
**FOR DEVELOPING TANZANIA, POLICY IMPLICATIONS AND
ACCELERATING AGRICULTURAL AND RURAL DEVELOPMENT**

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ABSTRACT

African economies have undergone considerable transformation with consistent and robust to negative growth, contemporary economic growth has not been accompanied by employment creation and increased livelihood opportunities. As a consequence, poverty levels have remained relatively high. The challenges posed by lack of inclusive growth are particularly evident in most African countries including Tanzania. The paper is a policy framework grounded in inclusive growth for poverty reduction strategies. It focuses on agricultural and rural development for inclusive growth in order to promote broad-based economic growth in the country.

Keywords: Agriculture development, rural development, inclusive growth, growth policy, development implications, Tanzania.

1.0 INTRODUCTION

Developing Tanzania stands witness to the impact of economic growth on poverty reduction (Mashindano, 2009). The incomes and quality of life for many people have been improving and poverty levels have been falling. But these results vary with growth lagging behind urban growth in most rural areas where, the majority of people live (Mashindano, 2009). The difference in urban and rural growth and poverty outcomes is socially and politically untenable, as witnessed in the country's living conditions (Pingali et al., 2006). Rural poverty problems in many cases may become urban poverty problems through rising pressure on cities to absorb rural migrants in searching for works, homes and services (Greeley, 2007). The main feature of this problem relates to the 1980's situation, when rural economic problem was commonly seen as undersupply of affordable food and raw materials to support industrialisation as the engine of rapid growth (Hesse, 2006). The strategy highly influenced the design and choice of public policies. Overvalued exchange rates were intended to help new industries establish domestic markets and lower costs of imports, but lowered the domestic earnings for farmers in export markets. Administered food prices lowered consumer prices but lowered returns to farmers as well (Bakema, 2007). Agricultural products and land were heavily taxed to force resource transfers out of rural areas. Farm input subsidies which encourage the production of food crops, led to resource wastage which often benefit well to do farming.

1.1 THE PROBLEM

Such policy biases lower agriculture's terms of trade, distort market signals, and undermine agricultural growth (Pratap et al., 2012). The serious institutional and infrastructural constraints remains (Bakema, 2006), unless these constraints are addressed and the agriculture and rural economy actively developed, poverty reduction cannot be attained (Bird, 2008). The main purpose of this paper is to outline the potential for agriculture and rural development as a critical force for inclusive growth and sustained poverty reduction. It reviews the Tanzanian experience with agriculture in economic transformation. It is meant to highlight major policy challenges for accelerating agricultural and rural development in the country.

2.0 METHODOLOGY

This paper attempts to describe the ways in which inclusive growth can fundamentally change the lives of the people in Tanzania. Both descriptive method was used to explain the relevance and manners in which people's lives cans change for the better. The traditional functions of agriculture in development was referred as being the most important for inclusive growth, given the role agriculture plays in the economy of many countries. Information used in the paper is from the literature on agricultural and rural development. In this regards, a document methods was used in gathering the secondary sources of information. Written materials of the author's own experiences and observations. . The examination of these different sources of information assisted in looking into agricultural and rural development for inclusive growth policy implications for developing Tanzania.

3.0 AGRICULTURAL AND RURAL ECONOMY AT THE CORE OF INCLUSIVE GROWTH

A large proposition of the population in developing Tanzania is rural based which depends on agriculture for a living (United Republic of Tanzania, 2001; JICA, 2018). Rural productivity, employment and income growth are critically drivers for lifting the national economy. The rural-based cycle starts with productivity increase driven by yield-improving technologies that allow surplus production of food. . The extra income is spent on local products, generating further rural employment and income increase. As income rises, middle income group demand rises for higher-value farm and nonfarm goods and services, providing incentives for diversifying into higher-value commodities and nonfarm goods and services (Bhalla, 2008). Growing nonfarm goods and services then attract labour with higher wages in tightening labour markets, encouraging farmers to raise productivity with labour-saving technology. Increasingly, surplus production of basic and higher-value commodities find markets beyond the area, including accessible export markets, further stimulating productivity (Bhupat et al., 2011). Hence, through production, employment and consumption linkages, agriculture and the rural economy reinforce each other, leading to economy wide growth in employment, incomes and poverty reduction.

The impact estimates of successful agriculture and rural-based growth cycles are impressive. Roughly half of rural incomes are spent on lacally produced, labour-intensive, nontradable goods and services. Around 45 percent of the rise from agricultural productivity increases are

spent on locally produced, labour-intensive nonfarm goods and services. A virtuous agricultural growth cycle provides a strong base to support economic transformation. Success in the agriculture sector usually leads to its proportional decline in the economy while the economic transformation is inevitable (Pingali, 2006).

Strong agricultural growth contributed to industrialization in Republic of Korea, Taipei and China, where urban and rural per capita incomes have grown at comparative levels. People's Republic of China and India's vast rural populations have benefited from production expansion and rising productivity (Butzer et al, 2003). However, in these economies, regional and sector disparities are widening on account of rural growth significantly lagging fast-growing urban

3.1 Components of Inclusive Growth

A unique social safety net and a sharp increase in public spending on education and health care (Bhupat et al., 2011). The major elements of Inclusive Growth include Agricultural Development, Industrial Development, Environment, Protection, Poverty Reduction, Employment, Regional Disparities, Equal distribution of income and Social Sector Development. Inclusive growth has many positive aspects such as positive aspects such as: lower incidence of poverty, broad-based and significant improvement in health outcomes, universal access for children to schools, increased access to high education and improved standards of education, including skill development, better opportunities for both wage employment and livelihood, improvement in provision of basic amenities such as water, electricity, roads, sanitation and housing. Interlink between important components of inclusive growth.

4.0 DISCUSSION

4.1. Rural Underemployment, Urban - Rural Growth and Income Difference Challenges

Rural underemployment, urban - rural growth and income differences, and overburdened cities need refocus as they constitute challenges to accelerated rural growth and achieve overall inclusive growth. That is, an environment for rapid rural response (Bhupat et al, 2011). The enabling environment includes incentives for farm and rural enterprises to raise farm and enterprise productivity; public and private institutions that ensure factor and product markets to work; and infrastructure connectivity to expand markets.. In this aspect the key components can be highlighted as described below. Most of the Tanzania region's productive land has been brought into production, so land productivity improvement is key to further agricultural growth The majority of the people in Tanzania (about 80%) live in rural areas under informal tenure systems and insecure land rights, where poverty is widespread and deep (United Republic of Tanzania, 2001; JICA, 2018). Clear land rights can double investment in land. Unclear user rights for land and common property resources such as water and rangelands can lead to resource degradation (Pingali, 2006). . Policy and institutional reform efforts range from clarifying land rights definition and improved ownership equality, to better land management and administration (Deininger et al, 2003). But limited institution capacity, corruption, and slow titling processes delay potential productivity gains and urgently needed loss avoidance on deteriorating land. Good practices

have been developed but need to be replicated or adapted to the local context (Cabral et al., 2007).

Closely related to the land policy environment are labour market concerns. Tenancy arrangements such as sharecropping can increase with land ownership inequality. While providing some assurance to tenants, high owner crop shares can lower productivity and lead to labour bondage. Labour market flexibility becomes more important for wage employment and the nonfarm rural economy (Ndala, 2007). Labour market regulation can improve worker assurance and prevent exploitation, but excessive regulation can prevent mobility to more productive enterprises. In addition to formal regulations, the rural economy may also be confronted with many informal barriers to employment (Dietvorst, 2006). Efforts are under way to balance labour rights and increase productivity, but are often politically charged and subject to slow bureaucratic or corrupt labour practices.

Access to finance is essential for farm and nonfarm production given agriculture's seasonally and diversification trend. Rural financial markets are critical in rural economy development, supporting financial intermediation, and risk management. Provision of small-scale farmer credit at subsidised rates through public sector institutions unsuccessful (Deininger et al, 2003). Where land and other markets do not work well and the transaction costs of borrowing are high, financial services tend to favour farmers owning larger land areas. Clearly land policy improvements have a significant bearing on rural financial sector reform (Pingali and Strnger, 2004). Yet subsidies make up 20 to 60 percent of spending (Bagchi and Chattopadhyay, 2005). Top-down approaches to service delivery, bias toward better-off producers, and lack of central level accountability led to decentralisation and greater local service provision in Indonesia and Pakistan. Clear expenditure priorities are the basis for improving budget allocations

Physical access to input and product markets need infrastructure connectivity. In Indonesia, for example, agribusiness rank land access, power access, transport and telecommunications as the main obstacles to setting up production and gaining access to markets (ADB and World Bank, 2004). Policy and regulatory uncertainty, corruption and routine activities such as licensing and tax paying, excessive labour regulation, uncertain legal systems, and time – consuming bureaucratic red tape raise costs and become significant barriers to entry (Misal, 2015). . Continued realignment and provision of missing public services is critical.

4.2 Challenge of Inclusive Growth

Inclusive growth focuses on expanding opportunities for all while targeting social protection interventions at the poor. Viewed from this perspective, two issues need to be addressed at the outset to grasp the magnitude of the challenge facing developing areas of Tanzania. First, while opportunities have to be expanded for all, inclusive growth focuses on expanding opportunities for the less well-off, through the elimination of distortions created by market, policy, and institutional failures. Second, the chronically poor need to be identified in order to establish social safety nets that could meet their legitimate needs (SPA, 2007). The less well-off could be defined as the bottom half of the expenditure distribution of households. These are those leaving in poverty line which is closer than the \$1-a-day to the poverty line as defined by low middle- income countries (Dash, 2015). A \$1-a-day is used in this policy

brief to identify the less well-off. The threshold for the chronically poor could be defined in terms of meeting the minimum consumption needs. Given that about 60% of expenditure of the poor is allocated to food, the threshold could be defined at about \$1.50 a day (Igbatayo et al., 2017).

Closing both the productivity and income gaps is a key element of inclusive growth. Excessive mortgage debt increases the likelihood of a financial crisis, with deleterious outcomes for growth, and for equity, since those at the bottom of the income distribution are more likely to be at higher risk and higher exposure to this kind of debt and therefore to consequences of crisis (Mann, 2017). Not surprisingly, countries with higher regional concentration of manufacturing jobs have tended to have experienced higher overall inequality (Mann, 2017). The policy approach to ameliorate this concentrated impact so that all can enjoy the benefits of globalization and technological change is a critical task. Following Swaroop (2017), a simple and straightforward way to promote inclusive growth is to ensure that the country grows at a strong and sustainable rate. A country can promote strong and sustainable growth using policies for sustaining high growth and high-income levels which include: creating and ensuring macroeconomic stability; investing in human capital and strengthening the financial system; facilitating structural transformation from agriculture to manufacturing, and from rural to urban; adopting modern technology and spurring innovation; building strong and effective institutions and enhancing environmental sustainability.

5.0 CONCLUSION

There is strong evidence on the potential for regenerating rural economy by accelerating agricultural development. This is not just for the sake of developing agriculture, but it is to actively tapping agricultural and rural-based opportunities as a major element of inclusive growth strategy (World Bank, 2009). Yield-improving technology including expanding into high-value commodities together with nonfarm goods and services value addition, are key to providing much-expected opportunities for employment and income growth among Tanzania predominantly rural population. This paper extends on previous research by supporting stronger and more general claims about the relative importance of agricultural and rural development for inclusive growth (Pingali et al., 2006; Dash, 2015; Misal, 2015; Igbatayo et al., 2017). Inclusive growth includes both comprehensive growth, shared growth, and pro-poor growth. It reduces the fast growth rate of poverty and increases the participation of people into the development of the country. Rapid and sustained poverty reduction requires inclusive growth that allows people to contribute and benefit from economic growth.

Taking into account price policy changes of previous years, it can lead to substantial policy agenda for further improving incentives, institutions, and infrastructure. There is no miracle for reforms in markets, thus, the linkages between individual reforms needs to be taken into consideration. By viewing individual reforms as part of a whole, a more realistic assessment can be made through adjustment process and the needs for financing. Currently public sector expenditure cannot meet the financing needs for rural infrastructure development and rural public service provision at the same time. Budget reprioritization and service efficiency improvements need to be addressed. Accelerating and sustaining the rural region's impressive

overall growth depends on accelerating agriculture and rural development efforts for inclusive growth (Dietvorst, 2006).

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