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The Diversified Future.

An Institutional Approach to Rural Development in Tanzania

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The study looks into the issue of constrained growth in rural Tanzania in spite of the wide ranging economic and political reforms implemented during the last 10-15 years. Two major hypotheses guide the inquiry.

One hypothesis is that in order to explain the lack of rural dynamics, the impact of broader post-colonial development on the rural setting has to be understood, in terms of the institutional implications of state policies, their significance for rural development and for the relations between the state and rural people.

The other hypothesis is that the limited rural response to recent reforms stems from the behaviour of a number of actors in the rural economy, connected to the workings of institutions that are essentially local in character. This is often overlooked in mainstream analysis.

The outline of the study is as follows. The first chapters review the official statistics of agricultural production, poverty and welfare in the rural areas. Then the concept of institutions in the Tanzanian context is discussed and the post-colonial institutional

history is presented. Against this background a number of case studies of institutional characteristics of liberalised markets are reviewed: the *dagaa* (small local fish), the prawn, the Nile perch, the cotton and the cashew market. Explanations to the producer strategy of diversification in various markets are sought. The strongly unequal gender position regarding control over land is discussed. The implications of the local political institutions and the state for diversification strategies of rural producers meeting an insecure situation are analysed. Finally some conclusions are offered.

Agricultural production, rural poverty and welfare

Poverty is still pervasive in Tanzania, and it remains mainly a rural phenomenon. The most probable conclusion regarding the level of inequality is that it has remained fairly unchanged since the mid-1980s. However, studies conducted with participative methods indicate that a substantial part of

the rural population, feel that they have experienced a decrease in well-being during the first half of the 1990s. The current decade has seen a deterioration in at least the quality of many social services.

In agriculture, smallholders' plots are shrinking. Intensification in cultivation is not taking place, outside the high productive areas. This may be linked to the increased sub-division of land in customary tenure systems through inheritance. It might as well be associated with a poverty context where households, due to lack of resources, are unable to cultivate larger plots. Another possibility relates it to insecurity over access and control over land, triggered by changes and contention facing the institutions guiding customary land related issues.

The background to this development is modification in many agricultural markets. These changes follow liberalisations, but are also due to more long-term trends. Input markets have become more concentrated to high producing areas.

The private traders that have taken over much of the marketing prefer dealing with crop purchases, rather than with the sale of agricultural inputs. When they still deal in inputs, they do it preferably on a larger scale and in areas close to crop markets. It is too risky, and not profitable enough, to provide inputs to sparsely populated areas in remote places, lacking good transportation facilities.

Another reason why distant areas are becoming more marginalised in the input trade is the collapse of the co-operative system that previously handled this trade.

In the study, a closer look is also taken at changes in the maize market, which is the largest grain market in the country. This market is fairly competitive. Despite weak infrastructure, traders show a great deal of flexibility. The maize market also shows limited signs of increased integration after the introduction of market reforms.

Market reforms have brought some increased efficiency in the trade of maize, but at the same time a decreased coverage of input markets. The overall result seems to have been a stagnation, or possible reduction, in the production of maize during the 1990s.

The overall official picture presented is that agricultural production has grown around 2 per cent per annum 1980-84, over 4 per cent annually 1985-89 and then at 4-5 per cent a year during the first half of the 1990s. It has been shown that agricultural GDP statistics are incompatible with agricultural production statistics. The overall judgement is that food production since

independence has only somewhat exceeded population growth

An institutional approach

The second part of the study inquires about the role of local institutions in rural development. Institutions should in this context be understood as rules, norms or enduring practices guiding human interaction.

Since institutions are the mechanisms whereby an economy is embedded in society, a fairly thorough description is made of the historical development of the institutional set-up. Rapid and at times dramatic changes have taken place in the formal institutional context as regards i.e. co-operatives and agricultural marketing, village organisation, local government and the parastatal sector.

It emerges clearly from the analysis of the institutional changes, that their motivation is not primarily related to reducing transaction costs in the economy, as would be postulated by new institutional economics. Instead, they are often driven by politically and culturally related motives. In the analysis of institutional change there is a need to broaden the field of analysis and create space for an understanding that encompasses more distinct political and cultural features.

Diversification as a strategy against uncertainty

What explains whether a producer "diversifies" or not? Based on an analysis of 18 case studies a picture emerges where, in the fishing sector, a clear correlation exists between the factor "local control" and investments oriented towards raising productivity directly. "Local control" is interpreted to mean both patron-client systems and special arrangements made in order to monitor the production process, such as the "salesmen" category in Rufiji prawn fishing, or the special crew hired in Lake Victoria Nile perch fishing. The general price development seems to be a necessary background variable.

In agriculture, a combination of other factors explains the prevalence of "diversification". A possible interpretation of the case studies is that there is a contradiction between economic liberalisation and the prevailing system for access to land. Customary land rights are not adapted to this new situation, and

uncertainties as to who has the right to the land appear. It is not possible to distribute land to all children in a family when they grow up, which forces young people to get involved in petty trading, to migrate or engage in other economic activities.

When young people move, the older smallholders get less access to labour power. Tensions start to grow between generations, which causes social capital in the villages to decrease. This further limits the possibilities for using unpaid labour, to get hold of informal credits or to take risks involved in agricultural investments. A combination of decreasing access to land, labour and credits should then be the main reason why increasing numbers of smallholders turn to diversification.

A lack of "social capital" in a wider sense, might also be a serious hindrance to market development in rural Tanzania. It is argued that diversification, which is a widespread practice, should be seen as a strategy used in order to deal with uncertainty. It is also argued that lack of trust may hinder the development of trade over longer distances, and in volumes that would be relevant, given the opportunities that liberalisation has offered. Generally, uncertainty emerges as a central theme in the analysis of rural dynamics.

Land rights issues

In this line of argument, land right issues occupy a central place. The new Land Acts, 1998, confirm that all land in Tanzania "shall continue to be public land and remain vested in the President as trustee for and on behalf of all the citizens of Tanzania". The Acts bring forward the fundamental principle of land tenure originating with the colonial state. The tenure insecurity and problems experienced by smallholders due to this system both in the colonial and postcolonial periods are disregarded, in spite of some changes proposed.

Among the sources of increased insecurity during the liberalisation period is the increased incidence of "land grabbing" by persons in positions of power and wealth. A particular source of uncertainty is that the ability of women to acquire their own land is limited. There exists a strong bias against female ownership of land, due to the clan's fear of losing its land. This fear is reflected also in the limited inheritance rights of women to family and clan land.

There is nothing inherently insecure regarding customary tenure systems. They

are often portrayed as such, but the issue is rather that such systems are often not sufficiently protected by law. Title deeds are not required for customary land to be secure. There is a need to revisit the issue of women cultivators' insecurity in relation to land. Agricultural intensification will require access to new techniques, inputs, methods, processing and marketing channels. For women cultivators to engage in expansion and intensification, their relationship to land needs to be perceived by them as more secure than enjoying access and in being more than only secondary rights holders.

Lack of trust

A further source of general uncertainty for rural people is the lack of trust between villagers and the state that developed in the villagisation period. The lack of trust seems to remain and deepen in the liberalised context, although for different reasons. The criteria for respect are no longer based in the culture or in the principles of democratic pluralism where all the members of society ought to be heard and respected. The erosion of social capital in the rural areas may be one important reason why broad-based development is being stalled.

Conclusions

It can be argued that a large number of Tanzanian smallholders with land holdings below 2 ha, are caught in a poverty trap. They have too limited resources to practice intensive agriculture with the necessary soil preservation practices and, at the same time, they have insufficient land to maintain long enough fallow periods from a sustainability perspective.

The patterns of extensive accumulation and diversification that were observed in different markets indicate the existence of a high level of uncertainty. Such uncertainties are related to the risk of depletion of the resources that the markets are based on and the risk of failed harvests due to climatic factors and elements relating to the wider socio-economic setting, including reforms and other state policies.

Diversification in many instances takes the shape of lateral circulation of goods or values rather than reinvestment aiming at accumulation. One strand of arguments claims that diversification comprises elements of risk aversion, cultural parochialism and political resistance towards

an external dependency. Another strand argues that it might be a culturally based strategy.

Diversification may also be understood as a strategy that aims at capturing market segments, not easily reached by other actors. This may appear in economically isolated locations.

People living in conditions of great uncertainty during long periods are likely to create cultural patterns, in the form of institutions that are aimed at addressing and coping with uncertainty. Even if levels of uncertainty change, such cultural patterns are likely to endure over time. The prevalence of uncertainty in production and trade relations is thus important factors influencing diversification behaviour.

The issue of uncertainty also emerges when analysing land and gender. The increasing insecurity related to control and access to land is creating uncertainties that hinder the adoption of improved methods and practices in cultivation that would make more intensive patterns of cultivation possible. This is particularly acute for women producers, who spend the major part of their labour in cultivation. The insecurity faced by women cultivators is reinforced by the male biased customary land ownership systems.

Continuous and at times dramatic shifts in state policies related to local institutional set-ups and agricultural policies are reflected in an increasing lack of confidence or distrust in the state and its institutions on the part of the rural population. In this setting, it is highly relevant for rural people to adhere to patterns of behaviour that were developed in earlier settings in order to manage other or somewhat different situations. Diversification is one such pattern.

In order for economic reforms to make a constructive contribution to the improvements of rural livelihoods, such reforms must incorporate ways to reduce the level of uncertainty facing rural people.

The most important role for the state and other economic actors would be to develop strategies for opening the political and economic space for the types of organisations and institutions that local people shape and apply. An essential role for the state is to establish a legal and institutional environment and means of enforcing rules and regulations that the majority of rural

people consider fair and just. Such rules must grow from local settings and cannot be imposed from above.

The Expert Group on Development Issues, EGDI, was established by the Swedish Government in 1995 with the objective of contributing to an increased understanding of development issues in a global context and increasing the effectiveness of development cooperation policies.

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The full study (EGDI Study 1999:3) can be ordered from
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