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STRUCTURAL ADJUSTMENT AND «PRIVATISATION» OF PARASTATAL SUGAR ESTATES IN TANZANIA[1]

One of the major objectives of Structural Adjustment was to retrench corrupt and inefficient state sector and to encourage efficient private sector in a competitive market. Parastatal reform and retrenchment of civil servants was one of the policies to realise this objective. In many African countries, however, private sector emerged as a diversification of the state sector, whereby state bureaucrats were gaining new opportunities for private accumulation offered by SAP. The paper analyses a case of one parastatal sugar Estates in Tanzania in the process of economic liberalisation. Estate employees successfully channelled the Estates' resources into their private activities as outgrowers, adjusting themselves to changing conditions. Village land in surrounding areas gradually became transferred to the Estates and its employees, which led to land shortage and intensifying land disputes in these villages. The Estates was formally privatised in 1998. These questions remain: In what forms were final privatisation organized, and what happened to the Estates employees and smallholders?

Introduction

The rationale of economic liberalisation in African countries initiated by the international financial institutions was to retrench the inefficient and predatory state and to encourage the development of market economy, which was supposed to lead to economic growth through further integration of African economy into the world market. Economic liberalisation was meant to create more transparent and efficient market conditions, which would contribute to economic development. The transition from state led economy to liberalised economy was to be further supported by political liberalisation, which implied the empowerment of civil society.

During structural adjustment, the state started to lose its control over economy, which forced state bureaucracy to search for alternative means of accumulation. At the same time, promotion of privatisation made formally «grey» economic activities legitimate.[2] The intention of structural adjustment was to retrench the predatory and inefficient state and to promote privatisation outside state sector. However, instead of an independent private sector emerging, private activities flourished as a diversification of the state bureaucracy which perceived a limitation for private accumulation within state sectors.[3] The state sector was losing its opportunities for rent seeking due to structural adjustment, but at the same time gained new opportunities for diversification which structural adjustment offered.[4]

In 1986, Tanzania officially entered into agreement with the IMF and the Structural Adjustment Programme (SAP) started as a result of both internal and external pressure. Substantial policy changes were initiated to promote liberalisation of economy and private investment. In this process, parastatal companies were adjusting to changing conditions under a call for privatisation. This paper discusses how SAP has affected a parastatal estate – Mtibwa Sugar Estates – in Tanzania in its forms of production, efficiency and land holding.

Implementation of the Structural Adjustment Programme

In the Structural Adjustment Programme, the main causes for the decline and stagnation of African agricultural production in the past were considered to be low producer prices regulated by the government, inefficient credit and marketing services through parastatals, inefficient extension and appropriate technology, and poor infrastructure. Thus, recommendations were made to allow prices to be responsive to changing world market conditions, to leave input supply, marketing and export to the private sectors, to reduce administrative controls, to promote credit at commercially attractive interest rates, to reform land tenure to increase security and encourage investment.[5]

The World Bank finally approved the Economic Recovery Programme (ERP) 1985, and negotiations with the IMF for releasing standby credit were concluded in 1986. The major objectives of ERP were to increase the output of agricultural crops, to rehabilitate the physical infrastructure, to increase capacity utilisation of the industrial sector, and to restore external and internal balances through fiscal and monetary and trade policies.[6] The implementation of ERP was conducted in two phases. The ERP I included regular adjustments in exchange rates, own funds imports scheme, the open general license facility, specific export promotion policies, tariff reform and liberalising internal trade.[7] ERP II 1989 provided a priority on the mitigation of the adverse impact of adjustment and rehabilitation of physical infrastructure. Special attention was given to the social dimension of SAP, because the government recognised its increasing unpopularity due to the socially adverse effects of the SAP.

Liberalisation of export was introduced and subsidies were gradually removed. However, the pace of privatisation had been slow and its contribution to tax revenue was much less than expected and two-thirds of all banks lending outstanding at the end of 1987 was to cover the deficits of the crop marketing parastatals. For instance, two thirds of the outstanding bank loans in 1987 were mostly spent on the maintenance of the state bureaucracy without investment in the productive sector.[8] Cuts in government expenditure were initiated in the health and education sectors, which led to further deterioration in the conditions of these sectors.

In the agricultural sector the ERP included increase in producer prices, liberalisation of marketing, streamlining the crop marketing board, rationalising agricultural input distribution, and restructuring of co-operative unions. Producer prices increased in nominal terms but not in real terms due to the high inflation and increased marketing margins by the crop marketing board.[9] Liberalisation of marketing was restricted mainly to food crops, and the major export crops, which were the source of the government tax revenue, still remained under the monopoly of the parastatals. The producer's share of the export price fell from around 80% in 1986 to 35% in 1989 and rose to 50% in 1990.[10] However, devaluation increased the prices of imported agricultural inputs, machinery and equipment, which resulted in high production costs, in effect cancelled the increased producer's share.

The increase in maize production since 1986 was most likely due to the unification of the formal and informal economy after liberalisation, which increased the official figure on the volume of production.[11] In addition, the favourable rainfall during the adjustment period seems to have contributed to this positive growth.[12]

The three-year IMF-Structural Adjustment Facility was launched between 1987-89. Trade liberalisation was continued, and an export earnings retention scheme for exporters of non-traditional items and open foreign exchange accounts were introduced. The Open General Import License Scheme (OGL) was introduced in 1988 and donors shifted their support from import support or balance of payment to OGL. Under this scheme, local importers could get support for foreign exchange funds with 100 % cash cover in Tanzanian shillings.[13] The Economic and Social Action Programme (ESAP) was launched between 1989-92 with an emphasis on trade liberalisation through liberalisation of foreign investment regulations, financial sector and agricultural marketing. The Investment Act of 1990 was enacted to provide legal guarantees for foreign investments, and the Investment Promotion Centre (IPC) was established as a facilitator of private investment. Amendment in this Act was made in 1992 to allow foreign investors who are registered in IPC to by-pass certain licensing requirements and elements of the Companies Ordinance.[14]

In 1991, the Zanzibar Declaration, an amendment to the CCM (Chama Cha Mapunduzi) party's leadership code, which previously prohibited its members to engage in private business, was lifted.[15] In 1993, the «Rolling Plan and Forward Budget» (RPFB) was introduced, which addressed parastatal and civil service reform, and the Parastatal Reform Committee was formed in 1992. A reduction of civil service staff of 50,000 was proposed for the period between 1993-95. The World Bank requested liquidation of 60 of 400 parastatals in a parastatal reform.[16] The parastatal reform and the reduction of civil servants encouraged civil servants seeking alternative means of living for the future, while they still have access to state resources. Mtibwa Sugar Estates was not an exception.

Sugar Production in Tanzania

The first sugar factory in Tanzania was established in Kilombero in the early 1930s. Other factories were established in the Kilimanjaro region by the Tanganyika Planting Corporation (TPC), Mtibwa and in Kagera. All the factories were nationalised after the Arusha Declaration and became held by the Sugar Development Corporation (SUDECO). According to a World Bank report, the sugar industry did not perform well during the 1970s and up to the end of 1980s due to low producer and factory prices, low yields and shortage of foreign exchange. The production costs were high – they averaged about USD 430 per ton sugar between 1980 and 1991, with recurrent costs of USD 350 and depreciation of USD 80.[17] The government in consultation with SUDECO set prices of sugar, and during the 1980s, government kept the ex-factory price of sugar to about USD 390 per ton.[18] As a result, the factories were not able to cover all the fixed costs. Between 1982 and 1986, ex-factory prices were set below recurrent production costs, which caused severe losses at factory level.

According to the World Bank, sugar production started to increase in the late 1980s for several reasons. Firstly, since introduction of the Economic Recovery Programme (ERB) of 1986, the sugar sector was given the right to retain 100 per cent of revenue earned from exports, which was used for spares and recurrent inputs which had been previously one of the constraints for production.[19] Secondly, since 1987 sugar prices had been set above recurrent costs, which enabled all the factories, except Kagera, to run profitably. For instance, the ex-factory price of USD 450 a ton was approved for the 1991/92 season with production costs averaging USD 400.[20]

The production in all the factories is below their capacity and 120,728 tons refined sugar which were produced in 1992/93 were the equivalent of less than a quarter of national consumption.[21]

Table 1. Output of refined sugar (tons; June-May)

	Capacity	1988/89	1989/90	1990/91	1991/92	1992/93
Kilombero	76,000	42,500	44,016	42,754	53,600	54,266
TPC	64,000	31,712	26,455	35,000	39,000	36,000
Kagera	56,000	2,335	2,558	3,522	5,022	2,373
Mtibwa	34,000	19,580	22,476	24,610	25,500	28,089
Total	230,000	96,127	95,505	105,886	123,122	120,728

Source: SUDECO cited in Economic Intelligence Unit Limited, *Tanzania: EIU country Report 4th quarter 1993,* p. 16.

There was decline in imports and exports of sugar in the same period. Consumption per capita was the highest in 1971-75, but it declined from 1976-80 and onwards. In 1981-90 consumption of sugar per capita was 4.41 kg, which was lower than 4,91 kg of the 1956-60 level. All the factories were run under capacity, though it varied from 78% for Mtibwa and 8% for Kagera. The largest factory in capacity and in production is Kilombero.

In its 1993 report, the World Bank recommended a strategy of gradual divestiture of factory and estates operations towards privatisation.

Development of Mtibwa Sugar Estates and Expansion of Sugar Production

Originally established by Germans as a sisal Estates in 1939, the Mtibwa Sugar Estates Ltd. was started in 1961. The villagers in the surrounding area were advised to plant sugarcane. In 1963, pressing sugarcane started with a capacity of 350 tons per day.

In 1969, the National Agricultural Food Corporation (NAFCO) bought 50 per cent of the shares of the Estates and a new factory was started in 1973. The Estates was nationalised in 1975.[22] Production declined due to poor management, though its farm size expanded from 2,354 to 3,203 ha. The company purchased a new factory with a loan of Tsh. 43 million, and started to encourage smallholders to produce sugarcane. However, due to inadequate initial capital and insufficient supply of sugarcane by smallholders, the company accumulated a loss of Tsh. 31.4 million by June 1974.

Denmark and the Netherlands provided assistance, but financial and other difficulties resulted in the reduction of production to 150,000 tons in 1985. Then, the resumption in the availability of foreign exchange and the increase in sugar price amongst other actors made it possible to return to 300,000 tons level by 1992.[23] In 1996, the Netherlands government provided technical assistance to the Estates through a special consultant team. When the recommended innovation was completed, sugar production was expected to increase from 28,000 to 33,500 tons per year. The number of employees of the Estates decreased for permanent employees from 2,830 in 1992 to 2,443 in 1996 and for seasonal employees from 1,050 in 1992 to 870 in 1996 respectably, thus in total from 3,880 to 3,313. [24]

Table 2. Increase in producer prices for sugarcane (1980/81-1991/92)

	a. Current price of sugarcane (Tsh./kg)	b. Real price (Tsh./kg)	c. Real price index (1988/89 =100
80/81	0.11	0.038	127
81/82	0.14	0.038	127
82/83	0.17	0.035	117
83/84	0.24	0.037	123
84/85	0.32	0.037	123
85/86	0.36	0.032	107
86/87	0.46	0.031	103
87/88	0.60	0.031	103
88/89	0.75	0.030	100
89/90	0.92	0.051	170
90/91	28.50	0.057	190
91/92	(47.65)	(0.088)	(284)

Notes: The producer price for sugarcane was deregulated in 1991, thus no longer government controlled. The figures for 91/92 are only for Mtibwa Sugar Estates. The real price index (c) was calculated as follows;[(current price a/national consumer price index NCPI) / real price b for 1988/89 (0.03)]*100=c.

Source: URT, *Tanzanian Economic Trends: A Quarterly Review of the Economy,* Vol. 7, No.1, June 1994, the Economic Research Bureau of the University of Dar es Salaam in collaboration with the Planning Commission; URT, *Agricultural Statistics,* the Bureau of Statistics, June 1992; *Economic and operations report for the year ended 30. June 1996.*

According to the World Bank, there was increased availability of foreign exchange from donors and the government, which enabled the import of inputs and equipment, e.g. fertilisers, chemicals, machinery and spare parts. Removal of domestic marketing restrictions has also positively contributed to expansion of sugar production. The price of sugarcane was deregulated at national level in 1991/92, thus no longer controlled by the government. However, in Mtibwa Estates, there was drastic increase in producer price from 190 to 284 in terms of real price index between 1990/90 and 1991/92. Why there was such a high price increase in Mtibwa Estates, when producer price was already deregulated at national level, is not explained in the company report.

Sugar production in the late 1980s remained almost at the same level or even less than inthe early 1980s, with some fluctuations.

Total sugar production indeed declined in 1986-90 compared to a pre-adjustment period in 1981-85. A considerable rise in sugar production occurred only from 1992/93 season onwards. In that season, sugarcane production by the Estates' farm was reduced and stagnated, while outgrowers' production increased from 77,094 tons in the 1991/92 season, 139,547 tons in 1992/3, 203,663 tons in 1993/94 and to 224,433 tons in 1994/95 respectively. In this season, the production by outgrowers exceeded the Estates' production for the first time, and outgrowers contributed to 57% of total sugarcane crashed in the following 1995/96 season.[25] Thus increased sugar production in this period was due to an increase in outgrowers' sector.

Table 3. Records on sugar production of Mtibwa Sugar Estates (1975/76-1992/93)

Year	Processed sugercane (tons)			% Sugar	Suger Produced
	Estates	Out-growers	Total	Content	(tons)
1975/76	134,711	25,212	159,923	7.5	11,926.6
1976/77	126,374	17,479	143,853	9.4	13,476.0
1977/78	74,031	16,169	90,200	8.2	7,426.0
1978/79	130,312	33,216	164,028	9.0	15,752.0
1979/80	195,900	37,967	233,867	7.8	18,253.6
1980/81	252,532	44,068	296,600	8.7	25,700.0
1981/82	220,978	60,022	281,000	9.7	27,312.7
1982/83	241,047	15,166	256,213	9.1	23,360.0
1983/84	255,680	47,072	299,240	8.5	25,614.0
1984/85	220,478	28,758	243,690	8.5	21,053.7
1985/86	123,851	28,016	149,710	9.0	13,458.2
1986/87	189,199	15,152	202,976	8.9	18,122.8
1987/88	192,491	38,586	231,077	8.8	20,376.3
1988/89	187,702	39,584	222,286	8.6	19,117.5
1989/90	191,494	42,037	233,470	9.64	22,501.7
1990/91	202,282	55,375	257,657	9.55	24,610.5
1991/92	201,619	77,094	278,713	9.17	25,564.8
1992/93	186,148	139,547	325,696	8.62	28,087.0
1993/94	161,510	203,663	365,173	8.39	30,635.0
1994/95	170,608	224,533	395,181	8.84	34,943.0
1995/6 (estimate)	207,000	205,000	412,000		32,500.0

Source: Mtibwa Sugar Estates Ltd., «Zaira ya Waziri Mkuu na Makamu wa Raisi Mhe. John S.Malecela Tarehe 30 Agosti, 1992 – Taarifa Fupi Kuhusu ya Sukai Mtibwa, Mtibwa Sugar Estates Limited», Brief Report on Mtibwa Sugar Estates, submitted to the Prime Minister by the General Manager of Mtibwa Sugar Cooperation, August 1992; Mtibwa Sugar Estates Ltd., *Company Status Report,* 1996.

Expansion of Estates' Land

Out of 4,434 of the total Estates' land, 4,024 ha were land with suitable soil for sugarcane. The farm under irrigation was 1,800 ha and 2,224 ha were rainfed. As shown in the table below, only about a half of the total area is under utilisation.

Table 4. Land use

	Size (ha)
Under irrigation	1,544
Rainfed area	1,808
Fallow	1,288
Bush undeveloped	1,561
Buildings	120

Source: Mtibwa Sugar Estates Ltd., *Company Statuss Report,* 1996.

The Estates's farm was expanded in several turns between 1972 and 1994, but the major expansion was between 1992 and 1994.

Table 5. Total size of land holding of the Mtibwa Sugar Estates and outgrowers

Year	Estates	Outgrowers
1972	2,354 ha	no data
1973	3,203 ha	no data
1992	4,434 ha	1,900 ha
1994	6,421 ha	4,427 ha

Source: Mtibwa Estates Ltd. *Report* 1992; Mtibwa Sugar Estates Ltd., *Company Statuss Report,* 1996.

Between 1992 and 1994, the total land holding has increased for 1,987 ha from 4,434 ha to 6,421 ha for the Estates farm and 2,527 ha from 1,900 to 4,427 ha for outgrowers. The Estates has completed a survey of only 3,000 ha of total 6,421 ha in 1993.[26] The government officer suspected that the Estates applied for a survey of only 3,000 ha out of 6,421 ha, which had been surveyed and registered as the Estates' land and that the remaining 3,421 ha had been divided among the employees of the Estates as their individual land.[27]

There is no figure available on the original land holding of Matunda village before the establishment of the Bahati village and Mtibwa Sugar Estates, but Matunda village land covered the areas presently occupied by Mtibwa Sugar Estates and immigrant Bahati village. There has been a substantial transfer of land from the Matunda village to the immigrant Bahati village and to the Estates over the past two decades, 6,800 ha to Bahati and 4,067 ha to the Estates.[28] The Mtibwa Sugar Estates Ltd. had trippled its original land size from 2,354 ha to 6,421 ha between 1972 and 1994. Indigenous Matunda village remains only with 2,600 ha.

Table 6. Changes in official land holding of Matunda, Bahati and the Mtibwa Sugar Estates (1939-1994) (ha)

Year	1939	1971	1973	1990	1992	1994
1. Matunda	–	–	–	2,600	2,600	2,600
2. Bahati						
a)Matunda version	nil	600	600	–	–	–
b) Bahati version	nil	1,128	1,128	–	6,820	6,820
3. Mtibwa Estates	–	2,354	3,203	3,203	4,434	6,421

Note: This is based on the letter sent by Matunda village to the Regional Land Surveyor, where it is stated that immigrants from Kilimanjaro region were allocated 1,500 acres (equivalent to approximately 600 ha) by Matunda village in 1971. Although there is no record on actual size of Matunda village land, the whole area which presently belongs to Mtibwa Sugar Estates Ltd. and the Bahati village belonged to Matunda according to the perception of Matunda villagers. No data was available on the original land size of the Estates when it was started in 1939. An allocation figure of 2820 acres (equivalent to approximately 1,128 ha) was given by the Bahati village chairman during an interview.

Source: The village files and survey maps of Matunda and Bahati villages, a letter of Matunda village to a land survayor, the Mtibwa Estates' reports 1992 and 1995, and interviews with villagers and a survayor.

Expansion of sugar production in the area led to a change in land use in surrounding villages. According to interviews with villagers in Matunda and Karanga villagers, village land was transferred from the villages to the Estates, from smallholders to Estates-outgrowers through various means, i.e. land sales, intervention by government, negotiation between the Estates leadership with villages. Facing increasing land shortage, smallholders had to search for alternative land in marginal areas. In other cases, smallholders encroached into neighbouring villages, which resulted in more land disputes. Conflicts over land were intensifying also between villages and within households.

Expansion of outgrowers' sector

In 1996, it was estimated that about 60% of the sugarcane was still produced by outgrowers, of which 40% are company employees. The size of plots owned by employees varied from 2 to 200 acres or even more, and 50% of the Estates' employees resided in villages surrounding the Estates. There are 12 villages around the Estates, where outgrowers were distributed. In total 3,492 outgrowers in these villages engaged in sugarcane production as outgrowers, and total area under sugarcane production in these villages is 3591.7 ha.[29]

According to the Estates' administration, sugarcane production was attractive to farmers, because there was a ready market. Harvesting was done by sugarcane cutters, who were recruited by the Estates, thus it required less labour compared to other crops. The Estates did not have the capacity to produce enough sugarcane to meet the capacity of the factory. The productivity of the outgrowers was higher and the surrounding villages had the best land suitable for sugarcane. In addition, the cost of sugarcane production at the Estates was high due to input costs of fertiliser, insecticide and irrigation. These are some of the reasons why the Estates encouraged production of sugarcane by outgrowers. The Estates provided services in extension, inputs, transport, and harvesting, which were incentives for sugarcane production.

Table 7. Distribution of plot size among farmers and farmer-Estates' employees in 1995

Plot ha.	0-2	2-4	4-6	6-8	8-12	12-	Total no.	%
No. of smallholders	1959 (90%)	139 (6.3%)	48 (2.1%)	11 (0.5%)	18 (0.8%)	15 (0.6%)	2187	71.5
No. of Estates-outgrowers	568 (65%)	232 (27%)	33 (3.7%)	18 (2%)	5 (0.5%)	15 (1.7%)	871	28.5
Total no.	2524 (82%)	371 (12%)	81 (2.6%)	29 (0.9%)	23 (0.7%)	30 (0.9%)	3058	100

Note: Smallholders are peasants not formally employed by the Estate. Estate-outgrowers refers to Estate employees who engaged in sugar cane production as outgrowers.

Source: Same as Table 6.

90 % of smallholders and 65% of Estates-outgrowers held less than 2 ha, whereas 6.3% of smallholders and 27% of Estates-outgrowers held between 2 and 4 ha. This means that Estates-outgrowers have relatively larger land holdings compared to non-Estates farmers.

The timing of increase in sugarcane production corresponds to the period when producer price substantially increased in real price. It is also important to note that between 1992 and 1994, the land holdings of the Estates and outgrowers expanded from 4,434 ha to 6,421 ha for the former and from 1,900 ha to 4,427 ha for the latter. It thus seems that the increase in the producer price of sugarcane, inflow of foreign aid, availability of inputs and spare parts, provision of support services and infrastructure encouraged outgrowers to engage in sugar production. Sugarcane production attracted not only Estates' employees but also people outside the area to acquire farming plots in the area. Some of them were absentee landlords, who reside in towns like Morogoro, which is 104 km away. There were also seasonal employees of the Mtibwa Sugar Estates such as sugarcane cutters from Iringa region who gradually settled down in the area. The Civil Service Retrenchment

Programme, which started in 1992/93, also contributed to an increase in the number of retired civil servants to return to or settle down in the area.

Although there are no data available as to when the employees actually started to be involved in the outgrower sector, it is likely that a major change took place when sugarcane production became attractive, that is in the beginning 1990s. The administration of the Estates advised its employees to find land to cultivate sugarcane around the area, thus directly encouraging their employees to obtain village land for sugarcane production and to grow sugarcane as outgrowers. Estate employees acquired farming plots in surrounding villages in three different ways. One was through allocation by the Estates, the second was through allocation by the village administrations of the surrounding villages, and the third was through direct purchase from individual villagers.

Expansion of the Estates' land and of sugarcane production has several negative consequences on surrounding villages including a change in land use, population pressure, land shortage, and insecurity in access to land.[30] For instance, in one of the surrounding villages, Karanga, the total number of households increased from 553 in 1992 to 770 in 1995, which implies 72% increase in population in three years. In the Matunda village, total population increased from 2,679 to 4,620 during the same period (1992-1995).[31]

As demand for land increased, conflicts over land intensified within and between households, between villages and outsiders, as well as between village and the Mitibwa Estates.

Privatisation of the Estates

The Estates' 1996 report made several recommendations for improvement of production. The recommendations included the provision of farm equipment and seeds to outgrowers, improvement of irrigation, rehabilitation of roads to every farm of outgrowers, construction of roads to new outgrowers, Estate guarantees of loans to farmers opening up new farms and replanting sugarcane plants, extension service on soil and methods of planting, as well as the sale of fertiliser and herbicides from the company store to outgrowers. In 1992, outgrowers requested loans amounting to Tsh. 92 million from the company.

Although the production of sugar had improved, the Estates was facing a sales problem due to competition with cheap imported sugar from Thailand. Through trade liberalisation, the import tax on sugar was reduced. In June 1995 it was cut from 50% to 20%.[32] The Estates was hardly able to sell sugar between August and October in 1995, a period when company expenditure was at its highest. By 30 June 1995, the Estates had sold only 37% of the sugar it produced in that season. This forced the Estates to operate at a Tsh. 400 million overdraft ceiling. Meanwhile, the World Bank Report of 1993 indicated a possibility of privatising sugar Estates: «There is the possibility, in complexes where smallholders are an important part of the system, where government owned operations could be turned over to a private company with joint ownership by outgrowers and a management firm. Such alternatives could be considered during the design of divestiture alternatives for the various sugar producing enterprises»[33]

In December 1995, the Ministry of Agriculture specified Mtibwa Sugar Estates Ltd. for Divestiture. Finally in 1998, the Estates was privatised and 75% of the shares and 4,000 ha of sugarcane were sold to one local investor and three Malaysian companies for 21 millions US dollars.[34]

Conclusion

Structural Adjustment has improved some of the conditions for sugarcane production. At the same time, it provided new opportunities of private accumulation for the Estate employees in the process of transition towards privatisation. The Civil Service Retrenchment Programme and the privatisation programme of parastatals encouraged civil servants to secure a means of accumulation for their future. Sugarcane production attracted employees of the Mtibwa Sugar Estates. The Mtibwa Sugar Estates' employees successfully privatised the Estates' resources through appropriation of Estates' land. They also acquired access to support services as outgrowers. The producer price of sugarcane was deregulated in 1991/1992 at national level, but it was drastically increased in Mtibwa Sugar Estates in the same period. This means outgrowers, of which the Estates' employees consisted of 40%, benefited from this increased producer price. Indeed, actual «privatisation» of the Estates had already been taking place prior to its formal privatisation, and it was the parastatal Estates that determined the pace and the direction of privatisation.

One of the rationales of the Structural Adjustment program was to reduce a corrupt and inefficient state sector and to encourage the development of a democratic and efficient private sector. In case of Mtibwa Sugar Estates, however, the process of transformation of parastatal Estates has not avoided similar processes of corruption and inefficiency. In particular, the Estates' employees acquired access to land and engaged in outgrow production using the resources provided by the state and foreign assistance.

The case of Mtibwa shows how structural adjustment led to paradoxical consequences in relation to the sugar industry. There was considerable increases in sugar production in the 1990s. However, despite these increases, the Estates suffered from a hard competition with low-price imported sugar due to trade liberalisation. As a result only 37% of the produced sugar had been sold by mid-1996. The Estates was running at overdraft and payment to outgrowers was delayed.

Important questions, however, remain to be answered: how was formal privatisation arganised in 1998, who were the final beneficiaries of that privatisation, and what were the consequences on the smallholders in surrounding villages.

NOTER

1) A revised version of this paper was presented in Africa Days, Nordic Africa Institute, Uppsala, 29-31 October 1999, and was also submitted to Review of African Political Economy. I am greatful to Rune Skarstein and Phil Raikes for their detailed and useful comments on a draft of this paper. I also appreciate Rune Skarstein`s help in calculating the figures of Table 2.
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3) Yusuf Bangura, «Authoritarian Rule and Democracy in Africa», *Democracy and Adjustment-The Politics of Economic Reform in Africa,* Seminar Proceedings No. 26, The Scandinavian Institute of African Studies, Uppsala 1992; Peter Gibbon, «Structural Adjustment and Pressures toward Multipartyism in Sub-Saharan Africa»; Kenneth Hermele, «Stick and Carrot - Political Alliances and Nascent Capitalism in Mozambique», both in Yosuf Bangura, Peter Gibbon and Arve Ofstad (eds.), *Authoritarianism, Democracy, and Adjustment – The Politics of Economic Reform in Africa,* Nordiska Afrikainstitutet, Uppsala 1992; S. L. Chachage, «The Meek Shall Inherit the Earth but not the Mining Rights: The Mining Industry and Accumulation in Tanzania», in Peter Gibbon (ed.), *Liberal Development in Tanzania,* Nordiska Afrikainstitutet, Uppsala 1995.
4) Gibbon, «Structural Adjustment and Pressures toward Multipartyism in Sub-Saharan Africa».
5) World Bank, *Sustainable Development in Africa,* World Bank 1989, p. 104.
6) United Republic of Tanzania (URT), *Economic Recovery Programme,* May 1986.
7) World Bank, *Tanzania: Economic Report Towards Sustainable Development in the 1990s,* Vol. II, 1991.
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9) Peter Gibbon, Kjell J. Havnevik and Kenneth Hermele, *A Blighted Harvest? The World Bank and African Agriculture in the 1980s,* London 1993, p. 54.
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11) The second economy was estimated to consist of at least 30% of the total economic activity in the pre-adjustment period. T. Malliyamkono and M. Bagachwa, *The second economy and state legitimacy in Tanzania,* London 1990.
12) Gibbon, Havnevik & Hermele, *A Blighted Harvest?*
13) Peter Gibbon and Phil Raikes, *Structural Adjustment in Tanzania, 1986-94,* A report produced by the Centre for Development research, Copenhagen 1995.

14) Gibbon and Raikes, *Structural Adjustment in Tanzania, 1986-94.*

15) The declaration permitted party members to own tenanted housing, to receive wage income from more than one source, and to own shares in public or private companies. Economic Intelligence Unit Limited, *Tanzania: EIU country Report 4th quarter 1993,* London 1993, p. 11.

16) Gibbon and Raikes, *Structural Adjustment in Tanzania, 1986-94.*

17) World Bank, *Agriculture Sector Memorandum - White Cover Report,* July 20, 1993, p. 151.

18) This was to keep the consumer prices low. World Bank, *Agriculture Sector Memorandum 1993.*

19) World Bank, *Agriculture Sector Memorandum 1993,* p. 150.

20) World Bank, *Agriculture Sector Memorandum 1993,* p. 151.

21) Economic Intelligence Unit Limited, *Tanzania: EIU country Report 4th quarter 1993,* p. 15. EIU report refers to SUDECO's general manager, George Mbati on this point.

22) World Bank, *Agriculture Sector Memorandum 1993.*

23) World Bank, *Agriculture Sector Memorandum 1993,* p. 152.

24) Mtibwa Sugar Estates Ltd., «Zaira ya Waziri Mkuu na Makamu wa Raisi Mhe. John S.Malecela Tarehe 30 Agosti, 1992 – Taarifa Fupi Kuhusu ya Sukai Mtibwa, Mtibwa Sugar Estates Limited», Brief Report on Mtibwa Sugar Estates, submitted to the Prime Minister by the General Manager of Mtibwa Sugar Cooperation, August 1992; Mtibwa Sugar Estates Ltd., *Company Status Report,* 1996. Total number of outgrowers differs from 3492. It is not clear which number is correct.

25) Mtibwa Sugar Estates, *Company Status Report* 1996.

26) On the survey map, the Estates was encroaching into Bahati and Matunda village lands. Bahati and Matunda villages had acquired a village title with a survey map already in 1990 before the Estates acquired a letter of offer, which is not a formal land title. Thus legally Bahati and Matunda villages held legal rights to the land. According to a government surveyor, during the survey of the Estates land, it was found that the Estates had already occupied almost a half of Matunda village land. The government officer who investigated the case suspected that Matunda village land, which appeared to be encroached on by the Estates, had been in practice sold by individual Matunda villagers to the Estates. The question is what had happened to the rest 3,421ha of Estates's land, which have not been surveyed.

27) It seems to be a common procedure that an organisation applies for land as an organisation and later divided this among individual members. Similar cases were observed, for instance, with Sokoine University of Agriculture and the Chamber of Commerce in Morogoro.

28) Bahati village is a village of immigrants originally from land-scarce Kilimanjaro region. With an intervention by the central government, they were given a small area for settlement by indigenous Matunda village in 1971. After village titling program was introduced in 1985, Bahati village applied for and acquired a land title encroaching into Matunda village land. When Matunda village applied for village title, a large part of it land had been formally belonged to Bahati village. As a consequence, indigenous Mastunda remained only with 2.600 ha, whereas immigrant Bahati expanded its village land to 6.800 ha. More detail study, see

Kaori Izumi, *Economic liberalisation and the land question in Tanzania,* Ph.D. thesis, Roskilde University, 1998.

29) Mtibwa Sugar Estates Ltd, *Company Status Report*, 1996.

30) The area was also affected by villagisation and people were moved from original villages to settlement villages. Movement of people from resettlement villages to original villages started already in the early 1980s when there was a relaxation of the political atmosphere. Expansion of sugarcane production further encouraged movement of people from one area to another because of increasing demand for and value of potential land for sugarcane production. There were cases where villagers applied for additional farming plots in neighbouring villages, which still had surplus land. Others simply encroached into unutilised land in other villages without permission. Besides agriculturists, some pastoral Maasais also had settled down in the area to engage in farming activities.

31) By 1996 average number of persons per household in Matunda village increased from 4.8 persons to 6 persons with an average size of land per household 2.08 ha and average land size per person to 0.48 ha.

32) Mtibwa Sugar Estates Ltd, *Company Status Report* 1995, p. 4.

33) World Bank, *Agriculture Sector Memorandum 1993,* p. 153.

34) Personal communication with Peter Gibbon. The source is Business Times 1998, but the date is unknown.