2005; Morrissey & Leyaro, 2009; OECD, 2013).

**Subsistence Agriculture**

**1993 - 2007**

**MACROECONOMIC POLICIES**

**Monetary Policy and Exchange Rates**

**1993 - 2006**

Foreign exchange rates and interest rates were transitioned to a market system beginning in 1993. A floating exchange rate regime was fully implemented by 1996. While exchange rate volatility and inflation have fallen from earlier periods, inflation remains high. Amendments to the Bank of Tanzania Act gave greater independence to the central bank (Rutasitara, 2004; Twinoburyo & Odhiambo, 2018).
What pathway should a given country take to best chart its course through agricultural transformation? By understanding the structural context of a country, we can answer this question better. The development transition can be achieved through an emphasis on higher agricultural productivity (the push strategy, because it counts on rural areas driving growth), or through higher productivity in non-agricultural sectors (the pull strategy, because it requires growth in the non-farm economy to pull people out of agriculture); and often a mix of both. To understand the structural context of countries, we clustered countries based on three dimensions: a metric of relative land endowment (abundant/scare), a metric of land fertility (fertile/infertile), and a metric of demographic change to reflect population pressure and to differentiate trajectories based on per capita endowments (low/high birth rates).

Agricultural research spending in Tanzania was low relative to other countries in sub-Saharan Africa, at USD 0.54 per hectare from 1996 to 2011. Low spending presented obstacles to agricultural research, including a freeze on recruitment in the research system from 1995 to 2005. However, rate of return to agricultural value added for agricultural research expenditure per hectare was strong, at 162 per cent over the 1996 to 2011 period (Coulson & Diyamett, 2012; Benin, 2015).
MACROECONOMIC POLICIES

**Economic Diversification**

**1996 - 2010**

The Sustainable Industrial Development Policy (SIPD) was adopted in 1996, and focused on reviving food processing, textiles, and leather industries, in part through the privatization of public companies. The SIPD also aimed at greater economic diversification; however, high production costs have hampered the manufacturing sector. Economic growth from 2000 to 2004 was not accompanied by the emergence of a manufacturing sector (Shombe, 2008; Morrissey & Leyaro, 2009).

BIG PICTURE

**Background Note on Transformation Phase**

**1998 - 2007**

GDP grew at 6.6 per cent annually from 1998 to 2007; however, poverty rates barely fell over this period, with only small declines in both urban and rural areas (Pauw & Thurlow, 2010).

INSTITUTIONAL REFORMS

**Land and Labour Reform**

**1999 - 2010**

The Land Act was passed in 1999 to address land tenure and titling. However, implementation did not begin until 2005, in part due to insufficient funding. Implementation of the plan was expected to cost TSH 300 billion over 10 years, with only TSH 3 billion from government funding. The implementation plan has been criticized for focusing too much on economic growth, with less focus on pastoralists and smallholders (Pederson, 2010).

PRICE INTERVENTIONS

**Trade Policy**

**2000 - 2012**

Liberalization reforms were partly reversed in the 2000s, with marketing boards re-established. Export bans for staple crops were used intermittently from 2008 to 2012 when harvests were low (Morrissey & Leyaro, 2009; Diao et al., 2013; Gollin & Goyal, 2017).
INSTITUTIONAL REFORMS

Credit
2001 - 2015

The warehouse receipt system, a program established in 2001 through which farmers can deposit seed in a warehouse to use as collateral for loans, was greatly expanded in 2007. The relative accessibility of warehouses for rural farmers has therefore been uniquely beneficial, allowing them to purchase agricultural inputs such as seed and fertilizer on credit. The program is widely viewed as successful and well-used despite challenges with inefficiencies with licensing procedures and varying capacity and management of warehouses (Onumah, 2010; World Bank, 2012; Alphonce, 2017).

PRICE INTERVENTIONS

Price Policies and Anti-Agricultural Bias
2003

Fertilizer subsidies were reintroduced on a more limited basis in 2003, in order to offset the costs of transport (Morrissey & Leyaro, 2009).

PUBLIC INVESTMENTS

Rural Infrastructure
2007 - 2010

The lack of a road network means that Tanzanian farmers face hefty costs in getting their goods to markets and purchasing the necessary inputs. The average distance to a market was 3.3 km as of 2007, and the density of paved roads in Tanzania was well below the low-income country average (Adam et al., 2012).
In 2007, the National Agricultural Input Voucher Scheme (NAIVS) replaced the fertilizer transport subsidies that had been introduced in 2003. NAIVS's goal was to help farmers purchase seed and fertilizer following a rise in prices for these inputs in 2007. The program was designed as a short-term subsidy to transition farmers to commercial input markets. Farmers were expected to gain enough experience and income over three years of assistance that they could graduate to purchasing inputs without subsidy support. The subsidies resulted in increased maize production, and many farmers continued to purchase inputs on commercial markets. However, the program faced implementation issues—including the national expansion of the program after it had been planned for certain regions only and the late delivery of subsidy vouchers—that reduced economic gains and the number of farmers able to graduate from the subsidies (World Bank, 2014).

From 2008 to 2012, the government intermittently adopted export bans of staple crops when harvests were low. Analysis of a maize ban shows that while some benefits may have accrued to urban consumers, poor rural households were hurt as returns to wage labour and land decreased, which resulted in an increase in poverty for the country (Diao et al., 2013; Gollin & Goyal, 2017).
PUBLIC INVESTMENTS

**Rural Infrastructure**

**2013 - 2015**

Road connectivity remained problematic in Tanzania, with less than 25 per cent of the rural population within 2 km of an all-weather road. Tanzania also performed poorly in irrigation, with only 450,000 hectares of its 29.4 million hectares irrigated as of 2013 (Alphonce, 2017).

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PRICE INTERVENTIONS

**Trade Policy**

**2013**

In 2013, Tanzania implemented a number of policies to reduce tariff and non-tariff barriers, including lifting export bans on staple crops, eliminating value-added tariffs on irrigation equipment, tractors, farm implements and spare parts, and milk processing products, and exempting fertilizer imports for horticulture from import procedures (Grow Africa Secretariat, 2014).

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PUBLIC INVESTMENTS

**R&D and Extension Services**

**2014 - 2015**

Spending on agricultural research and development remains low, at only 0.6 per cent of the agricultural budget. Extension services perform better, ranking above many East and Southern African countries, but issues with knowledge dissemination and implementation remain (Alphonce, 2017).
References


