

Rural Development in Tanzania

What exists behind Institutions?

S Maghimbi

Professor of Rural Sociology
Department of Sociology and Anthropology
University of Dar es Salaam
Tanzania

ABSTRACT

Some pockets of modern economy and society have evolved in Sub Saharan African countries. The Tanzanian economy and society have responded positively to reform, but the country has not yet reached the level of a star performer and neither has it reached middle income level. Inefficiencies, bribery and corruption are widely reported. Now and then hunger is reported in a country where sixty five percent of the population are occupied in farming in rural villages. The article advances the argument that market-supporting and other institutions are not sufficiently grounded for these institutions to assist the country to advance in rural development. Jean-Philippe Platteau's idea of Where Real Societies Exist is used to show how, what takes place in institutions has led to poor performance of the rural sector.

INTRODUCTION

It is not hard to categorize societies in terms of productive systems or technology. It can be empirically shown that societies which have developed have gone through technical revolutions (also called industrial revolutions). These revolutions have been accompanied by the necessary evolution and strengthening of various institutions, notably market-supporting ones. Market-supporting institutions have their own infrastructural conditions which need to be fulfilled for the market mechanism to function adequately. These, according to Platteau, include the setting up of a legal framework comprising bankruptcy, contract, and competition laws; and the granting of fundamental liberties such as the freedom to trade or to choose one's occupation (Platteau, 1994a:534).

The government is another institution among those that are closely related to the evolution of a set of many other institutions which have helped developed societies to function. The evolution of market-supporting institutions and the institutions of law and order are closely

linked to the evolution of government. Max Weber attempted to show how modern societies develop as people endorse rationality, while members of pre-industrial societies cling to tradition or sentiments and beliefs passed from generation to generation (Macionis and Plummer, 2005:88).

Rationality is the deliberate matter-of-fact calculation of the most efficient means to accomplish a particular goal. Weber argued that modern societies would embrace rationality. Modern people would choose to think and act on e.g. the basis of present and future consequences, evaluating jobs, schooling in terms of what input is provided and what society expect to receive in return (Macionis and Plummer, 2005:88-89).

In Tanzanian rural society, scientific and technical thinking have not swept away sentimental ties to the past. Weber had viewed the industrial revolution and even capitalism itself as indicators of a historical surge of rationality. Rationalisation of Tanzanian rural society has not occurred as historical change from traditional ways of operating to rationality as the dominant mode of human thought is restricted to only a few enclaves (Macionis and Plummer, 2005:88).

It is not hard to illustrate that the institutions which have the function of promoting rural development are weak. When institutions are weak, the theory of institutions (like the evolutionist theory of institutions) cannot be used to explain the weakness of these same institutions. Clinging to theories of institutions can easily lead to going in circles and even confusing the explanation and what needs to be explained.

It is at this point that Platteau's argument of considering what influences institutions, is so important. Platteau suggests that *real societies* exist behind the institution's stage. Institutions are important, but they are insufficient to make societies develop. In order for societies to develop, institutions need to be supported by norms, like norms of generalised morality. He concludes that the social fabric and culture of human societies matter a great deal. Norms and cultural beliefs are rooted in historical processes and thus history necessarily determines the development trajectories of particular countries (Platteau, 1994a:535).

It is a major task to consider all institutions in rural development and what factors and influences exist behind them in Tanzania and thus only selected cases will be presented. In the next section the most important institution in rural development (land tenure) is considered. This is followed by a consideration of another important institution in rural development (markets) and the conclusion is reached that institutions on their own are necessary but not sufficient to bring about rural development.

LAND, POLITICS AND RURAL DEVELOPMENT IN TANZANIA

Social historians argue that land can be a source of vassalage. Political support can accrue to the state that controls land tenure in a manner that assures personal relationship between the land users and the state or its agents. However, a government which depends on this kind of tenure is not likely to promote much economic development because such development would threaten the relationship between the vassals (in this particular case peasants) and the state (Stephenson, 1961:76). The weakest institution in Tanzania's rural development is land tenure (Maghimbi, 2004:152-153). When tenure is weak it directly contributes to arrest the rapid evolution of other institutions necessary for rural development like markets and technology.



Tanzanian land laws (The 1999 Land Act and the 1999 Village Land Act) approaches peasant land ownership from a populist perspective. The law recognizes the peasant's land use even when the peasant does not formally own the land. The peasant does not need any title deed to own a piece of land. His/her ownership can be backed by a title deed from the village but he/she can also own the land by just growing crops or raising animals on it. Formally all the land belongs to the state and the President is the supreme landlord. The 1999 Land Act provides for the issuing of 33 or 66 or 99 years title deeds but peasant's land is held under The 1999 Village Land Act. At the surface it would appear that there is nothing wrong in the institution of land tenure which would impede social economic development. Nevertheless it appears that the current peasant land tenure has acted as the fundamental barrier to rural development in Tanzania.

Ownership of land by peasants who are the majority in the population would appear to take care of the problems arising from land market liberalisation. Peasants in villages adhere strongly to the traditional ethical principle that land ought to belong to the members of the local community or the *sons of the villages*, whose families have been living on the land for several or many generations. These people have also developed strong emotional identity links with the land. Ancestor cults are still powerful and they are strongly rooted in the land of the family or the lineage (Platteau, 1994b:800).

In real life the current peasant land tenure in Tanzania is a weak institutional structure which has contributed to mass poverty. Peasant land is parcelized to the smallest plots because there are not any institutional barriers to this subdivision of land to the smallest plots. Population increase is rapid, again because there are not any institutional barriers to having many children. Given the current tenure, farm size cannot be expanded to increase output. Even intensification has its limit when the farm land is so parcelized. The average farm size for a peasant family is only two acres and quite often this land is not held in one continuous plot (Maghimbi, 2004:153).

Due to high levels of fertility, population increase is very rapid. The total fertility rate is 5,7 births per woman and it is higher in rural areas (6,5) compared to urban areas (3,6) (NBS, 2005:57). The consequences of this very high fertility rate imply that the peasant population doubles in less than every twenty years. The practice is that the peasant will divide his/her land among the children. For most of the rural communities it is sons who inherit the parents' land and this means that after every generation the land is divided among two or three people (sons). There is no land consolidation and this tenure is so rigid that even opening new farm land does not increase per capita farm size because peasants move to new areas with their tenure habits.

The governing elite in the country has ignored the implications of the evolutionist theory of land rights. The current tenure for peasants seems to fit well into the political outlook of this elite. This tenure is even encouraged through land law and pro-natalist policies and propaganda putting emphasis on high fertility (and not e.g. technical or entrepreneurial skills) as an important condition for development.

Sometimes the policies of the state become even anti-capitalist. In the later 1960s and the 1970s a campaign was carried against successful peasants. These (rich peasants) were the most successful farmers in the villages and they sold a higher proportion of their farm output to the crop market. Some of their farms were parcelized and given to their poorer neighbours. In the same period, politicians discouraged the hiring of labour by rich peasants (Maghimbi, 2004:152).

Platteau has given much weight to norms in explaining development. The problem with norms is that it is difficult to explain how they emerge (Platteau, 1994b:790). However, it is clear that a modern market economy requires certain moral norms to function. Ideologies are part of values which will produce or promote certain norms. A value is an idea that is shared by the members of a society about what is good and bad, right and wrong, desirable and undesirable. Values are general, abstract ideas. Values shape the ideals and goals of a society and can even be emotionally charged and provide the basis of justification for a person's behaviour (Popenoe, 1995:57). It is thus logical to assume that a society's values determine its formal and informal norms.

Norms are the expectations of how people are supposed to act, think, or feel in specific situations. Informal norms are broadly understood by members of a society, but they are not written down. What are written down or codified are formal norms. Quite often formal norms are written down in the form of laws and carry specific punishment for violators (Popenoe, 1995:58-59).

Norms may apply to only specific social groups. Most norms are concerned with behaviours expected of people occupying specific social (economic) positions and playing specific roles (Popenoe, 1995:58). In rural development the specific groups involved are the peasants and their ruling elite which have to formulate (or not formulate) various policies in e.g. land tenure, marketing and technology which may help advance, stagnate or regress the rural economy. A serious governing elite may even promote some norms to mores when there is a feeling that this will accelerate development. Mores are norms that are almost considered sacred. These norms are strongly held and are considered essential and are strictly enforced (Peponoe, 1995:59). It is clear that the governing elite that is able to promote the necessary strongly held norms in land tenure, marketing and industry will foster economic development. For example rulers who treat land as if it has no specific owners are not likely to promote agricultural development.

Both values and norms are important for rural development (and for all development). Norms are specific, concrete and situational bound and are normally expressed as behavioural guidelines. Nevertheless values are general and often severe as a standard by which norms may be judged (Peponoe, 1995:59-60). Thus values may be more important than norms like formal laws. Tanzania may have exactly the same laws (on matters relating to e.g. rural development) like Britain or Malaysia, but this does not explain clearly what will occur in rural development. As a matter of fact, both Malaysia and Tanzania inherited similar strong British legal and political institutions and educational systems (*Citizen*, 9th August 2009:8).

If norms, including laws, cannot explain clearly what rural development is, one must revert back to values. Values are not specific like norms, but they are general and often serve as a standard by which norms may be judged. This means that values will come before norms in societal evolution. The central point still remains i.e. why do certain social groups encourage or invent values which hinder rural development. We can only speculate by referring to, for example the ideological and economic behaviour of different social groups. The task is not easy, especially when we assume that most rural people and their rulers would want to develop.

The assumption that most social groups would favour economic development is complicated as a reference to Stiglitz and Wilkinson will soon indicate. According to Joseph Stiglitz the current state of the peasant economy in Tanzania would indicate that their (peasants) lack of development is a political and not an economic problem. In Stiglitz's logic

it would appear that if peasants were left on their own they would develop to the limit of their capacities and resources. The lack of development and a weak civil society can only be attributed to harmful governmental intervention and not lack of resources. The assumption is that economic forces naturally lead to economic efficiency and thus the study of development becomes the study of political barriers to development. Lack of development is always and everywhere a political, not an economic problem (Stiglitz, 1989 cited in Platteau, 2000).

One can enrich Stiglitz's thesis by drawing further from Wilkinson and considering the values of the Tanzanian elite in governing the rural sector. Wilkinson has argued that a ruling class whose position would be weakened by economic development will endeavour to maintain the *status quo* against a growing need for change using whatever social, political and economic means it can. The efforts to promote development can then become a class conflict among these spheres (Wilkinson, 1973:88).

If we accept Stiglitz's and Wilkinson's reasoning one can start to understand the values the Tanzanian governing elite promoted and the laws it enacted. These values (a kind of anti-capitalism) informed much of rural development policies since 1967 and even after liberalization these values can be viewed in important areas of rural development like land tenure and marketing.

Wilkinson's and Stiglitz's theses can further be applied to rural development in Tanzania if they are related them to the three kinds of capitalism which emerged in the rural sector (and in other sectors) in Africa after independence in the 1960s. Schatz (1988) identifies three types of capitalism which emerged in Asia and Africa after independence.

The first kind of capitalism identified by Schatz (1988) is nurture capitalism. In this kind of capitalism the government assists and nurtures private productive activities in the rural sector. The state provides e.g. tariff protection, low interest loans, subsidized agricultural inputs, technical and commercial advice, assistance and preferential government purchasing programmes. When such programmes are successful, they nurture accumulation of wealth by peasants and other farmers and growth occurs.

The second hypothesized type of capitalism is piracy which takes two main forms. In the first form of piracy, the state revenues can be directly tapped for corrupt private gain in the rural sector. Kickbacks are paid on government contracts to supply grain, tractors, and fertilizers and other inputs are supplied to selected farmers without record. Ghost supplies are made to state corporations and loans from the government are made that need not be repaid. The other main form of piracy is the corrupt bestowal by the government of strategic economic positions upon favoured citizens. A typical example is the allocation of contracts and licenses. For example an import license for maize, rice or wheat is issued when the domestic price is a multiple of the international price and when the importers are exempted from some or all taxes. These are licenses to make fortunes, but it must be added that this kind of accumulation does not help local peasants and farmers to accumulate some wealth themselves. Piracy is the kind of capitalism which goes hand in hand with bad governance of the rural sector and other sectors. The concept of predatory capitalism (popularized by Dr. Senkondo Mvungi of the Faculty of Law, University of Dar es Salaam) can be used to describe pirate capitalism.

Under nurture agrarian capitalism the productive activities in the rural areas predominate and under pirate agrarian capitalism piracy predominates. Piracy benefits big capital intensive bodies which are based in town and abroad. Rural dwellers often face this capital

as merchant capital. Nurture capitalism is a different orientation where the state undertakes to accelerate economic development by nurturing private business engaged in productive activities in the agrarian and other sectors. Here the acquisition of state-controlled surplus is associated to a significant degree with productive activities. However, the record of nurture capitalism has not been positive in the agrarian/rural sector in Tanzania and reports in the daily news media indicate that piracy is increasing.

Pirate capitalism is an orientation in which control of the state is used to increase private incomes and wealth. However, this is done not primarily through subsidizing and aiding productive activities, but through corruption in one form or another. Development is more likely to stagnate under pirate capitalism than under nurture capitalism.

In the case of rural development in Tanzania it is important to mention the third and last type of capitalism theorized by Schatz (1988:67-68). A consideration of this kind of capitalism will also indicate how values can determine the path of development or underdevelopment a society takes.

The third type of agrarian capitalism mentioned by Schatz (1988:67) is what he termed ambivalent capitalism. This is the kind of capitalism with an overlay of anti-capitalism rhetoric and feeling. There is both a reliance upon and antagonism toward capitalism. This tendency can be viewed as capitalism that shoots itself in the foot. Little is done to promote private business in the direct productive sector of the economy and government actions may even be impeditive. Ambivalent capitalism characterized populist socialist and Afro-Marxist regimes in Africa. Tanzania fits well into ambivalent capitalism which, like the other two types of capitalism, extends well beyond the rural sector. In 1967 to 1980s this kind of capitalism was practiced under the banner of African Socialism. Ambivalent capitalism in Tanzania ruined the peasant wing of the rural economy to the point that now it fits the descriptions of one classical model i.e. the Chayanovian or moral economists' description of the peasant economy. In a Chayanovian model the peasantry is differentiated on family size and not on capital accumulation (Smith, 1989:28). The presence of a Chayanovian peasantry would indicate that there is a presence of a homogenous peasantry with minimal differentiation in land and capital accumulation.

Ambivalent capitalism was the dominant type of economic practice promoted in Tanzania from 1967 to 1992 when the governing elite accepted liberalism. Ambivalent capitalism values are produced on ideology and economic practice which stagnated development in the countryside. The current slow growth of nurture capitalism and presence of piracy is a consequence of failure to break away from ambivalence. Among the governing elite there are still residues of ambivalence. These are those members of the governing elite who are e.g. reactionary, bureaucratic, anarchist, nativist, cynical, timid or apathetic (Gibbon and Neocosmos, 1985:192-193). This governing elite had been characterized by a systematic inability to develop, implement and sustain consistent policies and means of monitoring them. Instead, this social group had shown a tendency to seek quick victory in development by resorting to ambivalent capitalism in bombarding the population with ever-new commands, institutions and campaigns (Gibbon and Neocosmos, 1985:193). Gibbon and Neocosmos had studied the Tanzanian governing elite in the 1980s when ambivalent capitalism was official policy. It should be mentioned that up to the current situation, when it comes to rural development there are still aspects of ambivalence especially in land tenure as described above. There are not many examples of nurture capitalism while examples of piracy are

common. As will be discussed below, even in marketing the evolution of the ideal version of capitalism (nurture capitalism) rural development is slow or non-existent.

WHAT IS BEHIND THE MARKET STAGE IN RURAL DEVELOPMENT IN TANZANIA

In the above section it was argued that what is behind the tenure which has produced an economy of small, homogenous and poor peasants are the values of the governing elite. Peasants have not been left on their own to develop to the limit of their capacities and resources. Harmful interventions driven by the values of the state have contributed to the lack of development. In analyzing marketing, one can also draw from Joseph Stiglitz, and argue that if peasants were left on their own they would develop to the limit of their capacities and resources. In real life, those in authority have their values which drive them to certain norms and ideologies which harm rural development.

In the argument which was formulated by Wilkinson the endeavour to promote rural development (and for all development) can become a conflict in social, political and economic spheres. In the process some institutions are promoted and others weakened or abolished. Acute mass poverty can persist for a long time as the old order is rigidly imposed (Wilkinson, 1973:88).

From the 1960s the values of the governing elite, and the values of the peasants or the majority in the rural areas, clashed. The governing elite came out with ideologies which supported ambivalent capitalism. These contradicted the peasants own ideology requiring the accumulation of as much land, animals and money as possible. In marketing, various institutions, which had traditionally helped the peasants were one by one abolished. These include district councils, co-operatives and peasant development associations like the Ruvuma Development Association (Maghimbi, 1992:121-122).

Co-operatives were the traditional peasants' own marketing institutions. These had existed since the 1920s when the British colonial authorities legalized them. Some very successful co-operatives evolved in the country and were successful in buying members' crops and in supplying farm inputs at low costs by using the principle of bulk buying (Maghimbi, 1992:122). In a classical case of a transition from nurture capitalism to ambivalency, peasant co-operatives were abolished in 1976 (Maghimbi, 1992:122-123). The functions of peasant co-operatives were given to communal ("ujamaa") villages and parastatal crop authorities which fitted well in the governing elite's ideology of ambivalent capitalism.

A marketing crisis occurred after the abolition of co-operatives. Parastatal crop authorities were bureaucratically run and inefficient. They failed to provide price incentives and sometimes failed to buy crops which were already harvested and stored by peasants. It was clear that the ideology of ambivalent capitalism, which was also breeding piracy in the crop parastatals, was not promoting good marketing of peasants' crops. Peasant co-operatives were re-introduced in 1982, but they came back as weak institutions and further piracy was created when crop merchants were allowed to operate side by side with the new peasant co-operatives. Currently policy reform for co-operatives is underway, but it is too early to gauge if in marketing nurture capitalism is vigorously being promoted by the governing elite. However there is evidence that in marketing, peasants will develop to the limit of their

capacities and resources, as predicted by Joseph Stiglitz, if they are left on their own or given the opportunity (Stiglitz, 1989 cited in Plateau, 2000).

A number of co-operatives have proved that Stiglitz's prediction is valid. Since independence in 1961 peasants were relatively free in marketing their crops through their own institutions i.e. co-operatives up to their abolition in 1976. Many strong co-operatives evolved and there were crop booms and large exports of crops produced by peasants including food crops from the 1950s to early 1970s. Many observers agree that co-operatives contributed to the increase in crop output (Maghimbi, 1990:84-86).

Currently the rural sector is facing the problem of lack of strong marketing institutions to support and promote development. The law allows peasants to register and own their co-operatives. However, present day co-operatives are not as strong as the pre-abolition co-operatives and if we assume nurture capitalism will emerge as the principal value of the state, still much work needs to be done in co-operative reform. Reform could target strengthening marketing and processing of peasant crops and removing bottlenecks in marketing. It is not easy to make predictions. It is still hard to move crops and meat from one part of the country to another and to export because of poor infrastructure and administrative restrictions. Rural hunger is now and then reported. Currently some villages are facing hunger and in 2006 hunger was reported in some villages in the Singida region of central Tanzania (Phillips, 2009:23-25).

Recurring hunger among peasants is an indication of insecure tenure based on tiny plots of farm land and poor management of marketing of peasant crops. Poor marketing has been caused by the presence of weak marketing institutions like weak co-operatives. These weak institutions cannot be separated from the values of the state which include its ideology (i.e. ambivalency or piracy). The peasant faces piracy in the form of the crop merchant while ambivalency informs the government's views on important peasant institutions like land tenure and co-operatives.

In the case of the hunger in Singida one author observed that food was removed from the peasants at very low prices after harvest, only to come back through traders at much higher prices. Sometimes the food returned to some villagers as food aid. This was the case in the 2006 hunger, but it was also observed that food aid came back with political patronage (Phillips, 2009:25, 35-42). It is not easy for each of the millions of peasants scattered all over the rural villagers to organise marketing, store crops and process them to increase their profit; if there are no strong own peasant marketing institutions like the pre-abolition co-operatives.

CONCLUSION

Institutions like secure land tenure are necessary for rural development to occur and the mass absolute poverty of peasants to disappear. Serious reform in tenure is needed. This includes promoting larger peasant farms especially in new farm land. There is still much unfarmed land in Tanzania. Ideally one could argue that the law should allow peasants freehold tenure so that they have maximum security. However, argued rural development does not only originate from institutions. Behind the institution of land tenure there is the space where (to borrow Plateau's jargon) *real society exist*. It is at this space where values are manufactured. These are the values which define the ideologies and practices of the state. This is not an empty space because here are situated important policy and law makers



like the governing elite. Piracy and ambivalence directly harm rural development and does not help the standard of living of peasants to improve.

Peasant co-operatives (and other institutions) are also necessary for economic and social reform. Nevertheless, these institutions, like land tenure, have their own real societies behind them. In these real societies powerful social agents exist like ruling elites (and their associates in the form of local and international crop merchants), who can misguide Tanzanian society and economy in the direction of piracy and ambivalence, or guide it in the direction of nurture capitalism. However there is no ground to assume that the Tanzanian and other Sub-Saharan African governing elites will endorse rationality automatically and promote nurture capitalism. Changes in the values of the governing elite are difficult, like all major social change, but are a necessary precondition for rural development to occur.

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