

## What can we learn from the East?

Agriculture plays an important role in poverty reduction, particularly in poorer countries such as Tanzania where the majority of people depends on agriculture for their livelihood. Growth in agricultural value added had the largest impact on poverty reduction in Asia in the 1970s and 1980s. However, left alone, agriculture could also become a poverty trap. That is what is happening in many poorer countries in sub-Saharan Africa where the agriculture sector has been left behind. There are no adequate investments in rural infrastructure, agricultural technology, equipment or basic inputs. As a result, agricultural productivity either remains stagnant or increases only at a very slow rate, if at all.

In Tanzania, agricultural value added grew by 4 per cent a year during the last decade. With the high annual rate of population growth (nearly 3 per cent in many rural regions, as high as 4 per cent in others) one can't expect agriculture to help reduce poverty at this rate of growth as the value added would be sufficient only to cover the increased population. Consequently, there won't be any significant improvement in the incomes of the people. This is one of the reasons behind the stubbornly high poverty rates in Tanzania.

How then one can expect agriculture to be a driver of poverty reduction? Some countries have relevant answers, particularly countries from the East. Thailand is a particular example that provides good lessons that Tanzania could easily follow. Thailand has reduced poverty significantly since the 1960s. It is now a major

exporter of food items, including processed food. Thai rice sets the benchmark price in the world rice market. Quality, low price and variety are the hallmarks of Thai food products. How did they do it?

### **Investing in agriculture could bring in hefty dividends**

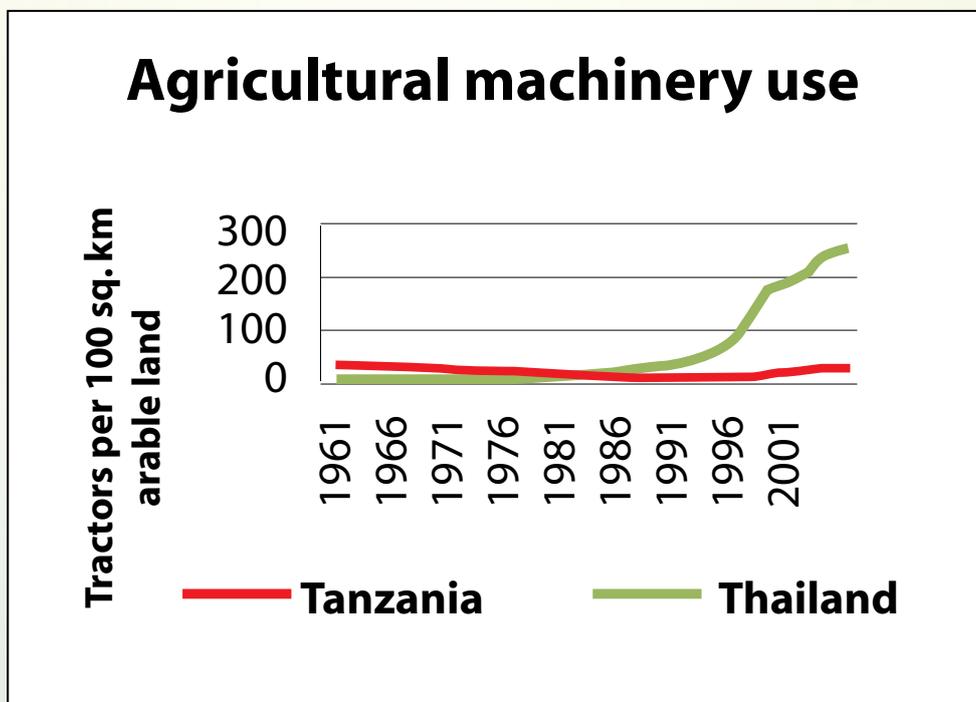
The Thai success story did not happen overnight. It is through decades of heavy investments in agriculture that Thailand reaped hefty dividends. Thailand is now an MDG+ country, meaning it has already achieved some of the Millennium Development Goals (MDGs) including that of halving the poverty rate by 2015.

In the last quarter century, rural infrastructure in Thailand has improved quite significantly, connecting the rural economy to markets. Rural road lengths increased on average by 11 per cent a year. Rural telephone lines have increased by 23 per cent annually. Access to electricity in rural areas has increased by 17 per cent per year. By 2000, 97 per cent of the rural population had access to electricity. The result has been a tremendous increase in agricultural productivity.

### **Low access to electricity in rural areas hampers growth in agriculture**

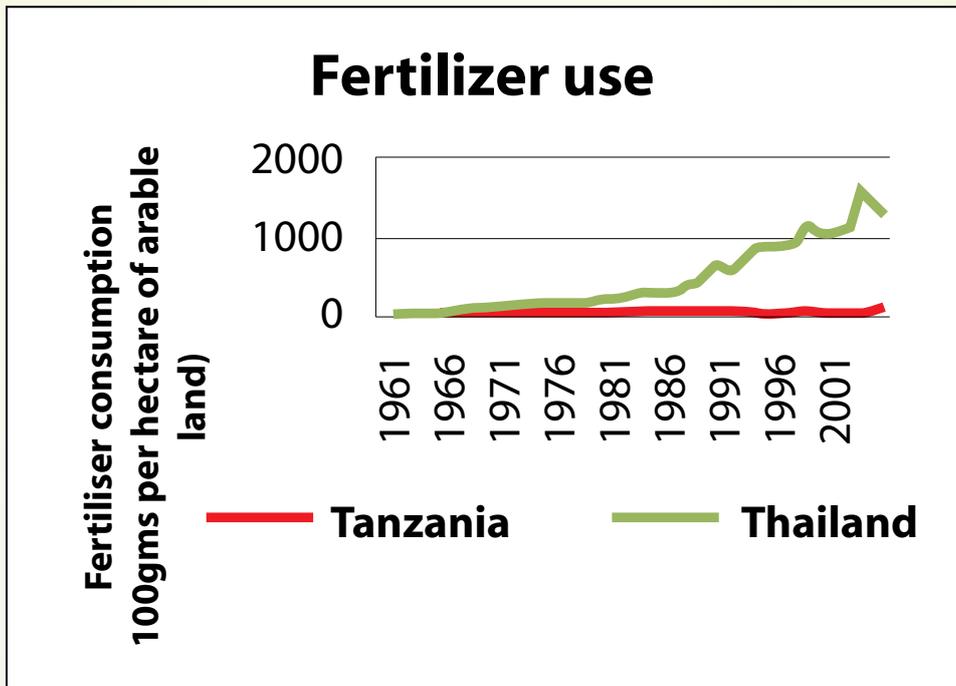
How does this compare with the situation in Tanzania? Not very promisingly at the moment. Access to electricity in rural

Tanzania through the national grid is only 2.5 per cent according to the Household Budget Survey (HBS, 2007). It was only 2.0 per cent in 2000/01, indicating an annual increase of just over 3 per cent.



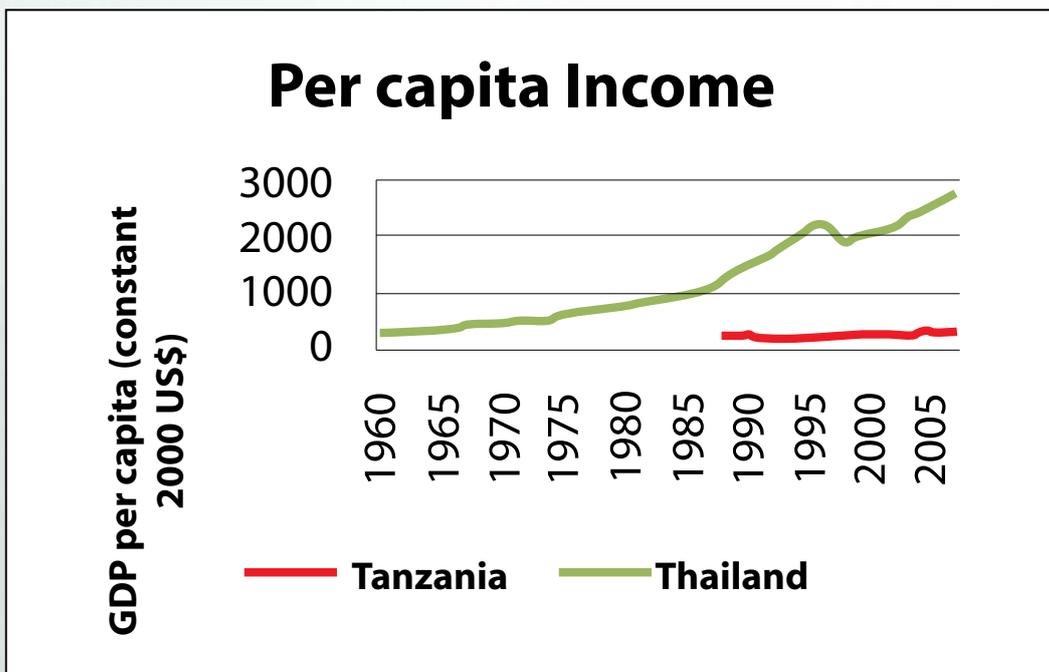
#### Slow mechanization of the agricultural sector

In Thailand mechanization of agriculture has gained momentum, while in Tanzania the initial thrust dwindled as time passed by. The number of tractors per 100 sq km of arable land in Tanzania dropped from 32 in 1961 to 23 in 2005. This trend is also reflected in the HBS 2007, a drop in tractors held by households from 0.2 per cent in 2000/01 to 0.1 per cent in 2007. Since the beginning of 1980s, Thailand outperformed Tanzania in agricultural mechanization. The number of tractors per 100 sq km of arable land there increased from a mere 5 (against 32 in Tanzania!) in 1961 to 261 in 2005. Similar declines are seen in other agriculture related productive assets such as ploughs, and coffee pulping machines held by households, according to HBS 2007.



#### Fertilizer use is critically low in Tanzania

The use of fertilizer, among other factors, plays a critical role in increasing agricultural productivity. And fertilizer consumption in Thailand increased from 1.7 kg per hectare in 1961 to 120.7 kg in 2005. In Tanzania, fertilizer consumption has increased from 0.5 kg in 1961 to 5.8 kg in 2004, before almost doubling the next year. Whether this is an aberration is yet to be seen. If not, it is a welcome development.



In terms of per capita income, Tanzania is now where Thailand was in 1963. The recent trend in Tanzania's per capita income growth is quite comparable to Thailand 45 years ago. So the prospects

are not that bleak. At a time when the government is embarking on Kilimo Kwanza as Tanzania's green revolution to transform its agriculture into a modern and commercial sector, it is interesting to see if Tanzania could emulate success stories from the East. By raising agricultural productivity through enhanced investments, both public and private, in rural infrastructure such as roads, irrigation, inputs such as high yielding seed varieties and fertilizer and technology it could be possible to enjoy the fruits of prosperity.



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