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Tanzania Country Review

Brief overview

- The ruling party, CCM, has maintained its dominance primarily through an unchallenged ability to fight elections.
- Social services and, since 2015, infrastructure investment have been accorded higher priority than agricultural development; political rhetoric around agricultural policy has often not been matched by delivery.
- Medium- and large-scale farms acquired greater prominence during the tenure of President Kikwete. Medium-scale farms now occupy five times as much land as large-scale farms and have emerged in response to expanding market opportunities. Successive initiatives (including the Agricultural Sector Development Strategy and Kilimo Kwanza) have not recognised any fundamental competition between small-, medium- and large-scale farms.
- The experience of sugar, rice and cotton under President Kikwete illustrate the influence of trading interests within CCM. President Magufuli is placing renewed emphasis on domestic production, but inherited power structures pose a challenge for initiatives to promote domestic productive capacity in agriculture.

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This brief highlights key features of the political landscape that affect the prospects for and the outcomes of agricultural commercialisation in Tanzania[1] . It contends that the evolving nature of Tanzania's ruling party, Chama cha Mapinduzi (CCM), helps to explain observed agricultural policy and performance and sheds light on the current and potential future trajectory of agricultural commercialisation in the country. The brief focuses on the presidency of Jakaya Kikwete (2005 to 2015) and the transition to the presidency of John Magufuli, who succeeded him in 2015.

Changes within Tanzania's ruling party

Since independence in 1961, CCM has held power continuously and the party's dominant position is a defining feature of Tanzania's political system. However, during its tenure, the character of the party has changed considerably, from a disciplined socialist party under founding President Nyerere, to a pragmatic (but often fractious) collection of people seeking to exercise power in the country under President Kikwete.

In response to the economic crisis in the 1980s, and the challenges presented by multi-party electoral competition since the 1990s, CCM opened itself up to commercial interests who advocated a greater role for the private sector in the economy, in exchange for election contributions to the party. Given Tanzania's history to that point, many of them were interested primarily in trading. Following two salutary election results, under the current President Magufuli, the party is being reshaped with renewed emphasis on domestic production and hints of economic nationalism harking back to the Nyerere era. To try and effect these changes, Magufuli is recentralising power within the party and restricting political space in the country as a whole.

CCM rule and agricultural policy

CCM has not maintained its dominance through high-quality governance and service delivery, but rather through an unchallenged ability to fight elections. The primary factors contributing to this include the party's:

1 This focuses on agricultural commercialisation and policy on Tanzania's mainland. Agricultural policy is designed and implemented separately on the semi-autonomous islands of Zanzibar.

1. Superior financial position as a consequence of the country's electoral rules and the incorporation of business people into the party since the 1990s;
2. Superior organisational capacity, with each village having a CCM branch and successive tiers of organisation at ward, district, regional and national levels;
3. History of embracing all ethnicities and religions, a direct result of President Nyerere's policies;
4. Self-sustaining dynamic and pervasive presence in rural areas. Major gains made by the opposition parties in the last two elections have come in urban areas.

Social services have typically been accorded higher priority than agricultural development. Since the Nyerere era, a stream of politicised agricultural slogans, including 'ukulima wa kisasa' (modern agriculture), 'siasa ni kilimo' (politics is agriculture) and 'Kilimo Kwanza' ('agriculture first'), have tended to substitute for effective policy rather than motivate it.

Agricultural policy under President Kikwete

From the outset of his presidency in 2001, Jakaya Kikwete recognised the political importance of paying attention to agriculture. Thus, he intervened in the new Agricultural Sector Development Strategy (ASDS) to quadruple the target for investment in smallholder irrigation facilities and scaled up the National Agricultural Input Voucher Scheme (NAIVS) with assistance from the World Bank. He also invited the Gatsby Charitable Foundation to work with the Tanzania Cotton Board (TCB) and Ministry of Trade and Industries to revitalise the cotton and textile industries.

In 2009, President Kikwete launched Kilimo Kwanza, a vision for a more commercialised agriculture sector. One practical expression of this vision was the Southern Agricultural Growth Corridor of Tanzania (SAGCOT), launched in 2010-11. Politics clearly influenced these initiatives, visible in the use of the Kilimo Kwanza slogan at political rallies during the 2010 election campaign, to the peak in NAIVS expenditure during the 2010/11 season, with vouchers allocated to as many voters as possible just before the election.

However, as in previous eras, rhetoric ran ahead of delivery:

- Revised plans for irrigated rice expansion under ASDS did not translate into increased coverage on the ground.
- Introduction of contract farming into the cotton sector was obstructed for several years by opposition from within CCM.
- Agriculture's share of total public expenditure peaked at 6.4% in 2009/10 but has since declined, and is significantly below the target of 10% that African Heads of State committed to achieve in the 2003 Maputo Declaration and again at Malabo in 2014.

Rather than a coherent agricultural policy, there has been a jostling of competing interests with a central tension between investment in smallholder agriculture (emphasised in ASDS and in attempts to revive the cotton sector) and medium- and/or large-scale private agricultural enterprises (championed by Kilimo Kwanza and SAGCOT).

Another tension affecting policy implementation in Tanzania has been between businesses wishing to invest in agricultural production and trading enterprises that profit from the importation of agricultural commodities.

The rise of medium- and large-scale farms

Both medium- and large-scale farms gained prominence during the tenure of President Kikwete; one reason for this is that demand for food products is growing steadily as a result of increasing incomes within urban centres and increasing urbanisation.

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Large-scale farms

The history of large-scale farms in Tanzania includes the unsuccessful colonial-era groundnut scheme in the south, and the nationalisation in 1967 of the country's European-owned sisal estates. Many state farms from the Nyerere era encountered financial difficulties and have subsequently been leased or sold to private investors. An early example was the sale of a majority stake in Kilombero Sugar Company Limited to Illovo in 1998. However, Tanzania's 1999 Village Land Act gave communities the ability to defend their rights to land and this slowed additional land transfer to large-scale investors. Many investors in large-scale farms in Tanzania have come from Europe, perhaps reflecting the fact that few domestic investors have the capacity to manage large-scale farm enterprises.

Medium-scale farms

Medium-scale farms (5–100 ha in size) occupy five times as much land as large-scale farms. There has been a high rate of growth in these farms, with an almost 40% increase in the 4 years after the international food price spike (i.e. 2008–12). These farms include the holdings of wealthier members of traditional smallholder communities and new enterprises established by urban-based investors, including civil servants, specifically for making money.

Economic and political dynamics

Both competition and complementarities exist between large- and medium-scale farms, and smallholders. With regards to land and market access, large- and medium-scale farms are competitors with smallholders. Complementarities exist where lobbying on policy targets provision of public goods, and protection against imports. Large-scale farm owners may negotiate improvements in local infrastructure with spill-over benefits for local smallholders. Furthermore, large-scale farms may also offer services (credit, input provision, technical advice) to smallholders through outgrower (contract farming) schemes.

Medium- and large-scale farms have been promoted to feed rapidly growing urban centres and to keep food prices low and stable. The narratives of Kilimo Kwanza and SAGCOT do not present medium-

and large-scale farms as being in competition with smallholders. Experience during the Kikwete era gave cause to doubt the capacity of the government to deliver the infrastructure investment and support services necessary for smallholder agricultural growth. Meanwhile, medium-scale farms represent the response of numerous citizens of above-average, but not necessarily large, means to expanding market opportunities.

Land acquisition

In Tanzania, around 70% of land is designated as 'village land', vested in the village council and allocated to community members for their use. That which is not allocated to individuals remains common land. There is, however, a long history of tension between the state and communities over control of land rooted in the claim that all land is ultimately vested in the state. There are various procedures by which villages can grant portions of their village land to outsiders. The rapid rise of medium-scale farms since 1999 demonstrates that these procedures are not an impediment to urban-based Tanzanian investors. By contrast, some believe that these procedures are unduly cumbersome for large-scale and particularly foreign investors. This was one reason behind the drafting of a new Land Policy, which commenced in 2016, that seeks to protect communities' rights over land while also streamlining procedures for land acquisition for large-scale investment.

Contested policy narratives around agricultural commercialisation

Rationales for stimulating greater commercial investment in agriculture vary. Donors have formally championed it as a means of reducing poverty in rural areas, although critics argue that they are more interested in leveraging new market opportunities for agribusinesses and multinational corporations based in their countries of origin. Tanzanian business interests promoting the vision of medium- and large-scale farms growing alongside smallholders are focused on providing opportunities for entrepreneurially-minded Tanzanians.

Agricultural Sector Development Strategy (2001)

This donor-friendly document set out a limited vision for the Tanzanian state so as to create space for greater commercial private sector participation. Objectives were framed in terms of poverty reduction, food security and economic growth, to be achieved via commercialisation and enhancing productivity. The strategy involved taking advantage of domestic and export market opportunities, under-utilised land and labour-saving technologies. Trade-offs between supporting smallholders and developing large-scale agriculture were not recognised, but rather the ASDS noted the potential for smallholders to benefit from collaboration with large-scale farms and agribusinesses.

Disincentives to commercial investments in agriculture that were identified included restrictions on cross-border trade, the tax regime in agriculture, high interest rates on commercial bank loans to agriculture, high energy prices and the lack of legal and physical access to land. The envisaged role of the public sector was to create a stable macroeconomic environment and to provide services to smallholders. However, this fairly limited role was not reflected in legislative and institutional frameworks, and in particular in the broad mandates of commodity boards which were insufficiently accountable to value chain stakeholders. Disagreements over the roles of the state and the private sector resurfaced during the preparation of the Agricultural Sector Development Programme (ASDP) launched in 2006.

Kilimo Kwanza (2009)

This populist document was developed under the auspices of the TNBC (a forum for public-private dialogue) with the active involvement of the Agricultural Council of Tanzania (ACT). It was partly a response by the Tanzania business community to the state-led nature of the ASDP. In tandem with dramatic rises in world food prices, the initiative supported the principle of domestic agricultural production rather than imports — using tariff protection if necessary — and argued for investment in domestic agro-processing industries and against the export of agricultural raw materials. The policy argued that the agricultural sector needed to be modernised and commercialised as a precondition for wider structural transformation of the economy. It recognised the role of input supply companies in countering the low use of improved seeds, fertilisers and crop protection chemicals, as well as the need to revive the local supply of agricultural implements and machinery. It also provided impetus to the establishment of the Tanzanian Agricultural Development Bank in 2015.

Southern Agricultural Growth Corridor of Tanzania (2010–11)

SAGCOT is a public-private partnership that seeks to "ensure the necessary policy environment, infrastructure and access to knowledge to create an efficient agricultural value chain". The initiative covers around one third of the country and seeks to attract both domestic and international investment into agricultural production, and is the preeminent initiative for promoting large-scale farming. At the same time, SAGCOT aims to include smallholders and other rural households through employment opportunities and contract farming.

Tanzania Agriculture and Food Security Investment Plan (2011)

TAFSIP was developed in accordance with the Comprehensive Africa Agriculture Development Programme (CAADP). The ASDP was subsumed under the TAFSIP in order to satisfy criteria for a CAADP investment plan.

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Insights from rice, sugar and cotton

Case studies of rice, sugar and cotton commodity chains in Tanzania present a diversity of experience with regard to the relative importance of central government and sub-national (regional and district) administrations in decision-making and influence over policy outcomes. The differences reflect the nature of the commodity chains and, specifically, the ability of major private sector actors to provide services to smallholder suppliers without state support.

Rice

Rice is Tanzania's third-largest crop by volume, and is the most commercialised of the country's staple food crops. In the case of both rice and cotton, policy is formally set by central government, but formal rules and informal practice have often diverged.

With rice specifically, state agencies have been directly involved in the development of irrigation infrastructure for smallholder producers — evidenced in the ASDS initiative outlined above, which was, ultimately, a failure. The decentralisation of power in Tanzania means that the responsibility for policy implementation has fallen to district administrations — who have exercised this responsibility with little effective control. It has also been noted that this new independence is more the result of the growing holding power of local political elites, than the formal provisions of the decentralisation policy.

Sugar

Production is centred in four large-scale estates in Morogoro region, Kilimanjaro and Kagera. According to one study, more than 20,000 smallholder outgrowers supplied around 40% of cane to the factories at Kilombero and Mtibwa, although reliance on smallholders is declining in Mtibwa. A growing number of medium-scale farmers also sell sugar to these factories — offering an instance of direct competition for production between smallholder and medium-scale producers. However, a number of smallholders have profited from the rise of medium-scale cane producers, to whom these smallholders have leased their land.

Key decisions affecting the profitability of sugar production (including import tariffs, import volumes, and commodity pricing) are negotiated at the national level. Village councils are involved in the land allocation process, but local government plays very little role in service provision to sugar farmers. An influx of urban-based farmers — who have assumed prominent positions within grower's associations — has given the grower's associations a greater degree of bargaining power with government and companies than is found in most Tanzanian commodity chains. Smallholders will continue to benefit from this so long as their interests match up with those of the new, well-placed medium-scale farmers.

Cotton

From 2008, the Tanzania Cotton Board (TCB) and the Cotton Sector Development Programme (CSDP) sought to introduce contract farming into the sector in order to provide farmers with technical advice, as well as access to credit, which could be used to purchase improved seeds and agrochemicals. The initiative was generally welcomed by farmers, but was contested by some politically well-connected cotton buying companies and buying agents (many of whom were councillors within district councils) who feared that they would lose out from the change. At national level their cause was championed by a powerful Minister of Agriculture. The result was that other cotton buying companies could never be sufficiently assured of a return on their investment to fully commit to contract farming. As with smallholder rice irrigation, this case represents a failure to implement a policy that had the public backing of President Kikwete.

In the first couple of years of the government of President Magufuli, it seemed that buying companies would at last receive some investment guarantees through formal contracts signed with district councils and championed by District and Regional Commissioners. However, in 2018 the Prime Minister announced that responsibility for cotton buying would instead be returned to agricultural marketing cooperatives, as happened prior to liberalisation in 1994.

Reflections on agricultural policy processes

The relative importance of central government and sub-national (region and district) administrations in decision-making varies. These differences reflect the ability of major private actors to achieve coordination in service provision to smallholder suppliers without support from the state.

In the case of sugar, where there has been an influx of medium-scale farmers, land is allocated by village councils, but local government plays a very limited role in service provision to sugar farmers. However, owing to the perishability of harvested sugar cane, farmers have to sell to the nearby processing factory, which facilitates contract farming so that farmers can access inputs and services on credit. At national level, the profitability of sugar production is affected by: 1) the tariff levied on imported sugar; 2) the amount of sugar that is imported, and 3) the pricing formula for sugar cane which is negotiated across companies and growers' associations.

In the case of rice and cotton, policy is formally set by central government, although this has often been at odds with informal practice. With rice, this was manifested by uncertainty over import volumes and tariffs plus export taxes. Local government authorities were given responsibility for developing irrigation infrastructure for smallholders, but rarely delivered on this. By contrast, in cotton, regional and district commissioners for a time assumed an increasing role in policy experimentation. They commanded limited technical resources, but could play a key role in enforcing loan repayment in contract farming arrangements.

The role of donors, farmer organisations and business associations

Donors continue to make an important contribution to the national budget in Tanzania and are also actively involved in policymaking. However, the divergence of policy implementation and formal policy constrains the influence that donors can exert over policy in practice.

In terms of farmer organisations, sugar has attracted the interest of well-connected urban-based farmers who have assumed prominent positions within growers' associations, giving them a degree of bargaining power with government and companies. In cotton, there is a history of cooperative involvement, although primary societies and cooperative unions have been unable to compete with private buyers in a liberalised market. Business associations have not featured in the accounts of any of the three commodities, although TNBC and ACT have played a role in developing Kilimo Kwanza and supporting SAGCOT.

Going forward

The commodity case studies above highlight the systemic challenges that confronted attempts to deliver palpable results in agriculture during the government of President Kikwete. The dispersal of power within CCM had given rise to a wide range of individuals and groups with claims of influence over the state, which also included the power to resist reforms that sought to curtail that same power.

In 2015, President Magufuli campaigned on a promise of better service delivery and increased employment opportunities for the majority of Tanzania's citizens, made possible by tackling endemic corruption within the country. Much of his campaign focused on promoting industrialisation in order to generate employment and expand domestic production, thereby reducing dependence on imports. This was a politically risky move, given CCM's close relationships with trading interests.

The President's vision, therefore, requires a restructuring of power relations in the country, and specifically within CCM. To achieve this he has sought to re-centralise decision-making and policy implementation processes within CCM. Perhaps to avoid fighting battles on multiple fronts at once and/or to reduce exit options for disaffected individuals within the party, he has simultaneously imposed severe restrictions on the media and opposition parties.

In relation to the commodities discussed in this brief, Magufuli has championed domestic sugar processors by restricting import volumes, while upholding the tariff on rice imports. The strength of his support for the Prime Minister's recent attempt to restore agricultural marketing cooperatives to the heart of the cotton industry remains to be seen. However, as elsewhere in the economy, the signals for private investors are at best mixed.

At the same time, public funds for direct agricultural investment are extremely limited as the overall financial position of the government is tight and the overwhelming expenditure priority of the Magufuli government is infrastructure. In the 2018/19 budget presented to Parliament in June 2018, agriculture was presented as a top priority sector, but the budget allocation to the Ministry of Agriculture, Livestock, and Fisheries was only 0.85% of the national total.

Agricultural commercialisation is driven by rising demand for agricultural products. In Tanzania this is reinforced by measures to protect domestic producers against imports. Some of the government's infrastructure investment should also benefit farmers and traders seeking to get their produce to market. Offset against this are the mixed signals for private investors and the very limited public expenditure on agricultural services, which will primarily disadvantage smallholder producers. The speed of agricultural commercialisation and who is able to benefit from it thus remain to be seen.

Note: for more detail on the issues highlighted in this brief, see the full APRA working paper: Poulton, C. (2017) *APRA Policy Processes and Political Economy: Tanzania Country Review* APRA Working Paper 5, Future Agricultures Consortium available at https://www.future-agricultures.org/apra/#aprapublications

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