

## 2. The Impact of Structural Adjustment Programmes to Rural and Agricultural Development: Some Experiences from Tanzania

### Comments

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## COMMENT

Masao Yoshida  
(Chubu University)

Prof. Omari's paper points to the importance of agriculture in Tanzanian economy. It explains the diversity of agriculture in different regions of Tanzania, and how the economic policies affect differently in various regions and strata of farmers.

It then explains that the structural adjustment policies were imposed on Tanzanian economy mainly by the IMF and World Bank's pressure. This policy led to the rapid devaluation of the Tanzanian shilling. This triggered the rapid inflation, and although the food production has progressed, the traditional cash crops for export did not. Only the non-traditional exports have had some successes, as in 1990 it contributed 48.7% of the total exports. Although some says that SAP was successful in Tanzania, the paper's general conclusion is that SAP affected the rural population negatively. The paper then takes up the case of coffee production and the case of rural women.

I would like to take up two issues of the macro-economic aspects first, and then take up some of my own observations on the relative price levels of peasant crops in a rural area where I visited in 1987, 1991 and 1993.

First, I would like to question the validity of evaluating the appropriateness of the SAP by the general economic outcome. For instance, the devaluation of Tanzania shilling was made to boost the Tanzanian exports while curtailing imports. However in the actual situation, the exports increase did not materialize, while the imports have increased very much. The failure of devaluation to boost the exports are not to be blamed on SAP, as it is caused by the stagnation of the world market for the traditional African export crops, such as coffee, cotton, cocoa, tobacco, groundnuts, palmoil, etc. If these crops held the price level of, say, 1969, the recovery of the African economy could have been substantial.

This failure came about not because of the SAP, but because of the failure of the world market which for instance led to the collapse of International Coffee Organization, and also by the weak attempts by African producers to recapture the market which was eroded by the expansion of certain old producers and the entrance of new producers of Asia like Indonesia, Malaysia and Papua New Guinea. It was largely brought about by a failure of maintaining the quality of the products as well as the lack of aggressive sales campaign. It is not evident that the SAP itself caused the over-supply of

those crops in recent years as Reginald Green of Sussex University once argued.

In the field of export expansion, I would like to know much more about the reasons for success of some non-traditional export crops. What crop are they, and who are their producers? If such development can be sustained, it can be cited as the success of the SAP.

I can agree with the arguments that devaluation could lead to the inflation and the rapid rise of the cost of living in the context of African economy. This is because most consumer goods or materials for manufacturing such goods are imported, and not possible for immediate import-substitution. The devaluation does not easily lead to the domestic production of that product. However, it may lead to the change of the original sources of imported products for cheaper goods such as increasing imports of Kenyan shoes instead of Italian shoes. As the Structural Adjustment Loans are supposed to be united, the increasing availability of foreign exchange may have resulted in the serious search for cheaper import sources. Secondly, I would like to raise the issue of the problems of the time-factor in measuring the success or failure of SAP. This is also my request for analysing the effects in step by step manner. In Tanzanian case, I think the introduction of SAP during the first Economic Recovery Programme, i.e., 1986-1989, has resulted in the tremendous invigoration of the economy in all spheres. The liberalization of the many controlled prices had resulted in filling the shop shelves where nothing had existed before. Everyone was on the move to produce something to earn money. I would thus think that the initial phase of SAP in Tanzania was successful.

The problem has set in since then. The economic liberalization policy did not result in the increase of efficiency of the government bureaucracy or the parastatal and cooperatives, but rather resulted in their deterioration. This is actually the opposite of the aim of SAP, as it was stated at the time of introduction of SAP that its aim is to create smaller but more efficient and committed bureaucracy.

Government and parastatal services are important in any economy, and farmers' or peasants' welfare are greatly dependent on it. Thus, their failures have, for instance, resulted in deterioration of the provision of fertilizers or insecticides to the coffee growers. This is not just because of the devaluation of Tanzanian shilling, but because of the failure to improve the inefficiency of the cooperatives and other institutions as well.

I must admit that women are hardest hit by the implementation of SAP, as government costs are cut on social services. It is urgently necessary to

supplement SAP with socially - oriented assistance as UNICEF has proposed, targeting for the socially vulnerable.

In macro - aspects, I think it was necessary for Tanzania anyway to start some policy changes similar to SAP after the decline of its economy in the early 1980s. It was better if SAP was designed by Tanzanian themselves, and not by the IMF/World Bank, as this could have made the adjustment process more smoothly.

I will now turn to the personal observations of crop prices in Mwanga District of Northern Tanzania. The comparison of crop prices which peasants produce in Mwanga District is as follows:

	May 1987	July 1993
Maize (per debe)	T.shs. 186/=	T.shs. 1000/=
Rice (per kg.)	T.shs. 41/55	T.shs. 190/=
Coffee (producers' price per kg. parchment)	T.shs. 66/= (1987/88)	T.shs. 230/= (1991/92)

Source: my observation in Mwanga District

The minimum wages for these years were set at T.shs.1370/= in 1987, and T.shs. 5000/= in 1993.

If we calculate the price increases within these 6 years when SAP was in operation, we see that maize price increased by 5.4 times, rice price increased by 4.5 times, but coffee price increased only by 3.5 times. The minimum wage increase was by 3.6 times.

It seems to me that the coffee farmers are very much worse off than maize farmers and rice farmers. It may be that the effect of SAP to these food crop producers may not be so bad.

Apart from the slump of the world market as I pointed out before, the coffee producers are not getting fair share of the world market price. The government of Tanzania promised that the producers for export will get at least 60 to 70 percent of the FOB price. But some statistical figures show that Tanzanian coffee producers are getting only 35-60 per cent of the international reference price. This shows that the coffee producers were underpaid and that the implementation aspect of SAP has somehow failed.

Ratio of producer price to international reference price  
(clean coffee)

1985	86	87	88	89	90
80%	44%	43%	44%	36%	59%

Note: Parchement coffee weight = 80% of clean  
coffee weight

Source: calculated from UNDP/World Bank, African  
Development Indicators, New York/  
Washington D.C., 1992, p.219

## COMMENT

Jun Ikeno  
(IDE)

According to my impression, most staff of Dept. of Economics and Economic Research Bureau at University of Dar es Salaam were strong supporters for SAPs, and those of Political Science were at quite opposite end. As for Dept. of Sociology, juniors were sympathetic to political scientists, while seniors were in neutral. In the presented paper, Professor Omari, one of the most influential elders, expressed his position obviously. I heartfully agree with his conclusion; "the experience (of SAP) has been negative especially among the peasant". I would like to ask Professor some questions with the intention of making his points clearer.

### **1. On the typicality of the case of coffee production.**

As Professor mentioned, the farming systems in Tanzania vary widely from one area to another. If it is the case, whether the coffee production areas are the more/most affected areas or the less/least ones by SAP.

### **2. On the regional inequality among the rural areas.**

According to the result of my field survey on Kilimanjaro and Coast regions, most prosperous village in terms of the cash crop production was also the most active to sending the migrant labourers.

If rural areas under various socio-economic conditions had been affected differently by SAP, whether the effects of SAP resulted in widening the regional inequality among the rural areas or decreasing their differences.

### **3. On the factors determining the rural women's status.**

For instance, the participation of women to the farming activities were quite different between the North Pare area and Coast area, although both were patrilineal, muslim dominant and cash crop producing societies. There are also matrilineal societies in Tanzania where women might be more powerful than patrilineal ones. What are the main factors to determine the socio-economic status of women in Tanzania?

#### 4. On the rural stratification within one village/area.

The table below shows the difference of the coffee sale among peasant households in one village. There was a huge difference among the coffee sellers.

Coffee Sale of Mshewa Village (1990/91)

kg	No. of Farmers (person)	Volume average (kg/person)	Value average (TShs./person)
>=500	2	691	107,028
>=400	2	430	66,573
>=300	3	327	50,737
>=200	7	244	37,864
>=100	21	134	20,726
>= 50	31	68	10,495
>= 25	24	35	5,380
>= 10	32	16	2,465
>= 5	19	7	1,044
< 5	19	3	416
TOTAL	160	71	11,005

\* Civil servants' annual minimum wage: TShs.42,000  
 Source: Files compiled by Kindoroko Rural Cooperative Society in Mwanga District, Kilimanjaro Region.

It is assumed that the effect of SAP was not equal among the income strata or job groups within one village/area. Which stratum/group are suffering more seriously?

#### 5. On the mechanism of declining the coffee producer price.

When ERP was introduced, Tanzanian Government promised farmers to increase the producer prices; "the Government intends to set producers prices at a level equivalent to 60 to 70 percent at FOB prices or increase them by 5 percent per annum in real terms, whichever is the higher" (ERP Policy Paper p.15). As for coffee, the producer prices were increased, even though not at the pace the Government promised.

(Constant Prices:1988/89=100)

Mild Arabica Parch.	1986/87	87/88	88/89	89/90	90/91	91/92
Advance	106.2	105.7	112.5	126.0	115.9	148.3

Source: Tanzanian Economic Trends, vol.5 no.3/4, p.76.

According to the above table, the coffee producer price increased relatively. It means that the declined world coffee price and the devaluation of Tanzanian currency did not have the direct influence over the producer price of coffee up to 1991/92. But, the devaluation of the currency increased the prices of the imported agricultural inputs and consumer goods, then the net coffee income (gross coffee earning minus production cost) decreased. Therefore it seemed to have the indirect influence.

Recently, Tanzanian Government changed her mind ; “with respect to pricing of traditional export crops, the Government has confirmed that prices announced for 1992/93 are indicative prices serving as a guide to farmers in negotiating with traders, including cooperative societies” (ESAP Policy Paper p.13). The world coffee price will be related to the Tanzanian coffee producer price directly.