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Summary

This paper offers a critical interpretation of the dominant narrative of the liberalisation of Tanzanian agriculture over the last decade and a half. This narrative seriously exaggerates the extent to which market liberalisation has been implemented for Tanzania's main export crops,[1] fails to recognise the powerful anti-liberalisation forces within Tanzanian society, and has yet to acknowledge the recent recrudescence of statist legislation, policies and practices. On the other hand there has been a significant and sustained liberalisation of the markets for staple grains -- maize and rice -- and internal markets for these crops as well as for other grains, cooking bananas, pulses and other vegetables, and fruits are relatively efficient and competitive.

The paper briefly describes the nature of market liberalisation using the examples of maize, coffee and tobacco, and includes an analysis of the liberalisation of trade in fertiliser. In the case of coffee and tobacco, an initial surge in private sector input supply and crop buying after 1993-94 was followed by the partial recovery of cooperative unions, a rapid accumulation of debt for inputs supplied by private companies (tobacco), and the re-emergence of crop boards as major actors in the market place. This latter theme is the subject of an extended review, citing recent legislation that gives the Minister of Agriculture draconian powers over crop production, marketing and taxation. The lack of an appreciable impact of the removal of fertiliser subsidies on commercial maize production leads to the conclusion that the majority of commercial maize farmers were either using insignificant amounts of fertiliser in the past, and/or that fertiliser use was so inefficient as to have only a marginal effect on yields.

A third theme that has received little or no critical attention is the major role played by donor assistance to agriculture. Two sets of issues are identified: the failure of the 'conditionality' approach to reform and the role of the major donors in supporting largely un-performing state institutions and agencies. As regards the first, market reforms did not reflect the demands of an internal constituency but were essentially 'bought' with donor aid. Consequently, the 'second generation' reforms were rapidly abandoned after a brief and superficial period of liberalisation. Support for state institutions takes the form of a large number of projects following a traditional format that privileges the politico-bureaucratic elite at the expense of the majority of poor farm households.

* Director, Tanzania Development Research Group (TADREG), Dar es Salaam, Tanzania. E-mail: tadreg@raha.com

[1] Cashew, coffee, cotton, tea, tobacco, sisal and pyrethrum.

The paper is not an apologia for 'more and better' liberalisation, but a critique of the view that liberalisation has taken root in both local and export markets, and that the consolidation of the market economy is just a matter of time.

Introduction

This paper offers a critical interpretation of the literature on the liberalisation of Tanzanian agriculture over the last decade and a half. The post-1985 economic reform measures notched up a number of major achievements. Devaluation removed the downward pressure on farm incomes caused by an overvalued exchange rate. The monopoly of state trading companies and cooperative unions was broken for both export crops and maize, and most agricultural markets involve significant local and international players, with varying degrees of competition. Broadly, denationalised banks now decide what to do with their money (some provide crop finance) rather than take orders from the government. Partly as a result of the above, inflation has been reduced from over 30 percent a year up to the early nineties to single digit levels since 1999.[2]

Yet the 'second generation' reforms for export crop liberalisation in particular, have been hotly resisted by significant players in 'the system' who feel that there has been enough externally-driven liberalisation and are determined to revert to a more interventionist model of public policy.[3] Examples of this trend include: (1) the re-empowerment of export crop boards that tax traders and exports (and therefore farmers) and regulate markets in which they are active commercial players; (2) the arbitrary and sometimes oppressive treatment of farmers by local government authorities, *inter alia*, through taxation; (3) the proliferation of sector policies and strategies that privilege the state as initiators rather than facilitators at central and local levels, notably through the vehicle of foreign aid-funded projects;[4] and (4) the continued practice of state-guaranteed bank lending to certain cooperative unions with a Treasury guarantee of payment in the event of default. These neo-statist trends are the main focus of this paper.

Did liberalisation 'fail' because the private sector was not up to the tasks expected of it? Did the state provide the private sector with the necessary incentives to perform its role effectively? Are 'market failures' in Tanzanian agriculture the result of factors that neither state nor private sector can do much to control? Is market failure or state failure the greater cause of continued agricultural underdevelopment in Tanzania?[5]

This paper cannot provide definitive answers to these questions, but suggests some revisions to the mainstream approach to agricultural market liberalisation in Tanzania that identifies relatively clear pre- and post-liberalisation policy regimes around 1985-86 with the

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[2] Planning Commission, Economic Survey 2000 (2001:35).

[3] There is a growing literature on the failure of conditionality to 'buy' reform. Gunning (2001:132) cites Oyejide, Ndulu and Gunning (1999) who document that trade liberalisations have been reversed in 7 of 10 African countries.

[4] In particular loans from the WB, IFAD and the AfDB.

[5] Though agriculture accounts for a large part of the GNP and non-wage employment, agriculture and related *companies* fill *less than two* of Tanzania's 224 'Yellow Pages'.

competitive market regime becoming dominant, albeit slowly, over time.[6] Currently, there is a growing gap between the market-friendly rhetoric of official government policy statements and the market unfriendly behaviour (official and unofficial) of key state functionaries and the political class. It is concluded that state failure, defined as the limited capacity of central and local governments, as a result of patronage, cronyism, and related inefficiencies, to implement coherent policies that are in the public interest, contributes much more than is currently acknowledged in the literature to the lack of dynamism and accumulation in the agricultural sector.

This does *not* mean that external market conditions are unimportant influences on farm incomes, or that local market failures would not occur in a 'better' policy environment. It is not being argued here that competitive and efficient agricultural markets for inputs, credit and crops would lead to an era of sustained prosperity for the mass of Tanzanian smallholder farming households, as advocates of neo-liberalism claim. The argument is simply that such markets have *never been put in place*. Conclusions to the effect that 'liberalisation has failed' are therefore premature because, particularly for export crops, it was never seriously attempted. There may be strong reasons to believe that 'real' liberalisation would have failed too, which is an entirely different proposition. This is not simply an academic argument, because current anti-liberalisation agricultural policies pursued by the government are premised on assumed 'market failures'.

Market liberalisation in theory and practice

The liberalisation of Tanzanian agricultural input and output markets after 1986 brought to an end two decades of state control that had seen some uneven growth of the national maize market, large falls in traditional export crop production, and an increase in subsistence and rural poverty. The 'deconfinement' of domestic food crop marketing after 1986 saw the replacement of the National Milling Corporation monopoly by private traders and the end of 'pan-territorial' pricing. Gradually, all crops were liberalised and the role of parastatal crop authorities reduced, although the process was patchy and incomplete, as shown below. From 1991, fertiliser subsidies were phased out and markets were opened to private traders. Both input and output market liberalisation have resulted in market failures, compounded by 'state failure' in taxation and regulatory practices at national and local levels. This section summarises changes in the role of cooperative unions and the private sector in crop marketing and input supply.

Cooperative Unions lost their monopoly crop purchasing function and access to bank finance at the same time as the crop authorities lost theirs. From the late eighties, a number of regional unions were declared insolvent. In some cases a new union was registered that took over the functions and assets of the old one, but not the debts. In other cases, new, more localised and crop specific unions were established in their place. As a result, the number of registered unions grew from 22 in 1988 to 47 a decade later.[7] In a third strand, input supply and crop purchasing were taken over by private actors. Lastly, a number of large and/or

[6] The official view is that 'The marketing system of agricultural commodities and inputs have (sic) to a large extent been liberalised.' MAC (1999:24). Or: 'Tanzania is, to all intents and purposes, a free market economy.' (MAC 2000:268).

[7] Chambo and Cooksey (2000:2).

politically influential cooperation unions continued to function, albeit in competition with private actors, and with reduced access to bank finance.[8]

The various export crops are characterised by different (and changing) private-cooperative arrangements, and generalisations on the 'impact of liberalisation' need to be qualified. Liberalisation has led to a sometimes drastic fall in the role of cooperatives in input and output markets. Cashewnut marketing, for example, is nowadays ninety percent privately traded.[9]

To illustrate the above themes, some brief case studies of market liberalisation are presented for maize, tobacco and coffee. The importance of fertiliser liberalisation is highlighted for maize ('market failure') and tobacco (the advent of private suppliers).

Maize. Maize has been one of the success stories of agricultural liberalisation in Tanzania. The withdrawal of subsidies from basic staples such as maize can in some circumstances spark off riots among the urban poor. The liberalisation of maize markets in Tanzania did not have this effect: in general the availability of maize has kept pace with demand.[10] Bad years reflect the failure of rains, not markets, and there has not been a major famine, or tendency to rely on food aid.[11] This success story is generally explained by the *de facto* liberalisation of grain supplies in the pre-reform period. In effect, the monopoly grain purchasing parastatal the National Milling Corporation had been gradually supplemented, even surpassed, by the private sector in the pre-liberalisation period. 'Liberalisation' simply legalised the existing 'parallel' grain trade.

Although maize production has continued to expand steadily, returns to farmers have been badly hit by the increased price of farm inputs (discussed below) and a fall in output prices since the early 1990s.[12] Also, the removal of pan-territorial prices led to a decline in marketed production in three of the main maize growing regions (Mbeya, Ruvuma and Rukwa), and an increase in Iringa, which is nearer Dar es Salaam.[13]

The liberalisation of maize markets needs to be seen in relation to the liberalisation of farm inputs, the most important of which is chemical fertiliser. The dominant 'liberalisation' narrative contrasts a period of relatively successful fertiliser supply to 'smallholders' with a subsequent period of 'market failure' as a result of liberalisation and the removal of subsidies. This paper argues that the majority of subsidised fertiliser users were probably 'large', not smallholders[14], and that in all events the use of fertiliser was so inefficient that it had a relatively minor impact on yields. Even in a context of efficient markets (which were

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[8] Namely the coffee unions in Kilimanjaro and Kagera, and the cotton unions in Shinyanga and Mwanza.
[9] Chachage and Nyoni 2001.
[10] An annual 2.4% increase for 1985-98 (IFPRI 2000:53).
[11] Food aid requirements often appear to be exaggerated. The strategic grain reserve has its critics. Some think strategic imports in times of need would be more efficient than keeping large stocks in anticipation of shortages. Food aid lends itself to rent-seeking.
[12] See IFPRI (2000) chapters 4 and 5 for a detailed discussion.
[13] IFPRI (2000:53).
[14] Though a 'large' Tanzanian farm is still pretty small by international standards, just as 'rich' farmers are generally only rich compared to the grinding poverty of the rural majority.

never put in place) the mass of small farmers would not have profited[15] from systematic inorganic fertiliser use.

Prior to the mid-1990s, fertiliser importation and distribution was in the hands of the Tanzania Fertiliser Company, with distribution financed by state-owned banks. Most fertiliser was supplied as commodity aid. The dominant narrative, not accepted here, argues that, although supplies were erratic and insufficient and distribution costly and inefficient, state agencies still managed to deliver subsidised fertiliser to 'smallholders' and, through pan-territorial transport pricing regimes, even 'smallholders' in relatively 'remote'[16] areas could afford to grow crops, particularly maize, for urban markets.

The dominant narrative also maintains that, with the removal of state monopolies and the arrival of 'private-sector' input distributors, including multinational seed/food companies, fertiliser procurement and distribution became more efficient, but the removal of subsidies led to a large increase in the relative price of fertiliser (and other inputs) and many farmers were driven back towards subsistence, or alternative crops.[17] Thus, the removal of subsidies led to widespread 'market failure'.

This mainstream narrative obscures as much as it explains. First, at the height of fertiliser importation, only one Tanzanian farmer in seven was using imported fertiliser.[18] 'Smallholders' are not all equally 'small' and it is likely that a disproportionate amount of fertiliser was consumed by a relatively small group of 'rich' farmers.[19] This group is the main loser from liberalisation. Second, of course, fertiliser is used on a relatively narrow range of crops and locations - principally, maize, (Southern Highlands) coffee (Kilimanjaro) and tobacco (Tabora).[20] So we should be careful not to put all farmers in the same class or geographical baskets. Also, there is evidence that the supply of inputs on credit through cooperative unions was under stress before the liberalisation of fertiliser took place. In the late 1980s the Cooperative and Rural Development Bank was withdrawing credit from cooperatives that were not paying back their loans.[21]

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[15] On purely short-term economic, not environmental, grounds. The arguments against inorganic fertiliser are persuasive, but are not the point here.

[16] Remote from Dar es Salaam, that is. Cross-border trade in maize is regularly banned in the interest of 'food security'.

[17] See for example IFPRI 2000, Chapter 2.

[18] IFPRI (2000:39) cites a figure of 14% in 1986-87. In the Southern Highlands, between a quarter and a half of farmers were said to use fertiliser.

[19] According to Narayan (1997:42), nationally, 11 percent of 'very poor' farmers use chemical fertiliser and 33 of the 'very rich'. '…lack of access to agricultural inputs was reported as an essential contributing factor to poverty.' (page 11). Conclusion: 'The ability to purchase needed inputs--such as hybrid seeds, fertilizers, and insecticides--for food and cash crops is so important to prosperity in rural Tanzania that it has become central to definitions of poverty and wealth across the entire country.' (page 11). See the discussion of the IFPRI findings below for a challenging alternative interpretation.

[20] More than half the country's fertiliser imports are consumed in the first two areas, and a further 10-20% are used on tobacco in Tabora (ibid.)

[21] Havenevik and Harsmar (1999) following Ponte (1998). Farmers were successfully avoiding repayment of input loans with unions just as they were to do later with private companies.

One source[22] estimates that fertiliser use accounted for half a million tonnes of cereals in the early 1990s. The end of subsidies saw fertiliser consumption fall by 50%. The impact on maize production and sales should therefore have been significant. Yet the most thorough quantitative study to date concludes that 'the impact on national maize production [of declining fertiliser use] has been modest (less than 5 percent).' This can be explained in terms of 'a) low initial use of fertilizer on food crops in a national context; b) calculations using the physical response of maize to fertilizer, c) the absence of measurable reductions in maize yields, and d) the statistical insignificance of the fertilizer price in econometric estimation of maize supply.'[23] [24]

Confirmation that the fertiliser issue has been overblown lies in the continued relatively robust supply of maize in local markets. Despite the removal of subsidies and falling producer prices after 1993, there was no leap in urban consumer prices of maize or shortfall in supply. The IFPRI conclusion is that the effective demand for maize (which is relatively income inelastic) is a bigger constraint than the costs of production.[25]

It is most probable that the majority of Tanzanian maize farmers could not profitably use chemical fertilisers, even if they were available in the right quantities at the right time, if they had to pay 'market' prices for them.[26] Improving market efficiency is, of course, the rationale behind liberalisation.

The main beneficiary of the removal of fertiliser subsidies was the tax-payers, who effectively saved between US$5 and $15 million per year.[27] Indeed, removal of state-managed input and output markets (crop purchases through cooperatives) saved the tax-payer a lot more than that, and contributed to the fall in inflation in the second half of the nineties to less than 10% a year.[28]

Box 1 describes one event that occurred during liberalisation: subsidies were 'made available' to private importers, albeit only once.

[22] Utne, Urasa and Ostmo (1994:3).
[23] IFPRI 2000:xvi. For what it's worth, the index of maize production was 117 in 1993, 140 in 1994, 143 in 1995, 100 in 1996 (el nino?) and 146 in 1997 (Bank of Tanzania 200:92).
[24] An alternative view (Utne et. al. 1994) finds huge benefits from investment in fertiliser that are clearly not widely reflected empirically.
[25] Ibid. page 52. IFPRI (page 53) estimate a fall in production of 77,000 tons (2.8% of current production) as a result of fertiliser reforms.
[26] See Temu 2001 for a critical discussion of this point in relation to the planned SOFRAIP project.
[27] IFPRI ibid., page 39.
[28] Economist Intelligence Unit (2001:7).

Box 1: The end of fertiliser subsidies

Fertiliser subsidies were removed from 1990 onwards. As prices rose, consumption fell. 'In 1993-94, the subsidy was made available to private importers, resulting in a massive over-supply of fertilizer. Eight importers, some of them with little experience and no storage facilities, imported a total of 227,000 tons, equivalent to a 2-3 year's supply. This … resulted in unsold stocks, large losses[29], and reduced orders in subsequent years.'
Source: IFPRI (2000:39)
'SENIOR Government officials and parliamentarians who borrowed over 3bn/- from the Agriculture Trust Fund have defaulted in paying back the loans, hampering smooth operation of the Fund.'
Source: Sunday Observer, December 27, 1998
'Out of Shs 5.5 billion outstanding [in the Agriculture Trust Fund – managed by the Ministry of Agriculture] an amount of Shs 737 million only has been repaid. A total balance of Shs 4.8 billion (US$5.3) is still outstanding. This serious laxity will defeat achieving the objectives of the [fund].'

Source: URT (2001:175)

The apparent fixation with fertiliser probably has more to do with supplier[30] and 'large'-holder pressures--backed up with a 'modern farming' ideology--than with any objective 'needs' of Tanzanian farmers and farming systems.[31] Organic products enjoy a significant price premium in international markets, and the advantages of low-cost, low-input farming for most tropical small-holders are relatively clear. Yet the government's draft fertiliser policy is designed:

> '[T]o ensure that fertilizers are available to all farmers, particularly smallholders, to the required quantity as well as product-mix at a time needed, and at a reasonable price.' Importation and marketing systems are to be 'streamlined, competitive and efficient' in order to assure fertiliser supplies 'in all villages of the country.'[32]

Tobacco. For tobacco, cooperative unions have been constrained by lack of bank credit and many 'operate as agents or collecting points for private buyers who provide advance payments plus a commission for the crops, which they pick up themselves.'[33] This arrangement is fraught with problems, as documented in Box 2.

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[29] The losses were borne by the Treasury/tax payer, not the importers.
[30] Aid agencies plus commercial lobbies.
[31] A pipeline World Bank project foresees the massive importation of fertiliser as a means of 'recapitalising' Tanzania's heavily mined soils. The GOT originally requested a $350 million project, which was scaled down to $95 million by the World Bank. See TASA (2001).
[32] GOT (no date). National Fertilizer Policy, Dar es Salaam, page 1. Large areas of central Tanzania are too dry to benefit from inorganic fertiliser.
[33] Chambo and Cooksey op. cit. quoting SCC 1999:26.

Box 2: Liberalised tobacco marketing…

Tobacco marketing in Tabora and Songea has gone from a cooperative/marketing board monopoly to a more competitive system incorporating big international players and their agents. In Tabora, the main tobacco growing region, the regional union (TARECU) was liquidated, its debts cancelled, and a new union (WETCU) registered in its place. Between 1993 and 1995, WETCU was the object of massive mismanagement and embezzlement which culminated in two official probe missions and loss of confidence in the union by members of primary societies. The private sector's arrival on the scene in 1994/95 was therefore greeted with some enthusiasm by the long-suffering farmers. Under the 'liberalised' market, groups of primary societies agreed to sell to a particular private buyer. Unions received a fee from the Trade, but failed to enforce contracts for 'their' primary societies. Contracts proved unenforceable, as farmers avoided repaying their debts by selling to other buyers. By 1998, debts had reached an estimated TShs 9-15 billion, and trading companies cut off the supply of fertiliser pending repayment. Losses that were previously absorbed by state banks and taxpayers were incurred by the Trade, but not for long… Farmers saw WETCU as an additional burden. The union and the tobacco umbrella organisation (TTCA) 'are hanging on to the market chain for their own survival and to secure a living on the back of the farmer.' (Focus Group comment).

In Songea, the advent of liberalisation led to acute conflicts between the local cooperative union (SAMCU) and the half dozen private companies constituting the trade. SAMCU accused the trade of forming a cartel through their powerful Association of Tobacco Traders of Tanzania (ATTT) to force down farm gate tobacco prices and to make sure that 'the union dies so that it becomes possible for them [the trade] to deal directly with the farmers.'[34] Traders were also accused of conspiring to cause the collapse of the local tobacco curing factory. As in Tabora, the new market entrants supplied large quantities of fertiliser on credit, and opportunistic selling by farmers to companies other than the ones to which they were formally contracted led to a rapid accumulation of debt, and a decision by farmers to revert to the union marketing channel. As a result 'both parties are extremely suspicious of each other and this has led to conflict between stakeholders over … issues … rang[ing] from the supply of inputs … to the deduction of levies and debts.'[35] Grading rather than producer prices has been a major bone of contention, with the trade accusing SAMCU of vastly overgrading, and SAMCU accusing the trade of doing the reverse. The tobacco board should arbitrate in these disputes, but board staff 'seem to be more interested in business and their own self-interests, [rather] than the development of production'.

Source: Chambo and Cooksey (2001). Chachage (2001). K Consult (2000)

The liberalisation of tobacco marketing led to an initial surge in production[36] as the new market entrants competed with each other for market share, providing inputs on credit to primary societies or hastily constituted 'farmers' groups', with the cash-strapped unions playing the role of gate-keeper between the traders and the farmers. When rapidly escalating

[34] Chachage (2001b:7).

[35] K Consult (2000:5).

[36] Production rose from 24,000 tonnes in 1993/94 to 52,000 tonnes in 1997/98, and fell back thereafter. See Chambo and Cooksey (2001:4) for details.

local taxes on tobacco farmers and traders are factored in, the margins on tobacco cultivation are rapidly eroded.[37] The institutional basis for routine functioning markets is not yet in place. If the new anti-liberalisation policies described above are implemented, market institutionalisation will suffer a further blow.

Coffee. The liberalisation of coffee marketing offers another example of liberalisation in practice, summarised in Box 3.

When new major players enter a previously controlled market, conflicts are inevitable. When the new players are foreign multinationals or their agents, and the markets they enter were previously controlled by crop marketing boards and cooperatives, the conflicts are likely to be intense.[38] The advantages of the old system—relative producer price stability, the supply of inputs on credit—were sustained by the insolvency of cooperatives and boards, ultimately underwritten by the tax payer and inflationary banking practices. Take away these props, and the producer becomes vulnerable to both the vagaries of the market[39] and the continued operation of boards and cooperative unions seeking new ways of surviving. Add the enhanced revenue collection powers enjoyed by local government authorities under decentralisation policy, and the result is a three-way squeeze on the producer. The market is not so much liberalised as chaotic.[40]

Although liberalisation is supposed to lead to healthy competition between crop purchasers, to the benefit of farmers, in practice, cooperative unions have been fighting a rearguard action to survive as they have been exposed to the rigours of an incipient market economy, for which they were ill equipped.

For more than a decade, cooperative policy has been based on the principles of voluntary membership and economic viability. Official policy is ‘to encourage liberalization of the cooperatives in line with the current state of affairs’.[41] Initial attempts by some farmers to operate independently outside the union structure often led to hostile responses from the unions—both new and old—who fall back on the old system of political patronage, including presidential interventions, to force recalcitrant farmers back into line.[42]

Why did marketing reforms succeed for maize, but produce mixed but overall unimpressive results for export crops? An obvious explanation is that the price of maize, the food staple of the urban poor, is too important politically to be left to the mercies of marketing boards and cooperative lobbyists. This political imperative does not apply to export crops, where national-local patronage politics and systematic rent-seeking can be more easily accommodated.

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[37] Which help explain the high levels of under-reporting and tax evasion (Chachage op.cit.).

[38] The racial stereotype of the ‘greedy’ and ‘unscrupulous’ trader is used against local Asians as and when ‘necessary’.

[39] Mediated by the trade. Good commodity prices (e.g. for cashew) help dampen the negative impact of the ‘squeeze’ on farmers. Poor prices (e.g. for coffee) work in the opposite direction.

[40] ‘Soko holela’ in Chachage’s words.

[41] MCM 2001:6.

[42] KCU is the most extreme example of this, but there are others.

Box 3: … and coffee

After market liberalisation, both Arusha Cooperative Union (ACU) and Kilimanjaro Native Cooperative Union (KNCU) lost market share to private traders. Liberalisation has spawned a number of new arrangements, some potentially advantageous to producers, some favouring the trade. For example, in Arusha mini coffee auctions at primary society premises force unions and private buyers to compete. When coffee prices are high, private buyers buy more than the union, and vice versa when prices are low. Some new societies (‘development groups’) take their members’ coffee direct to the Moshi coffee auction, thereby cutting out the middleman. Fifty percent better prices have been recorded as a result.

Despite these improvements, the collapse of coffee prices on the international market make coffee a relatively uncompetitive crop: farmers have seen prices fall from Shs 1,000 in 1995 to Shs 200 currently. In this context, the old cooperatives provide some protection to producers as ‘buyer of last resort.’ Competition should make unions more efficient, but ‘the old structures are hard to change. MPs and union leaders are strong people and wish to remain that way…’

In Kagera, with market liberalisation, a number of trading companies were registered to buy coffee from primary societies. As in Kilimanjaro and Arusha, the initial response of farmers was to sell to these private traders. In 1998, all private trading licences were withdrawn and KCU was re-awarded a monopoly buying role. But with no cash, prices slumped to Shs 200 per kilo, and farmers were given promissory notes rather than cash. Farmers either left their coffee untended or sold to smugglers, thus boosting the Ugandan coffee market.[43]

KCU has long been the victim of factionalism and the use of state power to prevent the break up of the union. In one well documented union election, the cooperative committee (the governing body) was only reelected with the presence of the regional police chief and the Field Force Unit (who were mobilised outside the meeting venue) to prevent their ouster by members and an alternative leadership who were campaigning against years of politically sanctioned corruption and mismanagement by the union leadership.[44]

Sources: Banturaki (2000) Chambo and Cooksey (2001) Business Times (2002).

[43] Conspiracy theorists see this as a planned outcome, with the apparent re-empowerment of KCU as a guise for the actual empowerment of a coffee smuggling syndicate based in Kampala.

[44] Summarising the KCU ‘*fracasso*’ Bantuarki (2000:79) concludes: ‘government support of the interests of the co-op leadership against the interests of the members … frustrated co-op efforts towards better performance.’ The current Minister of Cooperatives and Marketing, who subsequently headed the commission to draft the new cooperative policy, cited below, was a key player in this struggle.

The 'new' form and function of state marketing boards

In theory, marketing boards have been stripped of their former powers as 'crop authorities'. Prior to formal liberalisation in the early nineties, crop authorities oversaw the production, marketing and export of Tanzania's main export crops. These authorities have been replaced by crop boards with radically reduced mandates. In theory, they are responsible for market regulation, including issuing trading licences to private crop buyers and assuring competition and quality control, but not for crop financing or marketing. In practice, the picture is much less clear. Crucially, boards continue to be players as well as regulators, and enjoy formal powers over producers and middlemen that far exceed simple regulatory functions.

Box 4 cites legal changes in the role of coffee and tobacco boards. Similar changes are proposed for the sugar industry.[45]

It appears that these unbelievably restrictive pieces of legislation and others to follow[46] empower the Minister of Agriculture to make the boards do essentially what he wants them to. The bills draw no distinction between the boards' regulatory role and the right to enter the market as a commercial actor. Rather than facilitating private initiative, the state sets out with a disposition to control almost all aspects of crop development, with the criminalisation of unauthorised activities as the ultimate sanction.[47] The Boards are funded through virtual taxes in the shape of export levies and annually renewable crop purchasing fees payable by buyers, and passed on to farmers. Finally, the composition of the boards is so structured as to give a majority of voting rights to government appointees as opposed to representatives of producers or commercial interests.

The unambiguous statist thrust in the three Bills reflects a consensus among the political class that market liberalisation is no longer a viable policy option. If different degrees of competition have been introduced in export crop markets, it might be that they have been bought (or leased?) via conditionality rather than promoted by strategically placed reformists inside the system. Certainly a $200 million agricultural sector adjustment loan in the early nineties might have bought a certain degree of market liberalisation, helped on by the virtual withdrawal of the banking sector from agricultural finance.[48]

[45] Lumbanga (2001a,b,c).

[46] A deputy minister has proposed a national coconut board…

[47] When the contradiction between these Bills and liberalisation policy were recently pointed out to the Minister, he asserted that presently the private sector lacks the capacity to play a more pro-active role in crop development. (Breakfast Talk series, 11 December 2001, Courtyard Hotel, Dar es Salaam). The claim of state capacity in the face of widespread market failures underlies the 'end of liberalisation' policy now being implemented by the central government. In the absence of a 'counter-hegemony' the state merely has to claim competence, not demonstrate it. Aid supports this claim by financing large projects run by the central government.

[48] This was a consequence of the privatisation of state-owned banks, not primarily a move towards agricultural liberalisation.

Box 4: The shape of boards to come

Bills were presented to the recent session of the National Assembly to establish the Tanzania Coffee Board and Tanzania Tobacco Board. [49] A Sugar Bill was passed during the last budget session (June 2001). For coffee: 'The object[ive] of this Bill is to review the law governing the coffee sector … so as to provide for the liberalisation of trade in the coffee industry.' [50] The boards for the three sectors are responsible for registering and licencing growers, buyers and exporters. As well as regulation: 'The Board may, subject to approval of the Minister [of Agriculture and Food Security] on specified terms and conditions[,] *perform any commercial activity or hold interest in any undertaking, enterprise or project associated with the coffee industry*.[51]

Clause 6.-(2) reads: 'If the Board of Directors fails to perform any of its functions without a reasonable cause, or to give effect to any of the Minister's directions, the Minister may exercise disciplinary powers as he may deem fit against the Board.'[52]

Clause 6.-(3) reads: 'On failure of the Board to give effect to any of the Minister's direction or directions the Minister may order any other person or institution to give effect to the Minister's direction or directions aforesaid.'[53]

According to PART III of the Acts, it is illegal for a farmer or group of farmers to grow coffee, tobacco or sugar (as outgrowers) without the permission of the Boards. Boards will keep and update a register of all growers. All seeds, plants and varieties require prior approval by the relevant director of the Ministry. Penalties for contravening these conditions range from one hundred thousand shillings ($107) for coffee to one million shillings ($1,060) for tobacco and ten million shillings ($10,695) for sugar or prison sentences of up to two years in all cases, or both. For tobacco: 'Any seeds or plants imported, bred or multiplied without the authority of the Director shall be destroyed by the Board at the expense of the offender.'[54]

The registration of a new tobacco processing factory (section 14) has a total of eighteen conditions.

Boards are to be funded from (a) money voted by parliament; (b) loans, donations or grants; (c) cess or levy 'imposed under the provision of this Act; (d) 'any loan or subsidy granted to the Board by the Government or any other person; (e) other money or property 'which may become payable…'[55]

An industry development fund will be created financed by a levy 'determined by the Minister for this purpose' to pay for research and development, extension, technology, consultancy, and other activities.

The Board of Directors of the Coffee Board consists of seven members, four of whom are direct appointees of the Minister.[56]

Source: Lumbanga (2001a,b,c)

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[49] Lumbanga, 17 September 2001b (coffee) and 2001c (tobacco).

[50] Lumbanga (2001b:20). Though essentially the same, Lumbanga 2001b does not contain a reference to liberalisation.

[51] Lumbanga 2001b:6, emphasis added. This provision is also in the Sugar Act (page 8) but not in the Tobacco Act.

[52] Ibid. page 7. Lumbanga b and c contain this and the following clause.

[53] Ibid.

[54] Lumbanga 2001c:73. Planting uncertified tobacco seeds can, for a third offence, lead to a fine of up to Shs 500,000 ($535) or up to two years imprisonment. (page 73).

[55] Lumbanga 2001c:79-80.

[56] For sugar, three of six board members are direct appointees, and for tobacco five out of nine.

We may contrast the Bills summarised above with the proposed policy regarding crop boards. According to the Agricultural Sector Development Strategy:[57]

> *(d) Providing Legal Empowerment for Stakeholders to Control Commodity Boards*
> Currently the commodity boards are owned and controlled by the Government. Autonomous commodity boards, controlled by the stakeholders, will exert more accountability to members (sic) to produce quality outputs and to adhere to the use and recommended technologies and practices. MCM will accordingly restructure the commodity boards in close consultation with the stakeholders. The boards will be responsible for self-regulating the industries under their jurisdiction, while Government will enforce the legislation.

The 'real politics' of agriculture make this proposed 'restructuring' unlikely. For example:

> '… there seem to be very few agents of change within the Government… In fact, conservative voices are likely to come back as indicated by the unexpected reshuffle of the crop boards…. More politicised boards with limited private sector participation are likely to exercise greater control over the sector rather than promote its liberalisation.'[58]

This move was linked to the October 2000 presidential and parliamentary elections, which brought back President Mkapa for a second term with a large majority of parliamentary seats.

Although this is not the place to examine the issue at length, there are some local private sector actors who are privileged by 'the system,' provided they play according to the rules of patronage, including political patronage.[59] Local and foreign companies who attempt to distance themselves from institutions of patronage and cronyism may find it difficult to survive: some withdraw from the market, others are thrown out by the existing boards. To be sure, there are enough examples of private middlemen setting up buying cartels, cheating with weighing and grading, avoiding paying taxes, and so on to lend credence to the argument that 'greedy' and 'unscrupulous' businessmen need to be closely regulated in the interest of farmers. The problem, of course, is that the para-state institutions (boards) are themselves no strangers to the same 'greed' and lack of scruple that typify the private sector in the official (statist) discourse.

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[57] Draft Final Report, 20 July 2001, page 51.

[58] Quarterly Economic Review (1999:2). In May 1999, President Mkapa removed the majority of private sector representatives from the boards of the major export crops, replacing them with ruling party members of parliament, military officers and senior party functionaries.

[59] One example is described in Chachage (2001). A local manufacturer of sisal bags obtained official protection against cheaper jute bags from Bangladesh. The Cashewnut Board ordered that only jute bags were to be used, leading to a costly delay in cashew marketing, and a subsequent legal wrangle. By contrast, when foreign investors took over the sugar estates,

Different constellations of actors characterise different crops. Liberalisation opened opportunities for both local traders and agro-processors (mostly Asian companies) and foreign investors.[60]

For example, the country's main sugar estates were recently taken over by South African investors. In 2000, the Minister of Industry and Trade granted import licences for large amounts of 'industrial' sugar (which pays zero import duty), little of which was for industrial purposes. The estates consequently ended up with huge stockpiles of unsold sugar. The Minister was forced to resign as a result of the ensuing scandal. The granting of import licences is now in the hands of the Minister of Agriculture and Food security.

On the other hand, the 'gunny bag' saga described by Chachage demonstrates how an influential local company can manipulate policy to its own advantage. Mohamed Enterprises own a sisal bag factory in Morogoro, and in late 1999, just as the cashew buying season was about to begin, the Cashewnut Board ordered that all cashewnuts were to be packed in sisal bags rather than the (much cheaper) jute bags from Bangladesh. Although the announcement was illegal (and was finally reversed by the Minister of Agriculture), duty on jute bags was increased by an amendment of the relevant act of parliament

A more comprehensive political economy of the agricultural sector in Tanzania would need to include local taxation. As well as being squeezed by rising input costs and low output market prices, farmers are also at the mercy of local governments' revenue raising strategies.[61] Fiscal decentralisation is intended to enhance local councils' capacity to finance development activities not funded through transfers from Dar es Salaam. In practice, local revenue collection is unfair, inefficient, misused by councils, leads to evasion and bribery, and constitutes a disincentive to commercial enterprise.[62]

Aid to agriculture

Space precludes a full treatment of the aid issue, but a few comments are in order.[63] With their continued proliferation of projects, and total commitments of $US500 million in agriculture and related fields, aid donors are major, yet understated, players in Tanzanian agriculture. More than half the current agricultural aid portfolio consists of loans from the World Bank and IFAD.[64] In the past, the majority of aid projects failed to provide significant and sustained benefits to farmers. Without major changes in aid modalities, it is debatable whether current projects will fare any better than their predecessors.[65] Aid helps justify the continued deployment of cadres that have consistently failed to deliver significant benefits to farmers. Many activities--research, extension, irrigation, livestock trade, food security--have

[60] Though FDI has been modest. Cargill came and went (and came back?). Monsanto are rumoured to be performing GM trials in Tanzania, but the market for improved seeds, fertiliser and so on is too small to attract serious outside attention (perhaps *tant mieux?*).

[61] See for example Chachage and Nyoni (2001) on cashew and Ellis and Mdoe (2002:20) on maize.

[62] See Kobb (2001) for examples from Mbeya, Mtwara and Singida.

[63] A fuller treatment of aid' contribution to the agricultural sector is in TADREG (2002 forthcoming).

[64] International Fund for Agricultural Development, based in Rome and closely associated with the FAO. IFAD focuses on helping the poorer rural inhabitants.

[65] See Cooksey in TASA (2001, Volume II, Chapter 3)

been 'projectised' over many years. They still function poorly (or not at all), suggesting that donors/aid are failing to address key issues and are not assimilating lessons from past failures.

Two issues are of particular interest: the effectiveness of projects as an aid modality and the effectiveness of conditionality as a means of leveraging reform.

Projects versus programme aid. Overall aid to Tanzania isnegotiated within a framework emphasising local ownership of an agreed programme, with enhanced reporting and coordination of donor activities. There is a move among certain donor agencies, supported by the government, to move away from the project mode towards 'sector-wide' approaches involving basket budgetary support to a reform programme agreed between government and donors, with the emphasis on local ownership.[66]

The World Bank group's investment portfolio is based on the Country Assistance Strategy (CAS).[67] The current strategy (2001-2003) mentions donor coordination as a area in which 'the Bank can help remove inefficiencies of fragmented and parallel aid delivery systems by encouraging other donors to assist the government in its efforts to increase selectivity, coherence, and harmonization of donor resources.'[68] Bilaterals often tend to see the Bank as pushing its own agenda at the expense of coordination and selectivity. This was one of the criticisms of the Bank's proposed SOFRAIP, mentioned below.

Strategy proliferation. Critics have frequently condemned the proliferation of uncoordinated projects in various sectors. The proliferation of sector strategies is a more recent phenomenon, so far without a critical literature.

A jointly agreed programme of support to the agricultural sector is currently in preparation. The Agriculture Sector Development Strategy (ASDS) covers agriculture and (up to a point) livestock issues, but ministerial responsibilities for these and related sectors are fragmented, requiring further coordination. After his reelection in 2000, President Mkapa split the Ministry of Agriculture and Cooperatives, creating a new Ministry of Agriculture and Food Security, and a new Ministry of Cooperatives and Marketing. Separating marketing responsibilities from agriculture was not seen as a particularly useful move for pushing ahead with market liberalisation.[69]

As well as ASDS, a Rural Development Strategy was recently drafted that focuses largely on social service delivery and infrastructural development. Further coordination issues arise here.[70] As well as the ASDS and RDS, strategies also exist for cooperatives, the environment/natural resources, livestock, and water.[71]

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[66] Such support has been put in place for education, health, and roads, but not yet for agriculture.

[67] World Bank (2000). The previous CAS was prepared in 1997.

[68] Ibid. page 21, citing an OED report of 1999. Bilaterals often tend to see the Bank as pushing its own agenda at the expense of coordination and selectivity. This was one of the criticisms of the Bank's proposed SOFRAIP, mentioned elsewhere.

[69] The recent commission on cooperatives recommends a new ministry of Cooperatives and Community Development.

[70] Although regional and local government have traditionally fallen under the Prime Minister's Office, they are now under the President's Office. At the formal presentation of

All the sector policies and strategies have to be integrated into agreed macro-economic policies and budgetary processes, including the Poverty Reduction Strategy, the Public Expenditure Review, the Medium-Term Expenditure Framework, and so on.

The sector strategies listed above assume prioritisation, coordination and implementation capacities by both government and donors that have never been demonstrated in practice. The aid agencies are jointly responsible with government for this proliferation of sector strategies, usually providing both finance and technical support in their preparation.[72] More important, strategies are widely assumed to be a justification for continued donor support.[73]

With or without strategies, and in spite of the move towards a sector-wide approach, the principal donors continue to formulate and implement projects. Examples are the World Bank, IFAD and the African Development Bank, all of whom provide soft loans. Bilateral donors and NGOs see this continued strong project orientation as undermining attempts at crafting a sector-wide approach.[74]

Donor support to agriculture and related sectors is substantial, accounting for the lion's share of the relevant ministries' development budgets. One critical view of the donor role is that it continues to endorse an essentially statist concept of agricultural development, including continued support for state functions that could arguably be better supplied by the private sector, or simply (and regrettably) abandoned as 'state failures'. For example, research and extension are frequently referred to as public goods that have to be provided by the state (market failure). Yet decades of state/donor support for research and extension have failed to spread these public goods in ways that provide palpable benefits to smallholders (state failure).[75] This challenges the recurrent claim by the state that services have been undermined by budgetary austerity and falling salaries, which implies that more resources, not different institutions, are the solution. For better or for worse, liberalisation raises the question of the role of the private sector (especially multinational corporations) in research and extension, including controversial issues such as genetically modified seeds and the chemical package

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the RDS it was proposed that a coordination unit should be set up under PORALG to coordinate implementation.

[71] The last two sectors are under another new ministry.

[72] Cooperative policy is an exception, reflecting donor reluctance to be involved in this sector. (Empowering 'farmer groups' often appears in project documents however, for example, in providing agricultural credit through SACCOS).

[73] An earlier agricultural strategy contained a short situation analysis followed by a long list of projects that donors would be invited to support. The ASDS contains much more analysis, but the ASDP (P is for Programme) that is being prepared on the basis of the ASDS will also consist of projects to be run by central ministries and financed by donors.

[74] A recent example, where the 'market failure' in fertiliser supply described above was to be remedied through a large World Bank project managed by local governments and coordinated by the MOA was considered so risky that it was sent back to the drawing board, largely because of internal criticism within the Bank. For details see Tanzania Agriculture Situation Analysis 2001.

[75] In most cases, it is not a question of returning to past successful state service provision. Research and extension contained fatal flaws that have never been effectively addressed.

approach to agricultural intensification.[76] These and other similar issues need to be addressed at the highest policy level. There is little evidence that this is happening.[77]

The failure of conditionality. The above discussion leads to the conclusion that the formal liberalisation discourse tends to ignore the reality of aid—support for government and central ministries—just as it ignores, or trivialises, the reality of local politics. While it is the business of donors to support government, there is strong evidence that aid substitutes for foreign investment, and provides perverse incentives to governments *not* to implement agreed reforms. Recent research demonstrates that conditionality can be effective in certain conjunctures, for example, in providing support to a pro-reform group in government at the beginning of the reform process, but can be counterproductive at other times.[78] Space precludes a full treatment of conditionality in agricultural reform, but from the issues raised above it appears that 'policy reversal' characterises the Tanzanian case better than 'stalled reform.'[79] There is indeed strong local ownership of reforms in agriculture, but the reforms currently being implemented are the antithesis of those formally agreed with external development agencies.

Conclusions

The dominant discourse on liberalisation explains very little of the recent changes in the practice of the Tanzanian state as regards agricultural markets, and begs the question of the actual content of 'liberalisation'. There is not enough independent social analysis of agricultural politics that would help us understand the current anti-liberalisation project of the politicians and bureaucrats. This paper is an initial attempt to conceptualise these issues.

It is perhaps not surprising that the first attempt to radically reduce the role of the state in agriculture should lead to such a strong reaction from a large section of Tanzania's political class and its clients in cooperatives and crop boards.[80] Accustomed to the exercise of discretionary powers in all aspects of crop and animal husbandry, the political-bureaucratic class at national and local levels has little experience of or sympathy for the market economy.It's not just agriculture. The World Bank Country Assistance Strategy cites a 1999 Operations Evaluation Group (OEG) review maintaining that:

> 'social and governmental ambivalence about private sector development remain. The deep-seated reluctance to open the economy to private ownership and market forces manifests itself in complex and unpredictable regulatory regimes for investment, property, taxes and employment.'[81]

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[76] The issues in this section are summarised in TADREG 2001.

[77] Monsanto have an office in Arusha. There are rumours that GM trials are underway in the region…

[78] See Chapters by Collier and Gunning in World Bank (2000). Gunning cites Stiglitz's generic criticism of ex ante conditionality (page 133).

[79] Bigsten et. al.'s conclusion (2001:339) that 'in the 1990s it seems more likely that there is some genuine backing for the reform process [than previously]' does not seem to be true for agriculture.

[80] Some of the dead wood in the cooperatives was cleared out after the 1991 Cooperative Act. Some of the main opponents of liberalisation in the early nineties now occupy senior positions in government.

[81] CAS (2000), page 21.

Although formally the government claims that its role is regulatory rather than commercial, it fails to make the distinction in practice. To cite one example of the official confusion of regulatory and commercial roles, under 'support for the rural sector' the PRSP Progress Report 2000/01 contains the following list of government achievements:

> '…facilitation of crop credit, intensified search for export markets, revival of agro-processing plants, rationalization of local government taxation of crops and livestock, further liberalisation of internal and cross-border agricultural trade, and distribution of disease-resistant seedlings.'[82]

One argument of this paper is that there was no effective internal constituency for the 'second generation' of agricultural liberalisation policies, which explains why they were implemented without much conviction, and why they are currently being reversed in a number of key respects on the initiative of a coalition of government and political actors who do not have a strong stake in the market economy.[83]

Issues not adequately addressed or completely ignored by the dominant neo-liberal narrative are: first, the continued market intervention of crop boards and cooperative unions, trimmed of staff and function but still performing roles that should long since have been ceded to the private sector; the political purposes served by these boards and unions within the Tanzanian state patronage system; the nature of cronyist linkages between the private sector and the political system; and the impact of corruption and rent seeking on particular crops.

There are successes and failures to report from the experience of market liberalisation in Tanzania. The major success is that, in an average year, Tanzanian farmers have produced enough to feed themselves and the urban population with an increasing variety of grains, vegetables and fruits, and meat products.[84] Urban horticulture, poultry and livestock raising have also flourished in the 'informal sector'. The fall in the consumption of fertiliser after 1995 seems not to have had a major impact on the overall supply of grains. Middlemen--from large, mostly Asian, trading companies, to smaller, largely African businesses--have expanded their roles in input and output markets, often in spite of rather than because of official policies. Finally, not all marketing arrangements for traditional exports are hopelessly distorted by interference from boards or local administrator-politicians.

Implications for producers

The research conducted by LADDER and TADREG/TASA can help to inform the debate on agricultural reform policies, starting with the interests of the poorest farm households. To

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[82] PRSP Progress Report 2000/01 (2001:12). The 'search for export markets' involved the Minister of Cooperatives and Marketing travelling to the Far East to look for markets for raw cashew. The 'revival of agro-processing plants' refers to the privatisation of cashew factories, most of which have never functioned. The 'rationalization of local government taxation' has had little effect on the overall incidence of rural taxation.

[83] Observers sometimes explain failure to implement agreed policies in terms of capacity and competence (Bigsten et. al. in Devarajan 2001:306). A vital precondition is, of course, political will.

[84] Maize surpluses have been produced for export, although ad hoc trade bans by regional commissioners have frustrated this trade. Marijuana is another underreported success story in both local and export markets (Cooksey 2001).

play this role effectively requires researchers to challenge the assumptions of government and donor agencies on the basis of hard evidence. One of these assumptions is that the government of Tanzania has in place policies that are gradually bringing about the liberalisation of agricultural marketing. This paper is a somewhat polemical first step towards a critique of this assumption. Another assumption is that liberalisation of international trade, finance and capital movements—globalisation—is a precondition for the success of anti-poverty strategies, policies and programmes. A critique of this assumption from the perspective of the poor is also an urgent priority for committed researchers.

The implications for producers from this story of partial and incomplete liberalisation are numerous and only a few key issues will be touched upon. First, some caveats. Farming systems and cultivation practices vary. Farmers are not all the same.[85] Some are richer than others. Landlessness varies. Some hire, others sell labour. Livelihood strategies vary too. The degree of market integration for agricultural, livestock, natural-resource based and other products is also variable. The impact of liberalisation varies according to these and other criteria.

Thus, when examining the implications of market liberalisation it is important to differentiate between the various farming and livestock categories. One survey, now slightly dated, reported a perception that liberalisation had led to benefits for a few, whereas the majority were worse off than before.[86] The disparate trends identified in this paper – re-empowered marketing boards, ineffective market regulation, hyper-taxation, and an aid regime that supports un-performing administrative systems – leads inexorably to the conclusion that 'most farmers' are caught between a government/donor rock and a private sector/ 'market economy' hard place that delivers few benefits or incentives. This is the challenge for further livelihoods research and policy advocacy.

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[85] Though not the place to develop the issue, the unit of analysis makes a big difference. From the livelihoods perspective, talking about households is more meaningful than talking about 'farmers' or 'producer'. Household are an arena for conflict and negotiation over the reaction to liberalisation or its reversal. There is a recent re-emergent World Bank concern with 'communities' as a unit of analysis within the problematic of African 'rural development'.

[86] TADREG (1997). Forty-two percent of respondents in a national rural and peri-urban household survey gave this response. A quarter said a few had benefited, for others things were the same as before.

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