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TANZANIA: AGAIN SQUANDERING FOREIGN AID

(Updating *Backgrounder* No. 610, "Seeking the Causes of Africa's Poverty," October 15, 1987.)

Increasingly, African nations and Western foreign aid donors have been concluding that a major (if not the major) source of African economic stagnation is the policies pursued by those nations. This wise conclusion, however, is being ignored by Tanzania, one of the world's most chronically poverty-stricken countries. Moving away from his recent pursuit of free market reforms, Tanzanian President Ali Hassan Mwinyi recently has cracked down on the sale of crops to private distributors by farmers desperate to rid themselves of unsold harvests lying vulnerable to seasonal rains.

Crackdown on Entrepreneurs. Such sales are illegal in Tanzania since they take business away from the state marketing monopoly, even though the state monopoly is not able to collect and market all the farmers' output. Without these "illegal" private distributors, fewer crops would get to market. The United States Agency for International Development (AID), as well as the World Bank and the International Monetary Fund (IMF), have spent hundreds of millions of dollars to promote free market reforms. Indeed, Tanzania is expected soon to receive funds from a multibillion dollar World Bank debt relief plan for sub-Saharan Africa. Tanzania's crackdown on its trader-entrepreneurs flies in the face of these efforts. The Reagan Administration should urge Tanzania to privatize the marketing of all its crops. Otherwise, foreign aid and debt relief for Tanzania are not merited and should be reconsidered.

Under the radical socialist policies of Julius Nyerere, Tanzania's president from its independence in 1961 until 1985, the government collectivized farming and nationalized virtually all private industry. As a result, the government sets the official price for almost all crops; these have been considerably below the actual market prices. Farmers are required to sell most crops to a hierarchy of government agencies, which markets the produce within the country and for export.

By 1984, the official prices offered to farmers were only half their 1970 level, even though world market prices for the country's major crops had increased 17 percent during that period. The result: the production of food and export crops plummeted, and dependence on Western food aid mounted. Production of basic food crops is now half its 1972 level, and cotton exports are still at pre-independence levels.

Stranded Crops. Tanzania's state marketing system is so inefficient that farmers always have turned to the services of illegal private traders. These entrepreneurs hold together the country's agricultural economy. Recently, some 300,000 tons of various crops--including the major foreign exchange earners, coffee and cotton--were stranded in villages, with government buyers unable to cart them away because of severe transport bottlenecks. Farmers were willing to sell to private entrepreneurs at little more than half the official prices to avoid seeing their crops destroyed by the coming seasonal rains. It is against these entrepreneurs that the government has now moved.

During the 1970s and early 1980s, Tanzania's state marketing boards and forced collectivization were underwritten by the World Bank and Western government aid programs. In fact, Tanzania received more foreign aid per capita than almost any other country. By the mid-1980s, foreign donors finally recognized the failure of Tanzania's experiment. Recently, the IMF and World Bank have been promoting market-oriented reforms. In response, Tanzania devalued its currency, cut certain import restrictions, and increased controlled producer prices for corn and export crops. And private traders have been allowed to compete with a government marketing board in the purchase of corn. This latter reform proved so successful that the government board, unable to compete with private traders, was scaled back.

Useless Roads. In recognition of these advances, AID in November signed an agreement to provide $12 million this year "in support of the government's Economic Policy Reform Program." This is in addition to the $7 million in P.L. 480 food aid provided by AID. The new $12 million in U.S. assistance is linked specifically to Tanzania's promise to spend more on the upkeep of roads essential to moving crops to market from the rural areas. Yet these roads will be of little use if the government prohibits private entrepreneurs from hauling the crops. AID officials seem reluctant to deal with this contradiction, explaining that $12 million cannot be expected to promote much reform.

When Tanzanian farmers refuse to risk waiting to sell their crops to the cooperatives, prefering to accept half the "official" price from entrepreneurs, they are voting with their precious harvests against the government marketing system. AID, IMF, and the World Bank should heed this vote--they should insist that Tanzania halt the present ban on private crop sales. Beyond this, AID and the multinational banks should urge the government of Tanzania to extend the experiment of competition between government and private parties in the marketing of corn to the export crop sector. Only when Tanzanian and all other African farmers are free to produce what they want, and to buy and sell to any customers at prices agreed to by all the parties involved, will Africa pull itself up out of poverty and hunger.

Melanie S. Tammen
Research Associate