



UNITED REPUBLIC OF TANZANIA



African Union



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NEPAD Planning and
Coordinating Agency (NPCA)

Brief No.

CREATING AN ENABLING AGRICULTURAL POLICY ENVIRONMENT

Tanzania

Introduction

Since the country's independence in 1961, the Government of Tanzania has implemented a series of agricultural related policies, plans, strategies and programmes that were integrated within Five Year Development Plans. Immediately after independence, overall agricultural policy was characterized by market-based interventions and the major instrument for policy implementation was the Five Year Development Plans. After the Arusha Declaration in 1967, agricultural policy environment was characterized by more government-led interventions. These included the nationalization of private sector enterprises throughout the value chain of major export commodities. This resulted in the establishment of state farms, state processing and marketing enterprises and state-controlled cooperative unions. During the late 1970s and early 1980s, it became evident that the interventionist policies in the agricultural sector as in the rest of the economy were not working. In the mid-1980s, the government, supported by the major development partners, started economic and structural adjustments which involved gradual dismantling of interventionist instruments in the economy in general and in the agricultural sector in particular. In the agricultural sector, it has involved allowing private sector participation in the value chain of most agricultural and livestock products, decontrol of producer prices, and privatization of state enterprises. These policy reforms are still ongoing.

More recently the Government has formulated the Tanzania Development Vision 2025 and Zanzibar Development Vision 2020 as long term development frameworks that guide the country's resolve to eradicate poverty and attain sustainable development of the economy. The medium term development goals are expressed in the National Strategy for Growth and Reduction of Poverty (NSGRP), and the Zanzibar Strategy for Growth and Reduction of Poverty (ZSGRP). These initiatives are aimed at achieving the targets that are outlined in the Millennium Development Goals (MDGs) and other commitments and targets which are aimed at combating hunger, disease, illiteracy, environmental degradation, and discrimination against women and above all reduction of poverty. These frameworks underpin the sectoral and sub-sectoral policies, strategies and programme that are currently in operation.

The National Strategy for Growth and Reduction of Poverty (NSGRP) and the Zanzibar Strategy for Growth and Reduction of poverty (ZSGRP)

The NSGRP and ZSGRP are five year national strategic blue prints for promoting economic growth and poverty reduction across all sectors of the economy, including the agricultural sector in the Mainland and Zanzibar respectively. They provide a framework for focusing policy direction and thrust on economic growth and poverty reduction in various sectors of the economy by setting specific goals and operational targets within three main clusters: i) Growth and Reduction of Income Poverty, ii) Social Services and Wellbeing and iii) Good Governance. The agriculture sector is addressed under the Cluster on Growth and Reduction of Income Poverty.

Both Tanzania mainland and Zanzibar have implemented the first generation of the NSGRP and ZSGRP respectively and are now developing the second generation poverty reduction strategies which are being finalized. Within these strategies, agriculture is recognized as an important sector in economic growth and poverty reduction. For example, Goal 2 of NSGRPII targets reducing income poverty through promoting inclusive, sustainable, and employment-enhancing growth, while Goal 2 for ZSGRPII is to promote sustainable and equitable pro-poor and broad-based growth, especially in the agricultural sector. The NSGRPII states for example, that "with vast natural resources – rich agro-climatic zones, minerals and water resources, potential irrigable land, forestry and wildlife resources and above all, its population size - rural development and particularly *agriculture* stands out as a sector that requires priority attention since the rural sector accommodates the majority of the poor population".

The Agricultural Policy Framework

The Agricultural Sector Development Strategy (ASDS) is the strategic blue print for the development of agriculture, with specific goals, priority operational targets and strategies that are aimed at achieving the NSGRP/ZSGRP targets. The ASDS strategic objectives include (i) creating an enabling and favorable environment for improved productivity and profitability in the agricultural sector; and (ii) increasing farm incomes to reduce

income poverty and ensure household food security. The ASDS identifies the following five strategic priority areas:

- Strengthening the institutional framework to facilitate partnership and coordination in developing the agricultural sector;
- Creating a favorable environment for commercial activities;
- Public and private partnership in improving agricultural support services;
- Strengthening marketing efficiency for agricultural inputs and products; and
- Mainstreaming agriculture in the decentralized planning process under the local government authorities (LGAs).

These priority areas are in line with the CAADP objectives and principles. In an effort to give more emphasis to a private sector-led development of agriculture, the Government, together with private sector players has formulated the *Kilimo Kwanza* and Agricultural Transformation Initiative (ATI) for Tanzania Mainland and Zanzibar respectively. These will bring more players, more robust involvement of private sector and improved national coordination of planning and resource allocation as envisaged in the ASDS. They will therefore accelerate achievement of ASDP/ASP objectives of: enabling farmers to have better access to and use of agricultural knowledge, technologies, marketing systems and infrastructure, all of which contribute to high productivity, profitability and farm incomes; and promoting private investment based on improved regulatory and policy environment.

In general, the existing policy environment:

- Recognizes existing low capacity for irrigation potentials and the need to promote Integrated Water Resource Management;
- Recognizes the role of government in improving rural infrastructure to reduce transaction costs that affect agricultural growth and competitiveness;
- Supports the enhancement of food security through production of sufficient quantity and quality of food;
- Supports the strengthening of agricultural support services including research and extension;
- Advocates interventions for reversing environmental degradation, promoting conservation and sustainable management of our natural resources;
- Recognizes the importance of human resource development and creation of employment opportunities; and
- Recognizes the importance of the participation of the private sector including cooperatives and community based organizations.

However, Tanzania's agricultural policy environment is still in a transition. Inherent in this transition is not only the need to deepen the reforms, but also to streamline and rationalize the existing policies related to agriculture. They also need to be fully aligned with the NSGRP/ZSGRP and the ASDS as well as with *Kilimo Kwanza* and ATI. Other specific challenges include:

- The need to up-date some of the policies that were formulated long time ago and which pre-date the ASDS. These need to be reviewed to accommodate new

challenges and opportunities. These include the Land Policy that is critical for achieving the country's growth and poverty targets;

- The need for stronger harmonization of the different but inter-related policies like the National Agricultural Policy and the Livestock Policy, the Trade Policy and the Agricultural Marketing Policy or if possible to have a single sector policy.
- Improving incentives for increased investment in the sector;
- Improving the legal and regulatory framework for agricultural trade and marketing;
- Strengthening coordination in the implementation of policies and strategies.

These challenges will need to be addressed in order to reverse the unsatisfactory performance of the agricultural sector as manifested in slow growth rate and low productivity of the sector vis-à-vis other sectors.

Creating an Enabling Policy Environment for Private Sector Investment

The Government is committed to creating a favourable legal, regulatory and policy environment that will facilitate stronger participation of the private sector in the development of agriculture in the country. To achieve this, the current policy reform efforts will be up-scaled. The following specific interventions will be implemented in order to achieve the goal of private sector-led agricultural transformation in line with *Kilimo Kwanza*/ATI, and the eventual growth and poverty reduction as envisaged in the NSGRP II and ZSGRP II:

1. Review of relevant agricultural policies in order to harmonise them and to align them with the NSGRP II/ZSGRP II, ASDS, *Kilimo Kwanza* and ATI, and to allow stronger participation of the private sector in the whole value chain and in input and output markets as proposed in *Kilimo Kwanza* and ATI;
2. Strengthen the regulatory framework for the production and distribution of inputs, promoting out-growers schemes, agro-processing, trade and marketing to take advantage of favorable international market environments in view of Tanzania's agricultural comparative and competitive advantage in regional and international markets;
3. Review the legal and institutional modalities for land delivery and management in order to improve efficiency in the acquisition and securing of land for private sector investment;
4. Provide tax incentives, agricultural input support and trade policies.
5. Creating new models for cooperation between the Public and Private sector in rural development at all levels (national, regional and international) including new ways of bringing together processors and agribusiness, new ways of establishing and enforcing grades, standards and new emphasis on improving the investment climate for agriculture.

Agriculture Sector Contacts:

Coordinator of Agriculture Sector Lead Ministries (ASLMs),
Ministry of Agriculture Food Security and Cooperatives (MAFC),
P.O. Box 9192, Dar es Salaam.

Telephone: +255-22-2862480/1, Fax: +255-22-2862077



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Brief No.

STRATEGIC INVESTMENT PRIORITIES FOR AGRICULTURAL GROWTH AND POVERTY REDUCTION

Tanzania

Introduction

The long term vision of economic development for both Mainland Tanzania and Zanzibar is to accelerate economic growth and reduce poverty. Both, Vision 2025 for Tanzania mainland and Vision 2020 for Zanzibar recognize the agricultural sector as the growth driver. Within these visions the Agricultural Sector Development Programme (ASDP) and Agricultural Strategic Plan (ASP) have been designed with the broad objectives to increase agricultural productivity and profitability, generate employment in rural areas and ensure national and household food security.

The long term vision of economic development for both Tanzania mainland and Zanzibar is to accelerate economic growth and reduce poverty. Both Vision 2025 for Tanzania mainland and Vision 2020 for Zanzibar recognize the agricultural sector as the growth driver. Within these visions the Agricultural Sector Development Programme (ASDP) and Agricultural Strategic Plan (ASP) have been designed with the broad objectives to increase agricultural productivity and profitability, generate employment in rural areas and ensure national and household food security. The implementation of the two programmes focus on the following strategies:

- 1) To enable farmers to have better access to and use of agricultural knowledge, technologies, marketing systems and infrastructure, all of which contribute to higher productivity, profitability, and increased farm incomes;
- 2) To promote private investment based on an improved regulatory and policy environment.

Both ASDP and ASP aim at increasing the growth rate of agricultural GDP. Targets for mainland Tanzania are to increase the agricultural sector annual growth rate from 3.2 percent in 2009 to 6.3 percent in 2015 (MKUKUTA II and MKUZA II), through transformation of the sector from subsistence to commercial agriculture. Besides stimulating agricultural growth, ASDP and ASP target also to achieve food security and reduce rural poverty.

The commitment is to facilitate sector development through public private partnerships, focusing on participatory planning and implementation, decentralization of service delivery to Local Governments Authorities, and mainstreaming of cross-cutting and cross-sectoral issues in agricultural development operation. Another commitment is on investment in the agricultural sector with emphasis on the following:

- 1) increasing productivity of agricultural activities through the adoption of productive technological options;
- 2) expanding area under irrigation and promoting water use efficiency;
- 3) refocusing public expenditure to priority outcomes.
- 4) attracting public and private investment in agriculture, including livestock and natural resource management, and
- 5) promoting diversification to non-farm activities.

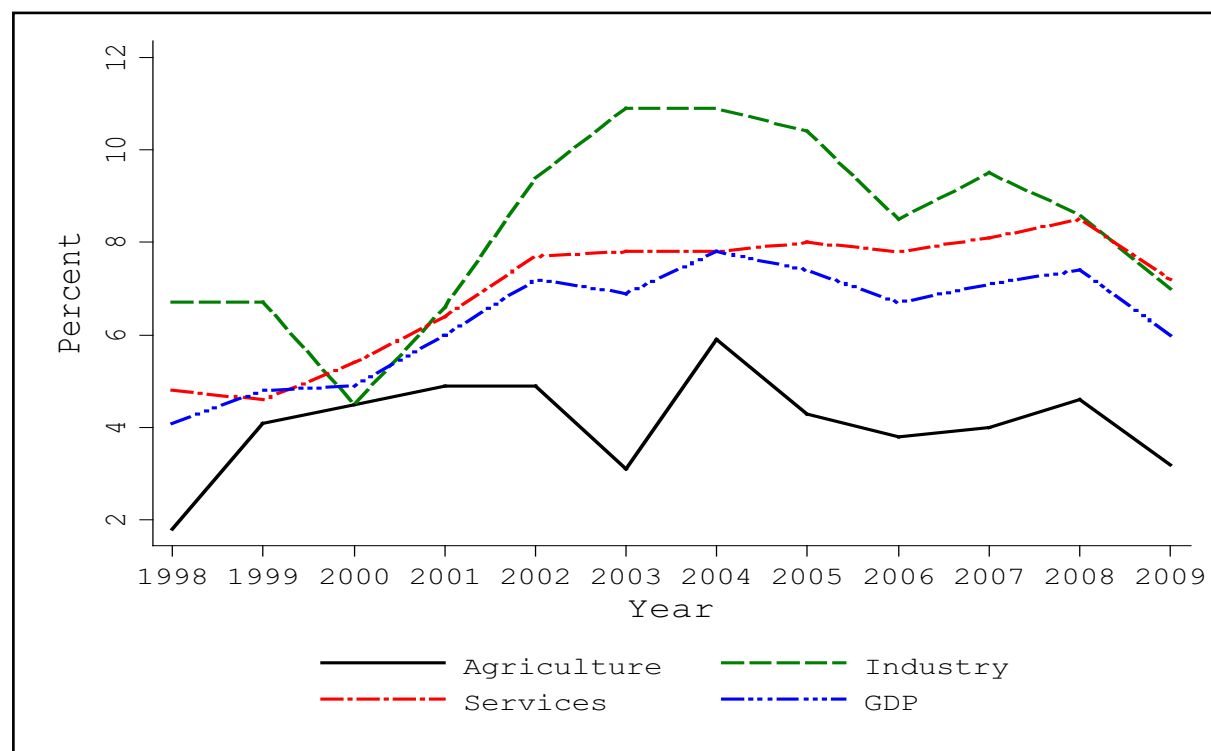
2. Potential of the Agricultural Sector in Promoting Economic Growth and Poverty Reduction

Tanzania has great potential of accelerating growth of output in the agricultural sector, considering its diverse climatic zones with potential for many crops, livestock and forestry products. It also has sufficient water for both irrigation and livestock and vast opportunities in terms of rivers, lakes and sea water for fishing. Since agriculture employs a large proportion of the poor people and the country is endowed with all these resources, it has a big potential of lifting many of them out of poverty.

Despite this potential, performance of the agricultural sector has had only modest contribution to economic growth and poverty reduction. For both Mainland Tanzania and Zanzibar, the growth rate of agricultural GDP has been relatively low compared to other sectors – services and industry (See Figure 1). Over the past

10 years, the agricultural sector has been growing at the rate of about 4 percent, while services and industry have been growing by more than 6 percent. However, 1 percent growth of the agricultural sector has more positive multiplier effect than the same growth in any other sector.

Figure 1 Growth Rates of Total GDP, Agriculture, Industry and Services



At a more disaggregated level, crops such as maize that are grown by the majority of the poor have experienced slower expansion. A study on Agricultural Growth, Poverty, and Nutrition in Tanzania by IFPRI (2010) reveals that because relatively high growth in the agricultural sector has taken place mostly in large scale commercial farms, growth in the agricultural sector has not been able to significantly reduce poverty in rural areas. The study estimates that under current performance (baseline scenario), in which there are no interventions to increase productivity in subsectors with stronger links to the poor, poverty incidence will decrease to only 31.1 percent in 2015.

For the sector to contribute significantly to growth and poverty reduction it must grow by over 6 percent per annum. However, high overall growth rate for the agricultural sector is not sufficient for significant poverty reduction. This is because different subsectors contribute differently to agricultural growth and poverty reduction. Factors that determine the magnitude of individual sectors include the sector's initial share in income and employment and its potential for incremental growth. In order to achieve maximum pro-poor growth, high growth has to take place in the subsectors of agriculture with strong links to poor households. These have to be the priority sectors for investment.

In the case of Tanzania, a study by IFPRI (2010) identifies the maize sub-sector to be a top priority area for investment. This subsector is considered to be an important pro-poor growth driver compared to the

other subsectors because, first, it has a strong poverty effect in the sense that it supports the livelihood of the majority of poor households. Second, it has strong growth effect because it is a relatively big sector. Third, it has a strong nutrition effect because maize as a food crop has a fairly high nutrition value.

A growth scenario (which the IFPRI study calls the Agriculture scenario) , based on increasing productivity in the maize sub sectors is much likely to be broad based, and hence to contribute significantly to poverty reduction. IFPRI (2010) estimates that under this agriculture based scenario, incidence of poverty will decrease to 26.1 percent in 2015. This scenario has the biggest impact in reducing incidence of poverty in rural, urban, non-farm, and farm sectors.

Currently ASDP and ASP also accords high priority to rice, millet/sorghum, livestock and fishery. Rice has a relatively high nutrition value, and is increasingly becoming a food as well as a cash crop even for the poor. In addition, Tanzania has a big potential of producing rice for domestic and regional markets. Millet and sorghum are drought resistant crops with strategic importance in food security. Poverty incidence is high among communities of livestock keepers and fishermen. Thus, placing high priority in investment in these crops/products as well is necessary in addressing the poverty problem in rural areas. Tanzania has prepared a National Rice Development Strategy which aims at doubling rice production and productivity by 2018. this will go hand in hand with expansion of land under rice production, irrigation and water control management systems (CAADP Pillar I)

3. Low Productivity as a Constraint to Rural Development and Agricultural Growth

One of the major constraints to rural development and agricultural growth is low productivity of land and labour. Key factors affecting agricultural productivity are: (i) low public expenditure on agricultural Research and Development (R&D), (ii) inadequate and agricultural financing, (iii) poor production techniques; (iv) under-developed markets and market infrastructure and farm-level value addition; and (vi) poor rural infrastructure, including rural roads, telecommunications and electricity etc.

4. Priority Investment Areas

In order to stimulate growth in the sector and reduce poverty in rural areas, public expenditure in agriculture should be increased. More specifically, production of maize, rice, and root crops, livestock and fishery should get top priority in government's investment plans. Investment in irrigation, mechanisation, research and development, and agricultural inputs is needed to raise productivity in these sub-sectors. Investment in rural roads/infrastructure, agro-processing and packaging (**CAADP Pillar II**) and renewable natural resources will be needed to expand the market especially for the priority crops. Below are proposed investment areas:

A. Investment Necessary for Increasing Productivity

- 1) **Irrigation(Pillar I):** Tanzania mainland has a total irrigation potential of 29.4 million hectares, but only about 0.33 million hectares are currently under irrigation. In Zanzibar the potential area for irrigation is 8,500 hectares, but only 700 hectares are currently under irrigation. Tanzania has a large potential of increasing maize production by inceasing the area under irrigation.

Existing **gaps** in ASDP and ASP that need to be addressed include inadequate equipment and human resources, irrigation infrastructure and integrated water management services.

More resources will be needed to improve existing traditional irrigation schemes, to rehabilitate deteriorated irrigation schemes, and to expand the area under irrigation in the already identified irrigation potential areas. The government will have to create an enabling environment for private sector investment in irrigation. Together with the promotion of irrigation, adoptions of sustainable farming which conserve the environment is quite important. Increasing the efficiency of irrigation and the profitability of the investment is also needed to improve the sustainability of the irrigation system.

- 2) Mechanisation(Pillar I & III):** Given that cultivation of most of the priority crops is done predominantly by the hand hoe, significant growth can not be achieved without increased mechanization. It is estimated that about 70 percent of farming is dependent on the hand hoe, 20 percent on ox-ploughs, and 10 percent on tractors. The use of rudimentary technology, such as a hand hoe is one among reasons that account for low labor productivity in agriculture. A mechanization programme that enables small holder producers to use ox ploughs and tractors has been initiated but it needs more investment.

In order to support small holder farmers and promote small holder farmers' mechanization, farmers will have to be encouraged to organize themselves into multifarm schemes that will offer the mechanization services. The government will have to encourage the establishment of privately owned one stop mechanization centres that will provide mechanization services. In addition, there is a need to establish a programme that will enable small holder producers to use labour saving technologies such as solar power and wind mills that will contribute significantly in increasing agricultural output.

- 3) Research and development and extension (Pillar IV):** Currently amount of resources is allocated to research and development in the agricultural sector is 0.3 percent of the total government budget allocated to the sector. However, the government has agreed to allocate one percent of the national budget to research and development. Available evidence to show that investment in research and extension has huge positive impacts on agricultural growth and household incomes. For every Tshs 1 million spent on agricultural research, household incomes increase by Tshs 12.5 million and lifts 40 people out of poverty.

The major gap in both ASDP and ASP as far as research and development is concerned is inadequate research infrastructure facilities and manpower.

- 4) Use of improved agricultural inputs(Pillar III):** To bring about agricultural green revolution and transformation, access to and timely use of farm inputs by farmers is an important aspect. However, usage of agricultural inputs in Tanzania is quite low. For example, while Tanzania uses only 9kg/ha of fertilizer, the average for SADC countries is 16kg/ha, Malawi 27kg/ha, China 279kg/ha and Vietnam 365kg/ha. It is estimated that only 10 percent of farmers use improved seed. These include poor distribution network channels, high costs of certified seeds, poor infrastructure in rural areas. In recognising the importance of agricultural inputs,

the government has embarked on providing smart targeted agricultural input support. The World Bank has also joined the government by providing a loan through Accelerated Food Security Project (AFSP). The loan complements the government initiatives. However, more investment in developing productivity enhancing technologies is required to support production and distribution of improved inputs and quality control of such inputs. Therefore an incentive scheme should be created to attract private investment in the production and distribution of agricultural inputs.

- 5) ***Renewable Natural Resources, Environment And Climate Change (Pillar III):*** Environmental conservation is important for sustainable agricultural development and poverty reduction. However, quite often agricultural activities do cause environmental degradation through deforestation, soil degradation and soil erosion, which in turn lead to low productivity. The long term impact of environmental degradation has been climate change which has detrimental effects (for example, droughts, and floods) on agriculture. While both ASDP and ASP address the problem of environmental degradation, they do not address the problem of climate change and its impact on agriculture.

The government should continue to sensitize the public on the importance of conserving the environment and mobilise people to plant trees and encourage farmers and livestock keepers to adopt environmental friendly farming and animal husbandry methods ASDP and ASP should take on board climate change as one of the major challenges for sustainable agricultural development. Mitigation and adaptation strategies to cope with climate change should be given more attention in terms of investment.

B. Investment Necessary for Market Expansion

- 1) ***Rural Infrastructure(roads, markets, storage facilities, electrification etc (Pillar II):*** Improvement and construction of rural roads and market infrastructure are important for efficient inputs and output marketing. Investment in infrastructure is also important for attracting private investment in agricultural related activities such as agro-processing, increasing producer prices and farmers' income.
- 2) ***Agro-processing and value addition(Pillar II):*** Agro-processing and value addition are important activities for agricultural development and poverty reduction. These activities can generate additional employment in rural areas. They also have strong forward linkages. For example, grain milling can produce animal feed to support the expanding livestock industry. Agro-processing can also expand the market for grains. Expanding upstream grain milling capacity for example, would expand market opportunities for grain; and thus increase farmers' access to urban consumers who prefer processed grain. For food crops with low income elasticity such as maize, millet and sorghum, agro-processing can generate additional market opportunities in other sectors such livestock industry which demand processed grain.

The level of agro-processing infrastructure in Tanzania is very low. As a result, Tanzania is exporting unprocessed agro-products while the agro-processing industry cannot meet domestic demand. The low capacity in agro-processing is one of the main reasons for high post harvest losses. It is currently estimated that 30 percent and 70 percent of output of cereals, and fruits and vegetables, respectively, is lost post harvest due to inadequate agro-processing facilities. In the fisheries sub-sector, 20 percent of output is lost post harvest due to lack of processing

facilities. One of the major reasons for inadequate investment in agro-processing is poor physical infrastructure in rural areas.

Investment in agro processing activities can generate employment and incomes in rural areas. Agro-processing will also add value to the export of agricultural crops, thus enabling the country to earn more foreign exchange. More funding for investment in physical infrastructure, such as feeder roads and electricity in rural areas will be needed in order to attract private investment in agro-processing activities.

C. Promotion of Public-Private Sector Partnership

The role of the private sector in the development of agriculture sector is paramount. It is the private sector which is supposed to play a major role in production, transportation, storage, processing and marketing of agricultural produce. However, for the private sector to play its role effectively, the government must create an enabling environment through provision of infrastructure, and incentives, and formulation and enforcement of regulations. For this reason, promotion of public-private partnership is critical for the achievement of ASDP and ASP targets.

D. Capacity Building at all Levels:

In order to realize potential benefits in agricultural sector, any investment has to go along with capacity development of human capital and the introduction of sustainable farming concepts such as investing in the above priority areas.

Table 1: Summary of benefits to be derived from investing in priority areas

Priority	Investment priorities	Benefits
Priority Area No 1	Rural infrastructure (Feeder roads, markets, electrification, storage facilities among others) and agro-processing	<ul style="list-style-type: none"> Improved distribution of inputs and lower costs of inputs Improved transport of agricultural products and lower marketing costs Attraction of private investment in agro-processing and other non-farm activities Increased market outlet for agricultural products, increased producer prices, increased farmers' income
Priority Area No 2	Irrigation	<ul style="list-style-type: none"> Increased production of agricultural products, more specifically maize and rice Increased and stable income for farmers
Priority Area No3	Mechanization	<ul style="list-style-type: none"> Increased labour productivity and income for farmers Farmers' labour available for other non-farm income generating activities
Priority Area No 4	Research and development	<ul style="list-style-type: none"> Increased labour and land productivity Increased farmers' income
Priority Area No 5	Farm inputs	<ul style="list-style-type: none"> Increased labour and land productivity Increased farmers' income
Priority Area No 6	Renewable natural resources	<ul style="list-style-type: none"> Improved adaptation to climate change Improved environmental management including soil fertility

5. Conclusion

In order to achieve the long term objectives of accelerating economic growth and reducing poverty as outlined in Vision 2025 for Tanzania mainland and Vision 2020 for Zanzibar, investment in the agricultural sector must be increased in order to stimulate growth in the sector and raise farmers' incomes.

Given the limited amount of resources, future investments and particularly public investment in agriculture will have to be guided by two major criteria for investment to have a significant impact on both growth and poverty reduction. These criteria include the following:

- 1) *Prioritization*: Areas of investment that have significant and wide impact on growth and poverty reduction. In the case of Tanzania, increasing productivity in maize, millet and sorghum is proposed to be top priority chains of investments in the sector.
- 2) *Targeting*: For public investment to have significant impact on poverty reduction, investments will have to be targeted to benefit poor agricultural producers.

Agriculture Sector Contacts:

Coordinator of Agriculture Sector Lead Ministries (ASLMs),
Ministry of Agriculture Food Security and Cooperatives (MAFC),
P.O. Box 9192, Dar es Salaam.
Telephone: +255-22-2862480/1, Fax:+255-22-2862077



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FINANCING AGRICULTURAL SECTOR DEVELOPMENT IN TANZANIA

Tanzania

Introduction

The financing of the agriculture has been through a variety of sources with the Government traditionally being the main source of funds to the sector mostly to support services and infrastructure. Government resources have been supplemented by Development Partners who have been supporting the development of the sector through contribution to the ASDP Basket Fund and stand-alone projects. In addition, resources to the sector have also been channeled through Non Governmental Organisations (NGOs), both local and foreign, and these have also made significant contributions to the sector, although the exact amount of resources flowing through this window has been difficult to estimate. The Government has taken measures including legal and policy reforms to encourage the commercial private sector to invest in agriculture. However, the result has not been as significant as expected as many private sector players are still hesitant to invest in the sector.

So far the little FDI that has gone into the sector has been directed mostly into crop buying and other less risky ventures. Very little FDI has gone into large scale production or infrastructure. The Government is aware that one of the main constraints to private sector investment in agriculture is lack of appropriate financing arrangement particularly considering the risky nature of such investment. The Government is therefore taking steps to establish an Agricultural Bank as proposed in the *Kilimo Kwanza*, and to start with, it has opened a special window for agricultural lending in the Tanzania Investment Bank, while preparations are being finalized to establish a fully dedicated Agricultural Bank.

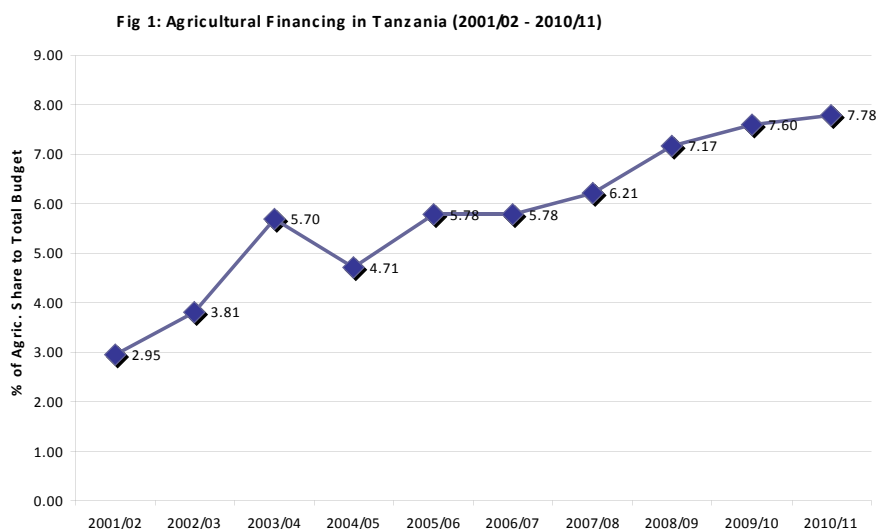
At the same time, the ASDP framework has facilitated investment by small scale farmers at the local level by setting aside funds that support investment projects that are identified in a participatory way by the communities and incorporated into the District Agricultural Development Plans (DADPS). The Government together with Development Partners has decided that in the medium term, this framework will continue to guide investment into the sector. Emphasis will continue towards encouraging other stakeholders particularly the commercial private sector to participate more vigorously in supporting the sector.

2. Trend of Agricultural Financing

The trends in agricultural financing in Tanzania from 2001/02 to 2010/2011 show that, in nominal terms the total agricultural resource allocation has been increasing over time as shown in Figure 1 below. For example, during financial years 2001/02 and 2004/05 the total budget allocated to agricultural sector was Tshs52,072 million and Tshs3,347,539 million which were equivalent to 3% and 4.7% of the total government budget respectively. During financial years 2009/10 and 2010/11 the corresponding figures were Tshs517.611 billion and Tshs903 billion which can be translated into 7.6% and 7.7% of the total government expenditure respectively.

Since 2006 financing of the agricultural sector has been mostly through the ASDP framework. Public spending for the sector has benefited greatly from Development Partners' support. Since 2006/07, implementation of ASDP shows that some Development Partners have been supporting the sector through the ASDP Basket Holding Account.

Figure 1: Trend in share of agricultural financing in the total budget 2001/2002 – 2010/2011



3. The justification for increased agricultural financing

Public investment (from domestic and external sources) aimed at transforming the agricultural sector is critical. Public investment is needed in agricultural technology development (high-yielding varieties, technologies for reducing crop losses and livestock diseases), rural roads, farmers' training, and irrigation systems. Public investment in these "public goods and services" is necessary to entice private investors to establish contract farming and out-grower schemes as well as input distribution and marketing activities. In Tanzania, where 80 percent of the population depends on the rural sector for their jobs, food and income, allocation of 10% of its total government budget to agriculture is necessary. Tanzania's current expenditure on agriculture is still small when compared with Asia's public expenditure in the 1970s, at the height of the Green Revolution. For example, India spent an average of 10 to 20% of its government budget on agriculture in 1970s, while Malaysia spent an average of 20% of government investment on agriculture from 1960 to 1983. The proposed higher expenditures for agriculture will be focused on addressing the sector's priority challenges as detailed in the Brief on Investment Priorities. In the medium and long term, this level of public investment may adequately complement private sector investment in the agricultural sector. Thus the new role of public investment in agriculture will be to assist the private sector "buy into the agricultural growth process". Without it, private sector investment will be minimal or stalled, delaying the envisaged transformation of Tanzania's largely subsistence agriculture.

4. The Current Financing Status and Gap

4.1 Financing Agriculture in Tanzania Mainland

The ASDP is financed through the General Budget Support (GBS), a Basket Fund, stand alone projects and the private sector. Currently, there are five Development Partners in the Basket Fund; the World Bank, Government of Japan, Irish Aid, International Fund for Agricultural Development (IFAD) and African Development Bank (AfDB). At the national level, financing is done through the MTEF system as per budget guidelines. The stand alone projects include PADER, DASIP and ASP in Zanzibar. At the local level, financing is done through a variety of specific transfer modalities that are based on the Local Government Development Grant performance criteria that are also aligned to ASDP objectives.

ASDP appraisal document indicates that estimated cost for implementation of ASDP through Basket Fund is US\$ 315.5 million. However, this estimate excludes cost for national irrigation development which is a prime driver for increased agricultural productivity and profitability as well as mitigating the effects of adverse weather conditions. In this regard, the actual estimated cost that is required to implement the programme becomes US\$2.1 billion and this is the cost that is required to implement the programme in seven years.

For the period 2010/2011 to the end of the current phase of ASDP in 2012/2013 the financing gap is as indicated in Table 1 below which shows a cumulative gap of Tshs1,348.31 billion (US\$1,037 million). This is an average of Tshs450 billion (USD 345.6 million) per year over the next three years. However, projections to 2014/2015 show the cumulative financing gap to be Tshs8,257 million (US\$ 6.35 billion). This financing includes estimates for some of the areas that are included in the strategic investment priorities within the CAADP framework such as irrigation, mechanization, research and extension and human resource development. However, detailed planning and costing will be done to estimate the financial requirements for the additional investments like infrastructure, agro-processing, production and distribution of inputs, over the medium and long term to meet the poverty reduction and MDG targets.

Table 1: Agriculture Sector Financing Gap 2010/2011 – 2014/2015

	2010/11	2011/12	2012/13	2013/14	2014/15	Total
DPs Commitments	175,835,883,000	74,906,910,000	56,074,200,000			
Government Contribution	727,964,117,000	982,751,557,950	1,326,714,603,233	1,791,064,714,364	2,417,937,364,391	7,246,432,356,938
Farmers contributions	117,990,800,000	138,910,574,161	180,614,528,841	243,829,613,935	329,169,978,813	1,010,515,495,750
Total Fund available	1,021,790,800,000	1,196,569,042,111	1,563,403,332,074	2,034,894,328,299	2,747,107,343,204	8,256,947,852,687
Actual Requirements	1,229,497,195,135	1,659,821,213,432	2,240,758,638,133	3,025,024,161,480	4,083,782,617,998	16,513,895,705,375
Financing gap (Tsh.)	207,706,395,135	463,252,171,321	677,355,306,060	990,129,833,180	1,336,675,274,794	8,256,947,852,687
Financing gap (USD)	159,774,150	356,347,824	521,042,543	761,638,333	1,028,211,750	6,351,498,348
Fin. Gap as a %-age of total requirements	16.89	27.91	30.23	32.73		50.00

4.2 Financing Agriculture in Zanzibar

Estimates and resource projections for Zanzibar show that during the next 5 years Zanzibar will have substantial financial gap in the agricultural sector, as shown in Table 2 below. The gap is Tshs90.37 billion (USD 75.3 million), an average of Tshs11.3 billion (USD 9.4 million per year). On average, this gap is about 49% of the total sector resource requirement per year. The trend shows that this gap keeps on shrinking with time.

Table 2: Resource requirement projections for Zanzibar

Year	MKUZA/MDGs Resource Projections (Resource Requirement) (USD)	Available Resources as % of Resource Requirement	Existing Financial Gap in Agriculture
2009/10	22,197,361	12.2	87.8
2010/11	23,746,430	16.6	83.4
2011/12	26,216,808	31.4	68.6
2012/13	27,826,658	55.9	44.1
2013/14	26,427,060	78.9	21.1
2014/15	27,489,017	111.4	(11.4)
Total	153,903,334		

5. Modalities for Agricultural Financing

In Tanzania aid has been delivered in three different modalities. These are General Budget Support (GBS), Basket Funding (BF) and Stand Alone Projects. The Government Budget Support (GBS) is consistent with national and international commitments such as the Paris Declaration, Accra Agenda for Action (AAA) and the Joint Assistance Strategy for Tanzania (JAST). The government realizes however, the need to use any of the modalities depending on the nature of the intervention to be supported and preference of Development Partners. For whichever modality to be used the overriding consideration is for the funding to be applied towards achieving the goals of the ASDP/ASP. The government will endeavour to encourage more Development Partners to support the development of the sector using a variety of modalities, in line with the CAADP principles.

Agriculture Sector Contacts:

Coordinator of Agriculture Sector Lead Ministries (ASLMs),
Ministry of Agriculture Food Security and Cooperatives (MAFC),
P.O. Box 9192, Dar es Salaam.
Telephone: +255-22-2862480/1, Fax: +255-22-2862077



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NEPAD Planning and
Coordinating Agency (NPCA)

Brief No.

ACHIEVING FOOD AND NUTRITION SECURITY IN TANZANIA

Tanzania

Introduction

In Tanzania, studies have shown that despite significant growth of the economy, the levels of poverty and malnutrition remain high particularly for children and other vulnerable groups. The hungry and most affected by and vulnerable to food insecurity and malnutrition are the rural poor and small hold farmers who have not been benefiting from agricultural growth, as rising farm and national incomes have had little effect on households' access to food, ability to acquire food, or both; which raises further concerns about a possible disconnect between agricultural growth and nutritional outcomes. Food insecurity is as high as 45% in some regions. Chronic malnutrition is endemic with 38% of children under 5 in Tanzania stunted, making it one of the 10 worst affected countries in the world, and the third worst in Africa.

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Chronic malnutrition in Tanzania is also largely driven by poverty and food insecurity. There have been only slight declines in national poverty levels since 2000/01 despite robust and sustained economic growth during the intervening years. Recent trends suggest that while average per capita agricultural GDP expanded rapidly during 1998–2007, caloric availability at the household level hardly improved. For example, estimates based on the two latest household budgetary surveys (HBS) and the Comprehensive Food Security and Vulnerability Analysis (CFSVA) show that the share of people who had insufficient calories available to them fell only slightly, from around 25.0 to 23.5 percent, between 2000–2001 and 2007 in Tanzania¹.

It is acknowledged that malnutrition is one of the most serious threats to economic growth. It also results in big losses to the Tanzanian economy by reducing work productivity and earning potential². Recent cost benefit analysis indicated that vitamin and mineral deficiencies alone cost Tanzania Tshs 650 billion in lost revenue each year, equivalent to 2.65 percent of its GDP³. Most of these losses are within the agricultural sector and estimated at almost Tshs 400 billion. This loss in the sector where physical stature and body strength are critical to productivity must be addressed as a priority.

Households need access to sufficient, nutritious food throughout the year, and this food must be fairly shared amongst family members. While the country has strived to achieve self-sufficiency in some of the key food crops such as maize, beans, rice and cassava, through increased production, no attention has been paid to the nutritional requirements of the population in terms of vitamins and minerals. As a result, stunting, poor educational achievement and low productivity in adulthood will persist if little attention is paid to the *quality* in addition to the *quantity* of food produced in the country. Evidently, despite the efforts being made under the Agricultural Sector Development Programme (ASDP) and the Agriculture Strategic Plan (ASP) to improve agricultural production and incomes these have not necessarily translated into increased households' access to food, or their improved nutritional status.

In recognition of the importance of improving the food and nutrition security situation for the majority of Tanzanians, one of the goals of the second phase of the National and the Zanzibar Strategy for Growth and Reduction of Poverty (NSGRPII and ZSGRPPII) is: **Ensuring food and nutrition security, reducing income poverty⁴, climate change adaptation and mitigation⁵**. This goal has the following operational targets:

- Food security at household, district, regional and national levels ensured through increasing food crop production and access to food.
- Strategic Grain Reserve of at least 4 months of national food requirements maintained;
- Crop and livestock varieties suited to adverse conditions brought about by climate change introduced;
- Early warning and natural disaster response, coordination framework strengthened.

Proposed steps within NSGRPII and ZSGRPPII are very much in line with the CAADP principles for Pillar III⁶.

Priority Issues Needing Intervention

- i. Inconsistent food availability due to climatic variability and poor infrastructure;
- ii. Inadequate attention paid to nutritional requirements of the population in terms of vitamins and minerals;
- iii. Limited accessibility to food among the population;
- iv. Limited diversification in the utilization of different varieties of food.

Proposed Interventions

The strategic objective for food and nutrition security will be to ensure availability, accessibility and utilization of adequate and safe food to meet nutritional needs for all people on a sustainable basis. Specifically:

1 WFP (2006). United Republic of Tanzania: Comprehensive Food Security and Vulnerability Analysis (CFSVA), WFP Vulnerability Analysis and Mapping Branch, November, 2006; and United Republic of Tanzania (2008), Household Budget Survey, 2007.

2 DPG Nutrition (2010). Investing in Nutrition for National Growth and Prosperity in Tanzania. Development Partners Group on Nutrition, Dar es Salaam, Tanzania.

3 NFFA (2009). Action Plan: Provision of Vitamins and Minerals to the Tanzanian Population Through Enrichment of Staple Foods. National Food Fortification Alliance, Dar es Salaam.

4 Revolutionary Government of Zanzibar (2010). Successor Strategy for Growth and Reduction of Poverty (MKUZAIL). Draft, May 2010.

5 United Republic of Tanzania (2010). National Strategy for Growth and Reduction of Poverty, Phase II (NSGRPII). Draft, April, 2010.

6 NEPAD (2008). CAADP Pillar III, Framework for African Food Security (FAFS), March, 2008.

- To promote sustainable food availability through increased production, productivity, trade and marketing;
- To support mechanisms such as the safety nets for ensuring that all people have sustainable access to adequate food; and
- To uphold highest possible levels of health and nutritional status of the population at all levels through improved dietary diversification and utilization of food.

In line with these targets and objectives, the following interventions are proposed to be addressed within ASDPII and ASPII.

1. Early Warning and Emergency Preparedness

Extreme weather events such as droughts and floods due to climate change, pests, and disease outbreaks continue to pose a threat to food security in the country. Climate change is likely to continue to pose challenges and threats to farmers in future. The effect will be more acute to vulnerable groups and those operating in fragile ecosystems such as the pastoralists. Furthermore, farmers continue to suffer high post harvest losses of their produce through infestation and deterioration of agricultural products due to lack of processing and storage facilities.

Within the ASDP/ASP the issue of early warning and emergency preparedness had not been fully integrated and the country still has inadequate physical, human, institutional, and financial capacities to deal effectively with the effects of climate change. This capacity gap constrains efforts towards crisis prevention, preparedness and response; as well as limiting effective action during crisis.

Objective: To build in-country capacity at all levels to predict and respond to food and nutritional emergencies in a timely and effective manner to minimize suffering and loss of human lives and livestock. This objective will be pursued through:

- 1.1 Strengthening the Early Warning Systems at national and local (LGA) level;
- 1.2 Strengthening the capacity of LGAs to conduct vulnerability assessment, to monitor food situation in their areas, and to respond promptly to food emergencies;
- 1.3 Maintaining a Strategic Grain Reserve of at least 4 months of national food requirements, and
- 1.4 Strengthening coordination of early warning, information and monitoring systems and the involvement of the civil society (communities, local CSOs etc) in emergency preparedness.

2. Climate Change Adaptation and Mitigation

Food availability and access, especially at localized levels, will be affected by impacts of climate change. Thus, there is need to adapt and mitigate these changes in order to sustain growth and social well being.

Objective: To support producers to deal with climate change by building their capacity to adapt to climate variability and reduce their vulnerability to climate change impacts that could lead to food and nutrition insecurity. This objective will be pursued through:

- 2.1 Promoting irrigation and integrated management of water resources, by improving and expanding infrastructure to cater for crops, livestock and environmental services;
- 2.2 Promoting afforestation in the form community woodlots and agro-forestry particularly in fragile ecosystems to reduce emissions and for on-farm carbon sequestration;
- 2.3 Supporting research to identify crop varieties, tree species, livestock breeds and farm technologies/practices that are better suited to unpredictable climatic conditions;
- 2.4 Creating awareness and strengthening the capacity at District, Regional and National levels to address issues of climate change;
- 2.5 Establishing effective food security social protection and resource transfer mechanisms and programmes to support vulnerable groups and communities, including through safety nets and employment generation schemes;
- 2.6 Preparing and implementing long-term adaptation plans based on the sharing of best practices through community participation, civil society engagement, and the participation of academic and research institutions, with regular monitoring to identify promising practices for scaling up.

3. Strengthening of Management of Aquatic Resources

The importance of aquatic resources is now recognized as an important source of livelihood for a significant part of the population. The fisheries sub-sector is considered part of the agricultural sector in Zanzibar, while in Tanzania Mainland aquaculture initiatives are being supported through the District Agricultural Development Plans. However, considering the importance of the fisheries sub-sector, it will need to be included under the ASDP framework. It is estimated that more than 5 million people among the population in Zanzibar, the coastal areas of Tanzania Mainland and the many communities surrounding fresh water bodies around Lakes Victoria, Tanganyika, Nyasa etc rely directly or indirectly on fishing for their livelihood. Therefore, there is a need to promote sustainable and commercially viable fishing practices that will lead to increased income and hence purchasing power of the population. This will also require directing more private sector investments into the sub-sector for improving the necessary infrastructure as a way of making it more productive and to contribute more to income generation and food security.

Objective: To support fishers to improve their livelihoods through transformation from subsistence to commercial fishing as a way of increasing their incomes and improving food and nutrition security. This will be achieved through:

- 3.1 Promoting aquaculture development including fish farming, crab fattening and sea weed farming for farmers to undertake profitable and sustainable activities;
- 3.2 Working with the private sector to facilitate the establishment of fish processing and marketing points at strategic points along the water bodies, and to exploit deep sea fishing;
- 3.3 Implementing a rigorous programme of conservation of aquatic resources;

4. Improving the Nutritional Status of the Community Including Children and Vulnerable Groups

In Tanzania, despite significant economic growth and the implementation of ASDP and ASP over the last four years, malnutrition has not declined correspondingly⁷. Together with efforts to increase production, concomitant efforts must also be directed at ensuring availability and affordability of nutritious foods rich in protein, vitamins and minerals that are necessary to protect the population from the effects of malnutrition, and at addressing the special needs of vulnerable groups.

Objective: To improve the nutritional status of the community including children and other vulnerable groups in order to ensure healthy and productive lives for all citizens. This will be achieved through:

- 4.1 Promoting knowledge and skills among farmers for producing crops with high nutritional contents, such as orange-fleshed sweet potatoes and quality protein maize, proper food processing, preservation and preparation in order to conserve nutrients;
- 4.2 Supporting research on new varieties, farm and household practices that will lead to better nutrition of children and other vulnerable groups;
- 4.3 Promoting the fortification (supplementing with vitamins and minerals and blending) of food products during processing to improve the nutritive content of such products;
- 4.4 Promoting proper feeding practices at household level particularly with respect to children, pregnant women and other vulnerable groups;
- 4.5 Encouraging LGAs in collaboration with communities to establish school feeding programmes, which rely on locally produced foods, especially for younger school children; and
- 4.6 Strengthening multi-sectoral coordination in policy formulation and programme implementation to address the multi-dimensional nature of malnutrition.

⁷ Pauw, K. and Thurlow, J. (2010). Agricultural Growth, Poverty and Nutrition in Tanzania. IFPRI Discussion Paper No 00947. January, 2010.

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Ministry of Agriculture Food Security and Cooperatives (MAFC),
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Telephone: +255-22-2862480/1, Fax: +255-22-2862077



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Brief No.

IMPROVING MARKET ACCESS AND VALUE ADDITION FOR SUSTAINABLE AGRICULTURAL DEVELOPMENT

Tanzania

Introduction

Market infrastructure and value addition are important aspects for the development of the agricultural sector and poverty reduction in rural areas. Availability of markets for agricultural products is important in stimulating agricultural production. Availability of markets also ensures better producer prices for farmers. Value addition is also important for development of the agricultural sector and poverty reduction in rural areas in the sense that agro-processing and packaging activities can generate employment and incomes in rural areas.

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Currently due to gaps in market infrastructure (such as poor transport and storage facilities), agricultural producers in rural areas are not fully linked to domestic markets in urban centres. With improvement in the market infrastructure, producers can increase production and take advantage of the growing domestic market in urban areas.

Priority Areas for Development of Market Infrastructure and Value Addition for Sustainable Agricultural Development

Under CAADP Tanzania intends to further develop the market infrastructure and increase investment in value addition (agro-processing and packaging) through ASDP and ASP in order to bring about sustainable agricultural development. Both the Government of the United Republic of Tanzania and the Zanzibar Revolutionary Government will continue to *create an enabling environment for the private sector to play a major role in marketing of agricultural products*.

This will involve *capacity building in business skills for agricultural producers and rural traders*. It will also involve *helping agricultural producers to organize themselves in producer organizations* so that they can effectively and gainfully operate in the existing and emerging markets. The governments will continue to *enforce market regulations* to ensure that markets for agricultural products operate competitively and fairly. In order to develop market infrastructure and enhance value addition, the governments through ASDP and ASP will focus on developing rural feeder roads, storage facilities, agro-processing and packaging, market research and market information, sanitary and phytosanitary services as the key priority/strategic areas. It is envisaged that benefits to be derived from improving these priority areas will include:-

(1) Market Infrastructure

(i) Rural/feeder roads and communication infrastructure

Feeder roads in rural areas are not well developed and they are impassable for the most part of the year. This leads to high transport cost which tend to increase the margin between producer price and consumer price. Poor transport also limits the size of market for agricultural products and hinders inter-regional trade. Improvement in feeder roads is expected to reduce transport cost of inputs and products, expand the size of domestic market, and preserve the quality of agricultural products, particularly perishables such as fruits, vegetables, fish and livestock products. Poor communication infrastructure (telephones, internet, e-commerce, etc.) in rural areas hinder collection and dissemination of market information.

Proposed Intervention

- (1) Local government authorities have increase resources for improving/rehabilitating existing feeder roads and constructing new ones;
- (2) The government will have to create an enabling environment for the private sector to invest in the communication sector in rural areas.

(ii) Markets (buildings), storage facilities, and functional warehouses

Cutting down post-harvest losses and increasing storage capacity and efficiency is one of the ASDP/ASP goals. Pillar 7 and 9 of KILIMO KWANZA also underscours the central role of storage in agricultural development. However, the problem of inadequate storage facilities is still critical. Inadequate storage facilities in rural areas, in most cases lead to products being sold directly from the field. During harvest seasons this practice tend to depress producer prices, leading to loss of farmers' income. In addition, inadequate post-harvest storage facilities causes deterioration in the quality of agricultural products. It is estimated that in Tanzania, post-harvest losses range between 25-35 percent of yields. Adequate storage facilities are needed to increase and stabilise farmers' incomes, and to preserve the quality of products.

Proposed Intervention

Existing markets, storage facilities and functional warehouses should be rehabilitated and new ones should be constructed.

(2) Value Addition (Agro-Processing and Packaging)

(i) Agro-processing

The level of agro-processing infrastructure in Tanzania is very low. As a result, Tanzania is exporting unprocessed agro-products, and the agro-processing industry can not meet domestic demand. The low capacity in agro-processing is one of the main reasons for high post harvest losses. It is currently estimated that 30 percent and 70 percent of output of cereals, and fruits and vegetables, respectively, is lost post harvest due to inadequate agro-processing facilities. In the fisheries subsector, 15 - 20 percent of output is lost post harvest due to lack of processing facilities. One of the major reasons for inadequate investment in agro-processing is poor physical infrastructure in rural areas. Investment in agro processing activities can generate employment and incomes in rural areas. Agro-processing will also add value to the export of agricultural crops, thus enabling the country to earn more foreign exchange.

Proposed Intervention

More funding for investment in physical infrastructure, such as roads and electricity in rural areas, will be needed in order to attract private investment in agro-processing activities.

(ii) Grading, standardization, branding, packaging

Grading, standardization, branding, and packaging are important aspects of product-marketing in this modern era. Currently, the level of these services for agricultural product is unsatisfactory leading to low marketability of the products. For example, small holder farmers, livestock keepers, and fishermen fail to take advantage of existing market outlets (supermarkets and hotels) for their products such as fruits, vegetables, milk and fish because they do not have the knowledge of how to pack their products. Tanzania also fails to take advantage of existing regional and international market opportunities for her agricultural products because of poor grading, standardization and packaging. It is recommended that:

- (1) The government in collaboration with the private sector should provide grading and branding services
- (2) The government should establish more accredited laboratories for controlling standards

(3) Market Research, Market Promotion and Market Information

Currently market information system for agricultural products is weak and asymmetrical due to poor market research, market promotion and market information. As a result, producers do not have enough knowledge about potential domestic and international markets for their products. For example producers of fruits, vegetables, fish and livestock products in peri-urban areas do not know the existing opportunities that have been created by the existence of supermarkets in urban areas. Low level of knowledge of international market requirement regarding sanitary and phytosanitary standards pose barriers for Tanzania to export agricultural products.

Proposed Intervention

- (1) The government in collaboration with the private sector should increase investment in market research, information collection and dissemination
- (2) The government should continue supporting the participation of Tanzania in regional and international trade fairs so as to promote agricultural products.

(4) Sanitary and Phytosanitary Services

Both domestic and export markets for agricultural products demand certain levels of product quality. One of these is Sanitary and Phytosanitary Standard (SPS) measures as prescribed under the Food and Agriculture Organization (FAO) of the United Nations framework and legally recognized by the World Trade Organization (WTO).

Generally, Tanzania is weak in the management of plant, fish and animal health issues and enforcing food safety controls. These weaknesses pose barriers for Tanzania to trade domestically and internationally. Currently there are 52 phytosanitary, 35 zoo sanitary border posts, and 6 such border posts for Zanzibar.

Improvement in sanitary and phytosanitary services will enhance the quality of agricultural products, leading to increased sales in the competitive regional and international markets.

Proposed Intervention

Funding will be needed to improve infrastructure for sanitary and phytosanitary services, train manpower, and create public awareness on Sanitary and Phytosanitary Services matters.

(5) Producer Empowerment and Market Linkages

Agricultural production in Tanzania is dominated by smallholder farmers with weak entrepreneurship. In addition, they have very little bargaining power when faced with a few large buyers who command enormous market power. In an evolving marketing system, characterized by stiff competition between different actors in the agricultural value chain to capture a larger margin of the value addition, smallholder farmers stand to be the major losers.

Proposed Intervention

Encourage farmers to organize themselves into groups so that they can pool their skills and financial resources to acquire new technologies, learn new skills, and improve the quality and quantity of their produce so as to improve their bargaining power in the market.

(6) Increasing Exports of Agricultural Products other than Traditional Agricultural Exports in the Regional and International Markets

Tanzania has big potential to produce food (cereals, fruits, vegetables, livestock and fishery products) for exports. Tanzania can take advantage of the existing regional markets such as the East African Community (EAC)¹, Southern Africa Development Committee (SADC). There are also market opportunities for food in the Middle East. Furthermore, Tanzania has not fully exploited market opportunities in the emerging global markets such as AGOA, EU-EPA and China.

The reasons for failure to exploit these opportunities include lack of access to market information, poor domestic market infrastructure, and low quality of products that do not meet international standards. Inadequate promotion of these products in regional, and international markets is another reason for Tanzania failing to take advantage of market opportunities.

Proposed Intervention

The government in collaboration with the private sector should step up efforts of promoting agricultural products in regional and international markets, and providing domestic producers/traders with regional and international market information. Efforts should also be made to promote the existing initiatives, such as the warehouse receipt schemes, which are designed to modernise and enhance the efficiency of agricultural marketing system.

Table 1: Summary of benefits to be derived from investing in priority areas

Priority	Priority area	Benefits
Priority Area No 1	Market infrastructure (feeder roads and storage facilities)	<ul style="list-style-type: none"> • Lower transport/marketing costs • Expand the domestic market • Preserve quality of products (perishables) • Stabilise farmers' income
Priority Area No 2	Value addition (agro-processing and packaging)	<ul style="list-style-type: none"> • Increased employment in rural areas • Generation of income in rural areas • Add value to agricultural exports and increase foreign exchange earnings
Priority Area No 3	Market research, information collection and dissemination	<ul style="list-style-type: none"> • Secure existing markets for agricultural products • Increased production to take advantage existing domestic, regional and international markets.
Priority Area No 4	Sanitary and phytosanitary services	<ul style="list-style-type: none"> • Increased quality of products • Increased sales in the rational competitive regional and international markets
Priority Area No 5	Producer empowerment and market linkages	<ul style="list-style-type: none"> • Increase the bargaining power of farmers • Better producer prices for farmers

¹ Tanzania is considered to have a potential of being a bread basket for the East African region.

Agriculture Sector Contacts:

Coordinator of Agriculture Sector Lead Ministries (ASLMs),
Ministry of Agriculture Food Security and Cooperatives (MAFC),
P.O. Box 9192, Dar es Salaam.

Telephone: +255-22-2862480/1, Fax: +255-22-2862077



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Brief No.

INSTITUTIONAL STRENGTHENING IN THE AGRICULTURAL SECTOR

Tanzania

Introduction

Tanzania is currently implementing reforms in the agricultural sector that are redefining the roles of the public and the private sectors in a strategic shift from state-led to private sector-led agricultural development.

Further anticipated result of the reforms is that the private sector, including NGOs and producer organizations will perform most of the market-chain functions such as input provision, credit, marketing, storage and extension services. The public sector assumes the role of creating an enabling environment; this includes setting and enforcing standards, ensuring food safety, providing public investments, negotiating on trade matters, organizing safety nets for marginal groups, defining access to and management of natural resources and providing agricultural statistics. The Government will also be expected to play a role in land policy and administration, particularly on issues of security and distribution of land rights, land use and land management, in order to avoid land conflicts and the marginalization of certain groups.

In order for the public and private sector players including civil society to more effectively perform their respective tasks and functions, it is necessary to clarify their roles and build their capacity. This involves not only the financial and institutional strengthening of the public sector and capacity building of producer organizations, but also the establishment of consultation arrangements and conflict-resolution mechanisms between the players in the sector. Particular emphasis needs to be placed on the production and marketing roles of producer organizations, which often is the only solution available for small-scale farmers to deal with market challenges.

In the agricultural sector, Agricultural Sector Development Programme (ASDP) is one of the major sector reforms for coming up with a new way of doing business. It is a way of engaging in development cooperation based on the principles of coordinated support for locally owned development. The ASDP is implemented in all Local Government Authorities through District Agricultural Development Plans (DADPs) and about 75 percent of sector resources devolve to the local level. The programme is also implementing Decentralization by Devolution (D by D) policy.

The improvement of governance within the agricultural sector requires agreement by all the stakeholders involved in national development strategies. It is therefore necessary to use appropriate analytical and consultative processes that are inclusive and cover the following aspects of the agricultural sector:

- Environment: Markets, national economy, development policies
- Organization: Institutions of value chain actors and their inter-relationships
- Development options: Specialized products, diversification, new markets, value addition

It also requires the development of an effective communication and sharing mechanism that keeps all stakeholders informed and facilitates their active participation in strategic decisions concerning the development of the sector.

Institutional Arrangement and Challenges

The institutional and implementation arrangement of the ASDP have been established with clear defined roles. These include: Basket Fund Steering Committee, Committee of Directors, ASDP regional coordinators, Thematic Working Groups, and Facilitation Teams (National, District and Ward). Annual Joint Review (AJIR), Sector Consultative Group and Sector Consultative meetings are also in place. The programme is implemented at National and Local level. However as it has been with SWAs, coordination and prioritization of activities remains a challenge. The desired sector coordination requires various sectors to be committed to working together. This challenge must be addressed as a priority.

The institutional arrangement for Zanzibar includes regional, district, ward and village levels. Funding arrangement is through Government allocations. Furthermore, capacity of private sector and non-state actors/associations to partner with Government, also remain to be a challenge both in the Tanzania mainland and Zanzibar.

Proposed Interventions

In order to strengthen the institutional framework for the development of the agricultural sector, the following interventions are proposed for integration into the next phases of ASDP and ASP:

1. Strengthening Coordination, Communication And Harmonization For Implementation Of Asdp/Aspii

Tanzania has adopted and implemented a sector-wide approach for the development of the agricultural sector (Ag-SWAp). This approach allows for improved harmonization of stakeholders' support towards a common goal within a shared sector policy framework and development strategies, a common expenditure framework (Medium Term Expenditure Framework - MTEF), harmonized implementation systems, funding arrangements, client consultative mechanisms and a single sector performance monitoring system.

The ASDS as agreed upon by all stakeholders, together with the NSGRP and ZSGRP, provide the strategic framework for the agricultural sector in Tanzania mainland and Zanzibar. These frameworks have been operationalized into ASDP and ASP for Tanzania mainland and Zanzibar respectively.

The Ag-SWAp entails adopting a sector-wide MTEF, determining resource availability and allocating them among sub-sectors on the basis of priority requirements. An Ag-SWAp also allows for the tracking of expenditure for the entire sector, by adopting standard budgeting, funding, procurement, auditing and reporting systems. Thus the implementation of ASDS requires a well-coordinated effort on the part of stakeholders - ASLMs, LGAs, Development Partners, NGOs and the private sector. This in turn needs a facilitative and functional institutional structure.

Way Forward

To further consolidate the standardization of the agricultural sector interventions, the government, together with other stakeholders, both public and private, should work together to:

- 1.1 Review the ASDS to take into account new challenges, new opportunities, and new players in the sector and thus align all future interventions in the sector to the NSGRPII, Kilimo Kwanza resolutions and ZSGRPPII and Agriculture Transformation Initiatives (ATI) outcome clusters.
- 1.2 Review and update all sub-sector policies to reflect the Ag-SWAp.
- 1.3 Enhance accountability and commitment amongst the players as per CAADP principles.
- 1.4 Finalize the PPP Act and Policy currently under formulation and develop its implementation strategies.
- 1.5 The Council Management Team (CMT), District Consultative Council (DCC) and Regional Consultative Council (RCC) must be strengthened to discuss ASDP agenda.
- 1.6 Replace Basket Fund Steering Committee with ASDP Steering Committee to accommodate more players in the sector.

2. Strengthening the Involvement of the Private Sector, NGOs, CBOs and other Non-State Actors in the Implementation of ASDP II/ASP II

While the ASDP spells out the need for the close involvement of the private sector in the planning and implementation of sector support interventions, the absence of a specific platform for private sector involvement at a national level leads to limited participation of the private sector.

At the LGA level it was envisaged that the private sector, including NGOs and farmer organizations, would be involved directly as members of the District and Ward Facilitation Teams (DFTs and WFTs) in the

planning and follow-up of the District Agricultural Development Plans (DADPs). They were also expected to participate as service providers (research, extension, training, irrigation, input and output market) to farmers in the different localities. In practice, the incorporation of the private sector in ASDP activities through DFTs and WFTs or as service providers remains limited.

At the same time, the private sector in Tanzania has a limited capacity to play its expected role in the development of the agricultural sector. Further policy reforms are also necessary to provide more incentives for the private sector to develop its entrepreneurship skills and to participate more actively in sector development, particularly in the areas that require heavy investment like irrigation, agro-processing, warehousing, marketing and other infrastructures.

Way Forward.

To strengthen private sector participation in the implementation of ASDPII/ASPII towards agricultural and rural development, specific actions are recommended as follows:

- 2.1 Strengthening National Consultative meetings for public-private consultation on policies and strategies related to agricultural development.
- 2.2 Create financing mechanisms that will be appropriate for different players in the sector, including small, medium and large-scale producers.
- 2.3 Build the entrepreneurial capacity of emerging agricultural service providers at District level.
- 2.4 Ensure stronger representation and involvement of the private sector and other non-state actors in the DFTs, WFTs and Shehias.
- 2.5 Strengthen producer organizations, particularly the various forms of cooperatives, so that they can serve as reliable service providers to their members.
- 2.6 Utilizing PPPs where possible for areas requiring heavy investments.

3. Establishing a Sector Wide Monitoring Framework and Knowledge Management System

The performance of the sector will need to be assessed using a common monitoring framework to report on financial and physical performance at district and national levels. The monitoring and evaluation (M&E) frameworks for ASDP and ASP have been finalized, but will need to include all the relevant indicators for the sector, for example those relevant to fisheries. The ASLMs have prepared Local Government Monitoring Data Base Version II (LGMDII) which is a system based for linking ASLMs and LGAs. The system is being piloted in Dodoma and Morogoro regions.

Way Forward.

- 3.1 To establish a system for up-dating the sector with the proposed monitoring framework and to roll out the LGMDII to all LGAs.
- 3.2 Establishing a strategic analysis and knowledge support system in the country that will facilitate the sharing of analytical work for evidence-based decision making and policy formulation.

Agriculture Sector Contacts:

Coordinator of Agriculture Sector Lead Ministries (ASLMs),

Ministry of Agriculture Food Security and Cooperatives (MAFC),

P.O. Box 9192, Dar es Salaam. Telephone: +255-22-2862480/1, Fax:+255-22-2862077