

The Nationalist Solution to the Crisis of Accumulation in Tanzania

*Katabaro Miti**

It is our contention that the Arusha Declaration initiatives in Tanzania (1967) were a response to a growing crisis of accumulation that had culminated in the financial crisis of 1965/66. In response to this crisis the nationalists called for state intervention in the economy and the reorganization of the agricultural sector that was to serve as the basis of primitive accumulation. However, both solutions have not been effective and Tanzania has continued to rely heavily on foreign capital and foreign assistance.

Given the low level of production forces and the general poverty, rapid economic growth and transformation became the most pressing problem in countries like Tanzania after independence. One encounters immediately after independence a general dissatisfaction with the rate of economic growth and a general impatience for development. This could already be detected in Nyerere's Independence statement in December 1961. He said then that "in the coming ten years, we the people of Tanganyika would do more to develop our country than the colonialists have done in the previous fifty years."¹ However, there was no specific programme on how this phenomenal development was going to be achieved. As Nnoli puts it, the assumption of the nationalists seemed to be that "once political independence was attained most of the problems of production would be solved, as long as the people worked hard" (hence the slogan of Uhuru na Kazi: Independence and Hard Work). Another assumption was that "with some major reforms, the continuation of the colonial socio-economic trends, would yield ultimate success in increasing production and attaining other goals of society."² It was further assumed, following Dr. Little's (1961) recommendations, that foreign private capital would easily flow into Tanganyika if favourable conditions were maintained. Lastly, it was assumed that developed countries and international financial bodies would provide aid in sufficient quantities to finance government development projects.

The first assumption led to the promotion of self-help schemes commonly known as "people's plans"³ in the first two years of independence (1962 and 1963). But these were altered towards the end of 1963 because of the increased demands on and expectations of government support by the people, leading to frustration and disillusionment if support was not forthcoming. Secondly, it led to the exhortation of peasants to increase

*Lecturer in Political Science, University of Dar es Salaam.

production for export, which resulted in increased cash crop acreage. The second assumption led to the acceptance of the World Bank recommendations (1961) and the Three Year Development Plan (1961/1962-1963/1964) drawn from these recommendations by the outgoing colonial government. They thus accepted that development should be based on the promotion of agriculture, through what was termed the improvement and **transformation approaches**,⁴ and the **tying of industrial development to agricultural development (the growth of the internal market depending on agricultural growth)**.

The third assumption led to an all-out effort to create favourable conditions for private capital, which meant passing laws guaranteeing non-appropriation, tariff protection, duty relief on imported raw materials and component parts of machinery, tax holidays, export of profits, etc.⁵ The fourth assumption led to an **inbuilt dependency on external finance** both in the Three Year Plan (79 per cent of finances for the plan were to come from abroad) and the First Five Year Development Plan (1964-1969, where 78 per cent of central government capital expenditure and 54 per cent of total sectoral expenditure were projected from external sources). This meant that the main drive of the independence government in the economic field would be the securing of foreign sources of finance.

By 1963 (when the people's plans were halted) it had become clear to the leadership that for people's hard work to be profitable, it has to be planned. Hence the importance and emphasis on planning which gave birth to the First Five Year Development Plan, which was to form the first part of a Fifteen Year Plan (1964-1980), whose main goals were: (i) to raise the income per head from 400 shillings to 900 shillings by 1980, (ii) to meet our manpower needs (have fully qualified Tanganyikans) by 1980 and, (iii) to increase the national life span from 35 years to 50 years by 1980.

By this time, also, the nationalists had realized the need for industrialization.⁶ Thus Nyerere noted, while introducing the First Five Year Development Plan to parliament, that:

simply to expand agriculture, however, would be to condemn Tanganyika to a position of permanent economic inferiority in the world. ... We must have an industrial base to our economy. Only when we have achieved this will our future be to some extent safeguarded.⁷

He further notes:

In the next five years we intend greatly to speed up industrialization and we are aiming at a rate of growth of the industrial sector which is more than **twice as fast as that of agriculture**. **Massive investment in manufacturing** is called for under the plan. We shall start to produce the consumer goods needed for our domestic market.⁸

The plan itself noted that the contribution of this Five Year Plan to the desired structural evolution of the economy lies essentially in the express

will of the government to promote the lagging industrial sector (processing and manufacturing) and to foster the growth of the commercial sector (transport and distribution). With regard to industrialization the plan calls for:

1. Installation in Tanganyika of a relatively large number of economically viable processing and manufacturing plants, the products of which will replace goods that would otherwise be imported.
2. Establishing of primary processing industries which would raise the values of Tanganyika's exports and will at the same time render them less sensitive to price fluctuations in the world market (processing sisal, coffee, tea, pyrethrum and cashew nuts).⁹

The expected phenomenal growth in industrialization was, to a great extent, to continue to depend on the private sector to which, according to the plan, "all reasonable guarantees for carrying out its business in conditions sufficiently attractive to induce the reinvestments of profits in Tanganyika and an inflow of new investments from abroad"¹⁰ were to be offered. However, the inflow of new investments was not forthcoming. Instead, Tanzania experienced increased capital outflow. According to Rweyemamu,¹¹ private capital inflow had shown a declining trend. In 1961 it was + 15.4 million shillings, 1962 + 14 million shillings, 1963 - 56.6 million shillings, 1964 - 336.4 million shillings, and 1965 - 89 million shillings. To this worsening situation was added a massive fall in the export surplus due to a landslide fall in the prices of sisal (Tanzania's main cash crop that had accounted for 35.7 per cent of total value of exports in 1963). In 1964 the price of sisal was 1,700 shillings per ton. This dropped to an average of 765 shillings per ton between 1965 and 1968. Consequently the foreign exchange earnings from sisal dropped from 468.7 million shillings in 1964 to 154.6 million shillings in 1968. Government revenue from sisal fell accordingly from 306 million shillings in 1963 to a mere 60 million shillings in 1966.¹²

There developed at the same time misunderstandings between Tanzania and its two main aid donors. In 1964 when Tanganyika united with Zanzibar it found itself in a situation where it had a West German embassy while Zanzibar had an East German embassy. According to the West German Herlenstein Doctrine a country could not recognize both East and West Germany. It thus put pressure on Tanzania to close the East German embassy. In February 1965 Tanzania agreed to limit the East German representation to the status of an unofficial consulate general in Dar es Salaam and pledged not to recognize East Germany. The West German government objected very strongly to this decision and insisted that the only East German representation in Tanzania which it would accept was a trade mission, but that if a consulate general was permitted it should be based in Zanzibar and limited to the island. This was

more than the nationalists would bear. They refused to be dictated to. West Germany then decided to withdraw its military assistance and threatened to cut off its economic assistance unless Tanzania rescinded its decision. Tanzania responded by declaring all existing and subsequent West German aid unacceptable. At stake was 70 million shillings worth of military aid, including 50 military advisors and technical personnel, 6 coast guard boats and 36 military aircrafts, plus 160 million shillings aid started in June 1964 and 18 million shillings advanced to the Tanzania Housing Corporation, besides other technical personnel and assistance.¹³

When Rhodesia declared its "unilateral independence" for its minority whites, the Organization of African Unity (OAU) unanimously decided that Britain, being the colonial power, should put down the rebel regime in Rhodesia. It was given until December 1965 to do so. If it had not carried out its responsibility by then, the OAU members would break diplomatic relations with Britain. When the deadline came and Britain had done nothing, Tanzania — responding to the OAU resolution — broke diplomatic relations with Britain. Britain responded by freezing its aid to Tanzania. This included a 150 million shillings interest-free loan it had granted to the Tanganyika Land Bank, 2.84 million shillings it had given to the Pemba Telephone exchange and secondary school, and various technical assistance programmes.¹⁴ Britain had been the biggest aid donor to Tanzania, accounting for more than 44.5 per cent of total aid in 1965. This had dried up to 4 and 2 per cent in 1966 and 1967 respectively.

Summing up the situation of all these developments and the financial crisis they had caused, Nyerere had this to say:

For the truth is that the total amount of external capital aid was less than the amount by which our sisal earnings went down because of the fall in international prices. That is to say, instead of this external aid resulting in an increase over the previous year in the total resources available for investment, it did not make up for the reduction in our total purchasing power which was caused by the fall in the price of just one of our major exports. It would have been far better if we had received no aid at all, but the prices of our commodities had not fallen.¹⁵

By mid-June 1966 when the President addressed the National Assembly¹⁶ and the National Executive Committee,¹⁷ the leadership had come to the following conclusions: (i) we cannot rely on outside help for development; (ii) we can do more for our own development than we thought possible; (iii) development depends primarily on the efforts and hard work of our own people, and on their enthusiasm and belief that they and their country will benefit from whatever they do; (iv) it is impossible to plan economic development properly if currency and credit are not within the control of the planners, i.e. of the government; (v) it is necessary to have local sources of financing for development.

The last two conclusions had been brought home to the government

when it sought to raise internal finances to compensate for the non-availability of external resources. Given the low level of economic development, the government could not cover the big financial deficit by increasing internal taxation, although it instituted a development levy on cash crops and on personal incomes and it increased import duties. The only alternative open to it was to obtain loans from Tanzania's financial institutions. But the foreign ownership and control of these institutions made it almost impossible for the government to obtain finance from these sources. 77 percent of the total bank assets in Tanzania in 1967 were held by three British banks: Barclays, Grindlays and Standard Bank, all with their headquarters in London. All of the twenty-nine Life Insurance and the seventy-five General Assurance companies were foreign owned with their headquarters in London; there was only one National Insurance Company. The investment policies of these financial institutions and the Currency Board, (which issued currency for the three East African countries from its headquarters in London), were determined from abroad. They insisted on investments on the London Market rather than locally. This blocked Tanzania's attempts to raise finances from these quarters. Tanzania's immediate reaction was to withdraw from the Currency Board and to form the Bank of Tanzania (June 1966). After the Arusha Declaration, it nationalized all the financial institutions.

The financial crisis of 1965/1966 disrupted not only the industrial programmes of the Five Year Plan but also the agricultural programmes, in particular the settlement schemes. With regard to these schemes the First Five Year Development Plan had noted:

For it is these programmes which although long maturing bring about a relatively abrupt transition of the people concerned to modern techniques with regard to land use, land tenure and patterns of agricultural production and economic attitudes; they will also be relied upon to relieve incipient land hunger and population pressure in certain areas.¹⁸

It was this sector that was to take most of the finance allocated to agriculture. As explained by the President while introducing the plan to parliament, "almost all the help which government can give in the way of tractors, improved houses, and rural water supplies, will be concentrated on these new village settlement schemes,"¹⁹ The aim of the plan was to establish sixty-nine settlements at a cost of 150,000 pounds per settlement. The population in such villages to be established in the subsequent plans was expected to have reached one million by 1980. In 1966 these schemes were halted, the reason being that they were "heavily over capitalized and the need to repay this great debt will be a life time burden on the settler farmer and will swallow up his crop proceeds."²⁰ Emphasis then shifted to the improvement approach until the elaboration of the ujamaa villages programme after the Arusha Declaration.

It is the developments described above which underlie the Arusha

Declaration and subsequent measures. The Declaration essentially represents the nationalist reaction to accumulation problems which were caused by a combination of factors: the negative reaction of foreign capital to courtship; the excessive dependency on foreign aid; and foreign control of the economy. The nationalists reacted to the non-availability of foreign resources by rejecting money and industrialization and placing emphasis on agricultural development. The Declaration states that:

1. It is stupid to rely on money as the major instrument of development when we know only too well that our country is poor. It is equally stupid, indeed is even more stupid, for us to imagine that we shall rid ourselves of our poverty through foreign financial assistance rather than our financial resources.
2. Because of our emphasis on money, we have made another mistake. We have put too much emphasis on industries. Just as we have said, "without money there can be no development" we also seem to say "without industries there is no development."

The mistake we are making is to think that development begins with industries. It is a mistake because we do not have the means to establish many industries in the country. We do not have the necessary finances or technical knowhow.²¹

However, the need for foreign assistance and procurement remained central to the government. Thus, we find the President, barely a week after the Declaration, trying to make clear the position of foreign capital and private investment in the economy:

Does this (Arusha Declaration) imply that Tanzania is no longer interested in receiving capital from abroad, or in receiving private investment either foreign or local? It should be obvious that it does not mean that. We have firmly rejected the proposition that without foreign aid we cannot develop. We shall not depend on overseas aid to the extent of bending our political, economic and social policies in the hope of getting it. *But we shall try to get it in order that we may hasten our economic progress and that it may act as a catalyst to our own effort.* Similarly with private enterprise, we have rejected the domination of private enterprise; but we shall continue to welcome private investment in all those areas not reserved for the government in the Arusha Declaration.²²

The manner in which the nationalizations were carried out in 1967 indicated government policy with regard to private capital, which was to achieve full government control of financial and trade channels (all commercial banks were nationalized and placed under the National Bank of Commerce — NBC; the import and export firms and main wholesale trade were taken over and placed under the State Trading Corporation — STC) and partnership in industrial ventures. In fact, in the classification of industries following the Arusha Declaration, compulsory full public ownership was limited to banking, insurance, armaments and petroleum exploration industries, which were identified as the strategic industries. All other industries were open to partnership at various levels of public control. The Second Five Year Development Plan (1969-1974) noted, in

this regard, that "joint enterprise between Tanzania public sector majority shareholders and private minority investors can be of particular value in facilitating the transfer of technology and the training of the Tanzanian personnel."²³

The response of private foreign capital was initially sceptical but later became positive. Some foreign private investors were even content with a ten to twenty percent share. To understand this one has to point to another development accompanying nationalization. This was the comprehensive management and services agreements that accompanied joint ventures. The foreign private partner also became the managing agent of the joint firm and collected a fee irrespective of whether the firm made profits or losses. Because of the lack of sufficiently trained manpower to run the parastatal sector, Tanzania has had to rely more and more on the foreign partners to provide feasibility studies, advice and skilled personnel, as well as machinery and equipment. As Rweyemamu puts it:

Since high profits were readily available for building the plant and supplying machinery, contractors have had little interest in the economic viability and efficient operation of the enterprises. Minority participation and management agreements will not only ensure the foreign corporations a regular flow of payments in the form of royalties, patent fees, which to some considerable extent will have similar results to the export of capital, but will also enable them to pursue autonomous investment policies.²⁴

These two developments, partnerships and management services agreements, have been subjects of a hot debate in Tanzania. However, the main focus of the government after nationalizations was the efficient running of the nationalized enterprises and the expansion of their operations and thereafter less attention was paid to the effects of partnerships and services agreements.

AGRARIAN SOCIALISM AS A SOLUTION TO THE CRISIS OF ACCUMULATION

The Arusha Declaration had identified agriculture and hard work as the main engines of development in Tanzania. Specific attention was, therefore, paid to the agricultural sector. The organization of rural production had not been effective thus far and there was a constant shift of emphasis from the improvement approach to the transformation approach and vice versa. Because of the shift of emphasis in the government's development policy, a new and more efficient means of raising productivity in the rural areas was necessary. This became the primary pre-occupation of the nationalist leadership in the post Arusha period. One aspect of this reorganization remained constant: villagization. This had been identified as far back as 1962 as the pre-requisite for increased productivity of the rural areas:

The absolutely essential thing to do therefore, if we want to be able to start

using tractors for cultivation is to begin living in proper villages. So if you ask me what the government is planning to do during the next few years, the answer is simple. For the next few years government will be doing all it can to enable the farmers of Tanganyika come together in village communities. And if you ask me why the government wants us to live in villages, the answer is just as simple. Unless we do so, we shall not be able to develop our land and to raise our standard of living. We shall not be able to use tractors, we shall not be able to build hospitals, or have clean drinking water. It will be quite impossible to start small village industries and instead we shall have to go on depending on the towns for our own requirements. ... All I am saying is that if we do not start living in proper village communities, then all our attempts to develop the country will be just so much wasted effort.²⁵

It was this equation of villagization with development which had made the transformation approach not only acceptable to the nationalist leadership but a major policy of agricultural development by 1964. However, the financial crisis had made the policy of the establishment of capital-intensive settlements unrealistic and brought a halt and a re-evaluation of the rural development policy. A less expansive form of villagization was called for, hence the call for ujamaa villages on the Ruvuma Development Association model.²⁶

This was to be based on a persuasive appeal to the people to voluntarily move into villages and to cultivate collectively. This kind of appeal had been successful immediately after independence with the self-help schemes. Success here had led to the conclusion that "people were anxious to help themselves, and required only leadership and technical assistance."²⁷ (Nyerere 1971.9). Or as Hyden put it, the conclusion had been reached that:

The peasants want and can sustain economic progress themselves as soon as they have been shown the advantages and that the changes must and will come democratically and through voluntary participation, that is, in response to the "felt needs of villagers."²⁸

The nationalists thus hoped to bring about villagization by what Nyerere termed "education and leadership." However, the nationalists were in the process forgetting two basic facts of the self-help experience, the first being the nature of the activities performed collectively and voluntarily under the self-help schemes. These were mainly limited to communal social services like schools, hospitals, dispensaries, community houses, roads, bridges, water pipes, wells, dams, furrows, etc. It was wrong to expect the consensus reached in the services area to be reproduced in production activities where individual interests were at stake. Education and exhortation were not enough to bring about changes in the production relations. Secondly, the nationalists forgot the difficulties and problems that arose from the unplanned and uncoordinated self-help activities. By the end of 1963 the spontaneous and uncoordinated self-help schemes had been halted because they led to unlimited demands on the government's limited resources and frustration on the part of the people as their ex-

pectations of government help went unfulfilled. The same kind of frustration, due to lack of government aid, was to be experienced by ujamaa villages in 1968 and, like before, led to government planning of the ujamaa villages movement.

The villagization movement after the Arusha Declaration went through different phases, which we can only briefly outline here.

The Spontaneous, Voluntaristic and Autonomous Phase 1967-1968.

This phase began with the issuing of the policy paper "Socialism and Rural Development" in September 1967. The paper called for a voluntary movement into ujamaa villages which would be characterized by collective production and distribution. There was no outlined programme of this move — only an appeal to people to move. It was up to everybody who understood the philosophy of ujamaa to help in the setting up of the new village:

If this type of organization is to spread, every rural worker who understands the objective must play his part. The TANU cell leader may in some cases be able to persuade the members of his cell to make a beginning; the agricultural officer may be able to persuade a group of farmers how much he would be able to help them if they were living and working together; the community development officer who has won the confidence of the people in his areas may be able to do it; or the TANU official at any level. The teacher in a primary school could help, or any individual Tanzanian who understands (even if he is a Sheikh or a Padre) and whether or not he has an official position.²⁹

There was some voluntary movement into ujamaa villages following this appeal. By the end of the year there were some 48 villages and by December 1968 the total had increased to 180 villages with a total population of 58,000 people. However, this rate could not meet the urgent need for the reorganization of the agricultural system and increased rural productivity. Besides, some movement backwards from these villages occurred because of hardships encountered in starting new homes. Some organizational mechanism was necessary to facilitate the movement into villages.

The Frontal Approach Phase 1967-1973

This phase with Presidential Circular No. 1 of 1969, which placed the entire government and party machinery behind the movement to ujamaa villages. The circular states that:

1. All government policies and the activities and decisions of all government officials must therefore be geared towards emphasizing the advantages of living together and working together for the good of all; they should be

angled at discouraging the continuation of private individual farming; and it should attempt to dampen the urge for private expenditure on consumer and farm durables in favour of communal expenditure on things like cooperatively owned farm implements, stores, water supplies, good houses, dispensaries, nursery schools, roads, community centres and so on.

2. This means that it is to the building of ujamaa villages that government must now turn its attention. We have to organize our government and party machinery to assist their establishment; we have to give them priority in all our credit, and extension services at the expense of the individual producer if necessary. Cooperative farming and cooperative production must be looked upon as the main source of economic growth in the rural areas.

This change of policy was to be further clarified by the Second Five Year Development Plan (1969-1974) which called for a frontal or broad based approach to ujamaa as opposed to a selective approach. The frontal approach aimed at moving "towards ujamaa on all possible fronts; mobilizing the full range of governmental and political institutions behind the principles of ujamaa, ensure that large segments of the society will make some movement towards socialism." The selective approach, on the other hand, would mean concentrating attention on limited areas which were capable of moving to complete ujamaa living over a short period of time. The plan states that:

1. Ujamaa villages and groups of villages will be given priority in the services of trained people, as well as in the location of new schools, dispensaries, local water supplies and so on, and priority in the allocation of the Regional Development fund.³⁰
2. There should be the exercise of greater responsibility and initiative by local communities at village level, district and regional level in planning, mobilization of resources and implementation of rural development. To achieve this, there must be a reallocation of suitable central government staff to the regions and the provision of further finance through the Regional Development Fund.³¹

The implication of the above was that the promise of services was to become the main incentive for the movement into ujamaa villages, and government staff and party leaders were to become the main initiators and programmers of ujamaa villages. It is in this light that the Presidential Planning Teams formed in 1970 to help in the planning and organizing of ujamaa villages is to be understood.

This new policy brought a slight increase in the number of ujamaa villages — by December 1970 there were 1,200 villages with a total population of about 500,000 people. However the rate of increase was still slow. The government thus began forced but planned movement into villages. This policy had earlier been applied to the flood plains of the Rufiji River (1968)³² and the boarder region of Mtwara for security purposes.³³ New operations were carried out in Dodoma in 1971 (with the participation of the President), Chunya and Kigoma in 1972 and in other

low density areas in 1973. This policy had increased the number of ujamaa villages to 5,631 with a population of 2,028,164, or about 14.2 per cent of the mainland's population, by the end of 1973. Below is a table showing ujamaa development in the period 1968-1973.

Table 1: Number of Ujamaa Villages 1968-1973

Year	* Number of Villages	Total Population of Villages	Percentage of Mainland Population
1968	180	58,000	0.5
1969	650	300,000	2.5
1970	1,200	500,000	4.2
1971*	4,484	1,545,240	10.7
1972	5,556	1,980,862	13.5
1973	5,631	2,028,164	14.2

Source: IBRD, IDA Report on Tanzania Agricultural Rural Development Sector Study, 1974, Vol. III, Statistics, Table 13 (with minor adaptations).

* Note the massive increase in the number of villages and population in the villages following the institution of operations in 1971.

At this juncture, however, there was a fall in agricultural production, which led the Party to issue a policy paper on the need for increased agricultural productivity, "Siasa ni Kilimo," (Politics is Agriculture) in 1972. The fall in production and productivity led to the agrarian crisis of 1973-1975 and a change in villagization policy. The crisis meant that funds needed to carry out the programme of movement into villages were not available. The need for increased production, on the other hand, called for (according to the leadership) an enforcement of a statutory minimum acreage for cultivation by every peasant family. This could not be done under collective farming and hence the new phase.

Development Village Phase 1974

This phase opened with the government/party order that everybody must be in villages by 1976. The order was announced by the President on November 6, 1973 and began to be effective in 1974. Under this order the combined government party machinery in the district and regions, with the help of the militia and police, was to ensure that everybody moved into identified village centres and that each family cultivated his allocated plot or bloc in a general family zone. The move was successful in that the population in the villages rose from 2,560,000 in 1974 to 9,140,229 in 1975. By 1977, it was estimated that the entire rural population was living in villages. With this move was finally achieved the nationalists' pre-requisite for development in Tanzania Villagization.

THE AGRARIAN CRISIS: THE COLLAPSE OF THE ARUSHA DECLARATION NATIONALIST THRUST

We have just noted the second crisis in Tanzania in 1973-1975. Officially it is said to have resulted from: severe drought conditions in 1972, 1973 and 1974, which reduced grain production up to 30 per cent; oil price increases leading to a rise in the import bill; and the swing of industrial capitalist economies into inflationary recession giving rise to increased prices for our imports.³⁴ Of the three factors, the most important cause of the crisis was the unprecedented grain imports. The food import bill for 1974-1974 alone was around 1.4 billion shillings, in sharp contrast with the previous years, as can be seen from Table 2.

Table 2: MAJOR FOOD GRAIN IMPORTS, 1970-1976

Value in T.Shs.

YEAR	MAIZE		WHEAT		RICE	
	Quintals+	Value	Quintals	Value	Quintals	Value
1970	256,232	14,352,661	17,337	1,004,730	78,715	7,956,326
1971	288,034	11,626,052	190,108	9,114,017	99,505	10,230,889
1972	1,160,216	55,584,233	211,245	10,478,508	51,420	6,577,827
1973	34,940	2,513,324	—	—	80,582	10,230,979
1974*	2,535,451	351,893,850	600,215	95,938,345	711,896	267,779,278
1975*	2,995,113	285,731,051	1,571,562	161,243,698	639,813	239,480,904
1976	1,556,470	66,411,314	30,761	4,769,584	87,923	25,375,870

Source: Green *et al.*, 1979, 19.

+ 1 Quintal — 100 kgs.

* Note the excessive amount of maize imports — The combined import bill for the three grains in 1974 and 1975 is 1,402,067 shillings.

There has been a debate as to the actual causation of the food crisis in Tanzania. Some, like von Freyhold and Tandon³⁵, attribute the crisis to Tanzania's agricultural emphasis and bias towards cash crops that brings in foreign currency rather than food crops. Others, the World Bank³⁶ and Lofchie, attribute the food shortage to the movement into ujamaa villages and collectivization in general (which has been challenged by Green, Van Arkadie and Rwegasira).³⁷ Our interest is not so much with the actual cause but with the effects of the crisis and the proposed solutions. One of the main effects of the crisis has been Tanzania's increasing indebtedness to external aid donors and a balance of payments problem. Increased imports weakened the official foreign reserves position. In December 1973

the foreign reserve stood at 1,000 million shillings. By December 1974 there was a negative balance of 87 million shillings. Similarly, the trade balance registered a large deficit of 2570.6 million shillings in 1973. The government was forced to borrow heavily, both externally and internally, to offset its huge deficits. Externally the government had to resort to the International Monetary Fund's (IMF) Special Drawing Rights from which it drew 423.3 million shillings in 1974, 210 million shillings in 1975, 202.8 million shillings in 1976, and 45.6 million shillings in 1977 (see Table 3 for details). Moreover, Tanzania had to obtain increased loans from the World Bank Group (by December 1975 Tanzania's debts with the World Bank had risen to 2530.4 million shillings from about 800 million shillings in 1970), the Arab Bank and her Scandinavian friends.

Table 3: Tanzania's Position with the IMF as of April 30, 1977

DATE	FACILITY	AMOUNT	
		Tshs. Million	SDR Million
July, 1974	Normal Gold Tranche	90.4	10.50
Sept. 1974	First Oil Facility	54.5	6.32
Dec. 1974	First Oil Facility	118.0	22.05
Nov. 1974	Normal 1st Credit Tranche	90.4	10.3
	Total 1974	423.3	49.35
Feb. 1975	First Oil Facility	28.0	3.15
Sept. 1975	Second Oil Facility	182.7	20.61
	Total 1975	210.7	23.76
April 1976	Compensatory financing of Export fluctuations	202.86	21.0
Jan. 1977	Normal Balance of 1st Credit Tranche	45.64	4.73
	Grand Total	882.5	98.84

Source: Green *et al*, 1979, 20.

The outcome of increased foreign borrowing was greater foreign pressure on Tanzania for an open type of economic development. This is particularly exhibited by the World Bank's 1974 and 1976 reports, where it condemns Tanzania's collectivization and villagization moves and calls for support to small-holder farmers. The Reports also call for Tanzania to concentrate on processing industries instead of heavy industries (iron and steel) and to open the economy to private investment, particularly in small scale ventures.

The crisis has also led to an overemphasis on food production and the

resurgence of the export drive, and on agriculture in general. Suggesting a solution to the crisis, the Bank of Tanzania noted:

Production: Production for *export* and domestic consumption. It should also be production that can yield results in the short and medium term. *It means massive effort and investment in quick yielding productive sector.* These sectors for Tanzania in the short and medium term are agriculture, manufacturing, and mining where suitable projects have already been identified. The desired results are unlikely to materialize unless the present investment pattern is increasingly altered in favour of these sectors.³⁸

It further suggested that:

The long term strategy for Tanzania should involve *sound export and food production strategies.* It is quite obvious that the increased cost of oil is here to stay and means have to be devised that will finance future imports. *The means can only be increased exports.* It will not be possible for Tanzania to continue depending on her traditional exports. *New lines of export, particularly in areas of mining and manufacturing should be government's top priority.* (All emphasis is mine).³⁹

The new agricultural strategy to be followed is provided by the World Bank in the 1974 report and consists of two main projects: The National Maize Project⁴⁰ and the National Agricultural Development Project (NADA). The National Maize Project (NMP) is directed at overcoming the food shortage by promoting production of maize in selected regions and districts. This is done by the provision of seasonal inputs, storage, marketing, extension and technical support for the regions.⁴¹ The cost of this project (started in 1976) was estimated at 38.1 million dollars, of which eighteen million dollars was provided by a loan from the International Monetary Agency (IDA), five million dollars was a loan from the Arab Bank for Economic Development in Africa (ABEDIA) and the Tanzania government was to raise to rest.⁴²

The National Agricultural Development Project is to be applied to the rest of the country and aims at developing:

More intensive farming systems through the introduction of new techniques, rotational practices, soil conservation measures, settlement and integration of crop and animal production, the activities varying according to the circumstances and potentialities of the different agro-economic zones. The method of development proposed visualizes the progressive introduction of number of sub-projects, each comprising perhaps 10,000 farming families and as it would be the aim to effectively cover the whole country over 20 years, some ten such sub-projects would be introduced annually. Projects investment would be expected to include inputs (seasonal as well as implements, oxen, dairy cattle, poultry, fencing, buildings etc.) at reduced price or through medium and long term credit; equipment for road construction and soil conservation, construction of storage, rural training centres (including oxen-training); strengthening of the extension service (staff demonstration and information material, transport facilities); and agricultural research (staff and facilities) and technical assistance for land use planning and research. The implementation of each sub-project would

require *close supervision* and integration of crop and livestock extension, veterinary services, cooperative inspection, organization of self-help efforts and construction, and it is visualized that supervision and coordination would be entrusted to a manager who would be directly responsible to the District Development Director.⁴³

Despite a few changes here and there, it is the above that forms the backbone of the so-called "Integrated Rural Development Plans," drawn for each region by various aid donors, and the appointment of village managers to supervise developments in the villages.

The export drive has led to a renewed stress on industrialization, but industrialization geared to the procurement of foreign currency. Thus in the Third Five Year Development Plan (1976-1981) the major emphasis in the industrial sector was:

the establishment of industries that would produce goods for export abroad, so as to obtain foreign currency and aid the agricultural sector in increasing our foreign exchange reserves.⁴⁴

The main industries identified for this special investment were the processing industries. The aim was to process the major raw materials — cotton, cashews, sisal, hides and skins. The Third Five Year Development Plan allocated 27.6 per cent of its industrial budget to these industries. Priority was also given to mining, particularly mineral prospecting. The discovery of minerals of exploitable quantities would lead to new valuable exports. These industries are heavily based on external financing.

RECURRENT CRISIS AND CONTINUED EXTERNAL DEPENDENCY

Immediately after Independence the nationalist leadership had placed high hopes on private foreign capital and external financial aid in its development efforts. By 1966, however, this hope had been shattered as private capital failed to respond to nationalist courtship and political events limited the flow of external aid leading to a financial crisis in 1965/66. The nationalists' response to the crisis was that of determined state intervention in the economy. This involved the total nationalization of financial institutions and external and partly internal trade (wholesale trade) on the one hand, and the institution of partnerships with foreign capital and External Management contracts to the partially nationalized industries on the other. The initial response by foreign capital was rather cautious and foreign firms tended to prefer the role of management agencies and suppliers of machinery and raw materials. But as the renewed crisis in the 1970's forced the government to a liberalization of the economy and a renewed emphasis on export processing and import substitution, their response became more positive.

With this renewed dependency on foreign capital and foreign

assistance, particularly after the 1973-1975 crisis, state intervention in the economy has not proved helpful in the restructuring of the economy. In actual fact, the economy has become more attuned to external needs and subject to external pressure than previously, and the balance of payment problem has become chronic.

In the agricultural sector, which was to form the basis of primitive accumulation, we have been faced by a continuous fall in production and productivity for the whole of the seventies. Though the nationalists have succeeded in attaining their initial goal of villagizing the entire rural population, this has not been accompanied by improvements in the agricultural sector. The organization of peasant agriculture has continued to be a thorny issue. In actual fact, the essentially agrarian crisis of 1973-75 has increased external influence in agriculture. The Regional Integrated Development Programmes, which have become the centre-piece of development in the rural areas since the mid-1970's, are totally based on foreign assistance.⁴⁵

The Nationalist solution to the recurring crises in the developing countries has been ineffective because the nationalists have not tackled in depth the question of how to achieve both economic growth and national economic control. These two goals seem to be incompatible, for the underdeveloped nature of the productive forces leads to a search for external finance for developing the national economy. This strengthens rather than abates foreign control of the economy. The desire for control of the economy, on the other hand, calls for the restriction of foreign investments within the country. Most post-colonial countries have sought the solution to this incompatibility in government or private indigenous participation in economic ventures with foreign firms. However, this has not proved to be effective either in stimulating economic growth in the country, as the operations continue to allow foreign drain of capital and they protect the interests of the foreign firms by minimizing uncertainty; or in ensuring nationalist control of the economy, as the external monopolization of finance, technology and technical know-how have given the foreign partners a free hand in the choice of investment and technology to be employed, thus influencing the pattern and direction of economic development.

The main weakness of the nationalist solution is that it usually represents a compromise of the contending views in the nationalist alliance, which results in a tendency towards pragmatism and eclecticism in nationalist actions. As such the solution lacks continuity and consistency and lacks any ideological clarity. This has been the case in Tanzania with the nationalist attempt to resolve the crisis of accumulation.

FOOTNOTES

1. Julius Nyerere, *Freedom and Development: A Selection from Writings and Speeches 1968-1973*, Dar es Salaam, Oxford University Press, 1973, p. 262.

2. Okwudiba Nnoli, *Self Reliance and Foreign Policy in Tanzania: The Dynamics of the Diplomacy of a New State, 1961 to 1971*, New York, Nok Publishers, 1978, p. 11.
3. For a detailed description of the "people's plans" see, Mbilinyi, Mabele and Kyomo, "Economic Struggle of the TANU Government," in Ruhumbika (ed.), *Towards Ujamaa*, East African Literature Bureau, 1974. For them, the main objectives of the "people's plan" were: (a) to increase agricultural production by achieving village and district targets, (b) to encourage people to perform communal work in the construction of roads, dams, better houses, wells, etc.
4. The improvement approach meant the expansion of extension work, credit provision, market outlets and cash incentives to farmers already engaged in crop production so as to increase their productivity. The transformation approach, on the other hand, stood for the establishment of supervised settlement schemes to replace the existing pattern of shifting cultivation and living in scattered hamlets and the introduction, in these new settlements, of improved farming techniques and essential social services. This was essentially aimed at bringing the subsistence farmers into commodity production.
5. See, (i) Foreign Investments (Protection) Act of 1963. This Act guaranteed among other things "full and fair compensation in case of nationalization or expropriation and the transfer out of Tanganyika in the relevant foreign currency of the profits (after taxation) of the investment, his share of the proceeds of sale of the relevant enterprise, and any approved loan." (ii) The numerous amendments to Customs and Tarriff ordinance that gave relief to various new establishments. (iii) Rweyemamu, *Underdevelopment and Industrialization in Tanzania*, Nairobi, Oxford University Press, 1973, pp. 130-137, in particular, Table 4:8, "Tariff Protection and Import Substitution Industrialization."
6. Writing about economic nationalism in Tanzania, Bienen notes in 1967 that nationalism dictates certain preferences in economic policies: an emphasis on industrialization as a path of economic development; the choice of industries which are regarded as key industries at different stages of development; the preference for public enterprise over private enterprise, in the area of trade policies; the great emphasis on import substitution and self-sufficiency; and finally, the opposition to the investment of private capital and to the employment of foreign technical personnel. (Henry Bienen, *Tanzania: Party Transformation and Economic Development*, Princeton, Princeton University Press, 1967, p. 224).
7. Hadley E. Smith, *Readings in Economic Development and Administration in Tanzania*, Oxford University Press, 1966, p. 364.
8. *Ibid.*
9. *The Tanganyika First Five Year Plan for Economic and Social Development, July 1, 1964 to June 30, 1969*, (FFYDP), Dar es Salaam, Government Printer, 1964, p. 3
10. Smith, *op cit*, p. 376.
11. Justinian F. Rweyemamu, *Underdevelopment and Industrialization in Tanzania: A Study of Perverse Capitalist Industrial Development*, Nairobi, Oxford University Press, 1973, p. 44.
12. *Ibid.*
13. Nnoli, *op cit*, p. 114.
14. Nnoli, *op cit*, p. 120.
15. Julius Nyerere, *Freedom and Socialism/Uhuru na Ujamaa: A Selection from Writings and Speeches 1965-1967*, Dar es Salaam, Oxford University Press, 1968, p. 166.
16. *Ibid*, pp. 157-176.
17. *Ibid*, pp. 187-206.
18. FFYDP, *op cit*, p. 26.

19. Smith, *op cit*, p. 361.
20. Rashidi M. Kawawa, "New Approaches to Rural Development," *Mbioni*, 2, 11, 1966, p. 7.
21. Nyerere, 1968, *op cit*, pp. 235 and 241.
22. *Ibid*, p. 254.
23. *Tanzania Second Five Year Plan for Economic and Social Development*, (SFYDP), Dar es Salaam, Government Printer, 1969, p. 75.
24. Rweyemamu, *op cit*, p. 74.
25. Julius Nyerere, *Freedom and Unity/Uhuru na Umoja: A Selection from Writings and Speeches 1952-1965*, Dar es Salaam, Oxford University Press, 1966, p. 183.
26. For details of this, see Ibbot, "Ruvuma Development Association," *Mbioni*, 3, 11, 1966; and Cunningham, "Ruvuma Development Association: An Independent Critique," *Mbioni*, 3, 11, 1966.
27. Julius Nyerere, *Ten Years After Independence*, Dar es Salaam, Government Printer, 1971, p. 9.
28. Goran Hyden, "Ujamaa Villagization and Rural Development in Tanzania," *ODI Review*, 1975, p. 69.
29. Nyerere, 1968, *op cit*, pp. 357-358.
30. For details of the former workings of the Regional Development Fund, see, Paul Collins, "The Workings of Tanzania's Regional Development Fund: A Problem in Decentralization," in Rweyemamu and Mwansasu (ed.), *Planning in Tanzania: Background to Decentralization*, Dar es Salaam, East African Literature Bureau, 1974.
31. This was the beginning of decentralization that became official policy in 1972. See, SFYDP, *op cit*, p. 26.
32. See J. Angwazi and Nduli, "Evaluation of Operation Rufiji 1968," BRALUP, University of Dar es Salaam, 1973.
33. This was a border region with Mozambique where guerilla warfare was still raging.
34. See, Bank of Tanzania, *Economic and Operations Report*, June 1974.
35. See, Michaela von Freehold, "The World Bank and its Relations in Tanzania," University of Dar es Salaam, mimeo, 1976; Yash Tandon, "The Social, economic and Environmental Implications of Maize Technology in Tanzania," University of Dar es Salaam, mimeo, 1978.
36. See, Michael F. Lofchie, "Agrarian Crisis and Economic Liberation in Tanzania," *The Journal of Modern African Studies*, 16, 3, 1978.
37. Reginald Green, Van Arkadie and D. Rwegasira, "Crisis and Response: Tanzania's Economic Strategy, 1974-1978," Economic Research Bureau, 25 September, 1979.
38. Bank of Tanzania, *Economic and Operations Report*, June 1975, p. 11.
39. Bank of Tanzania, *op cit*.
40. For a detailed study of the National Maize Project see, Tandon, *op cit*.
41. 13 regions out of the 21 regions in Tanzania have been selected for the project: Mara, Arusha and Kilimanjaro in the north; Morogoro, Dodoma and Tabora in the centre; Iringa, Mbeya, Rukwa and Ruvuma in the southern highlands; and Lindi and Mtwara in the south. Within these regions the project is limited to 950 villages in 28 of the 41 districts (the total number of villages in Tanzania is over 8,000).
42. For a breakdown of the expenditures of the project see, Tandon, *op cit*.
43. International Bank for Reconstruction and Development (IBRD) and International Development Agency (IDA), *Tanzania Agricultural and Rural Development Sector Study*, 1974, p. 59.
44. *Tanzania Third Five Year Plan for Economic and Social Development*, (TFYOP), Dar es Salaam, Government Printer, 1976, p. 37.
45. See, Lizz Kleemeier, "Tanzanian Policy Toward Foreign Assistance in Rural Development," University of Dar es Salaam, mimeo, 1981.