

### The Role of Agri-food in Promoting Industrialization in Tanzania



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## BACKGROUND

Agriculture plays an important role in the Tanzania's economy, employing over 75 percent of the country's workforce and accounting for 25% of the national Gross Domestic Product (GDP). However, existing challenges facing the sector hinder it from reaching its fullest potential including underperforming value chains, limited access to finance for farmers, under-provision of basic public goods; an unpredictable policy environment; insufficient infrastructure, underinvestment in the sector and limited voice for private sector and civil society in the policymaking process. Redressing these problems is necessary to create an enabling environment for inclusive, broad-based, and sustained agricultural sector growth.

### About AAPC:

The Annual Agricultural Policy Conference (AAPC) brings together key decision makers and influencers working on agricultural policy projects and initiatives to share, reflect, learn, deliberate on key challenges and thereafter, collaborate on emerging issues arising from the conference.

Each year, a different theme is determined based on inputs from the previous year and analysis. Organized by the Policy Analysis Group (PAG) in collaboration with the Ministry of Agriculture, Livestock and Fisheries (MALF), the AAPC has emerged as a national conference where policies and ideas are shared between decision makers (GoT), researchers, NGOs, civil society, local think tanks, and the private sector.

The AAPC also provides a platform to present the latest empirical findings across six thematic areas namely: agricultural sector policy, agricultural markets and trade, enabling policy for private sector investment, land tenure policy, access to finance and technology, and agriculture input policy.

The efforts by the PAG go a step further in policy work by providing technical support during policy dialogue, legislative process, policy implementation and in monitoring of policy impacts.

After the AAPC, a report synthesizing the proceedings of the conference is compiled by the facilitator, reviewed by PAG members and thereafter, PAG members meet to consolidate the key emerging

issues emanating from the AAPC into a more refined document capturing policy analysis and analytical gaps for implementation among PAG members. Upon consolidating the emerging issues, a joint meeting is held between the Policy Analysis Group (PAG) and the Partnership Accountability Committee (PAC) to inform the policy gap analysis.

### 3<sup>rd</sup> Annual Agricultural Policy Conference

From March 1<sup>st</sup> – 3<sup>rd</sup> 2017, the Policy Analysis Group (PAG) in collaboration with the Ministry of Agriculture, Livestock and Fisheries (MALF) hosted the 3<sup>rd</sup> Annual Agricultural Policy Conference (AAPC) at Serena Hotel in Dar es Salaam. The theme of the event was “The Role of Agri-food Systems in Promoting Industrialization in Tanzania: Enhancing Linkage of Upstream and Downstream Value Chain Activities in the Context of Agricultural Transformation.” The 2017 Annual Agricultural Policy Conference brought together 239 participants to share experiences, collaborate, and explore new opportunities to achieve agriculture-led industrialization.

The 3<sup>rd</sup> AAPC meeting aimed at:

- Evaluating the implementation of policy issues identified in the 2<sup>nd</sup> AAPC meeting
- Exploring existing opportunities for agriculture transformation, and its contribution to industrial development in the country
- Identifying the existing upstream and downstream linkages for agriculture and industrial transformation
- Understanding the role of micro, small and medium enterprises (MSMEs) in the process of industrial-led economic transformation
- Analyzing the existing policy frameworks to ensure agricultural-led industrialization · Examining the industrialization process in the country to create an enabling environment for the agricultural sector and agribusinesses. The conference brought together a total of 239 participants from diverse sectors including government, research institutions, academia, NGOs, farmers' organizations, private sector, development partners, and civil society organizations.

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Key highlights from the 3<sup>rd</sup> AAPC, include the launch of the Enabling Business of Agriculture report by the World Bank and the presentation on the agro-processing strategy. The latter highlights the key investment areas within the agro-processing sub-sector that have potential in transforming the agricultural sector.

The 3<sup>rd</sup> AAPC also covered six key thematic areas namely 1) agricultural sector policy, 2) agricultural markets and trade, 3) enabling policy for private sector investment, 4) land tenure policy, 5) access to finance and technology and 6) agricultural input policy. The first three thematic areas focused on edible oil industry development in Tanzania, regional perspective on agricultural markets and trade; Tanzania livestock sector analysis including opportunities for livestock in promoting rural commercialization in Tanzania. The thematic area four to six focused on land access and rural youth migration in Tanzania, agricultural financing and agricultural input including seed policy reforms and fertilizer subsidies.

**Below are the Key Outcomes and deliberations from the meeting;**

	Thematic Area	Key Issues and Potential Research/ Intervention Recommendation
I	Agricultural Sector Policy	<p><b>Key Issues:</b></p> <ul style="list-style-type: none"> <li>Transformation of the agri-food sector should include participation of small and large-scale farmers</li> <li>Science and technology play an important role in agro-industry transformation</li> <li>Public and private investments are needed to stimulate productivity</li> <li>Investments priorities should target the local and regional markets</li> <li>The productive labor force is increasingly shifting from farming activity</li> </ul> <p><b>Recommendations:</b></p> <ul style="list-style-type: none"> <li>GoT needs to harmonize inter-regional standards and open their borders to regional trade.</li> <li>Government and other stakeholders should invest in value addition, roads and railways, and one-stop borders.</li> <li>GoT should encourage and support the engagement of youths in commercial agriculture through policy reform.</li> <li>Joint efforts by GoT, private sector and other stakeholders are needed to unlock physical and institutional barriers to markets.</li> <li>GoT should put in place strategies to ensure food and nutrition security in line with industrialization.</li> <li>Strategies to increase farmers’ awareness and compliance to GAP and regional standards are needed.</li> </ul>

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2	Agricultural Markets and Trade	<p><b>Key Issues</b></p> <ul style="list-style-type: none"> <li>• Inclusive growth and competitiveness of sunflower sub-sector relies on improved products and end market accessibility, affordable technologies, infrastructure, and an enabling environment.</li> <li>• In addition, increasing production of the sunflower seeds to feed into idle industries is vital.</li> <li>• A structured intra-regional trade in grains is still very low due to policy issues</li> <li>• Informal cross-border trade accounts for 62% of the cross-border trade due to unfavorable policy environment.</li> </ul> <p><b>Recommendations</b></p> <ul style="list-style-type: none"> <li>• Unlock systemic constraints in the sunflower sub-sector</li> <li>• Transform smallholder livestock systems that dominate production to acquire enormous livelihood benefits</li> <li>• The government should reduce intervention in staple market</li> <li>• Establish predictable policy and regulatory environment</li> </ul>
3	Enabling Policy for Private Sector Investment	<p><b>Key Issues</b></p> <ul style="list-style-type: none"> <li>• A specialized institute to develop technology in leather.</li> <li>• The majority of the micro smallest firms are not profitable and might not last in the long run.</li> <li>• For every 1000 litres of milk imported, there is a loss of 50 full time jobs.</li> <li>• Imposing a 25% tax on domestically produced leather products, compared to imported leather products (charged 10%), causes the domestically produced goods to become expensive.</li> </ul> <p><b>Potential Intervention/ Research Recommendations</b></p> <ul style="list-style-type: none"> <li>• Illegal trade on hides and skins should be stopped.</li> <li>• Institutional capacity of the milk regulatory body should be strengthened.</li> <li>• Actors should establish supportive policy mechanisms to protect domestic dairy industries from unfair competition.</li> <li>• Also, the government should reduce taxes on leather products in the country</li> </ul>

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4	Land Tenure Policy	<p><b>Key Issues</b></p> <ul style="list-style-type: none"> <li>• Review the current legal framework and strategies to enable local and foreign investors to have access to land</li> <li>• This also requires rationalization of land management policies</li> <li>• Investments in agro-processing should be aligned with appropriate land-use planning</li> <li>• Multi-sectoral coordination and collaboration is necessary to ensure access to land for investment</li> <li>• 40% of the total land is held as protected land</li> <li>• Huge portion of potential land for cultivation is in the hands of few people (political figures)</li> </ul> <p><b>Potential Intervention/Research Recommendations</b></p> <ul style="list-style-type: none"> <li>• Encourage and institutionalize a joint land ownership system</li> <li>• Local communities should be supported in order to develop strong negotiation skills</li> <li>• Attractive policy environments are needed to create incentives for youths' engagement in agriculture</li> <li>• Policy discussions on land allocation, including apportioning part of protected land for agricultural investment should be sought</li> </ul>
5	Access to Finance and Technology	<p><b>Key Issues;</b></p> <ul style="list-style-type: none"> <li>• Limited number of financial products due to a complex and dynamic agriculture sector involving smallholder farmers.</li> <li>• Access to capital inform of credit is important for shifting to agro-processing</li> <li>• Formal credit accounts for only 10% of the credit used.</li> <li>• Farmers groups and cooperatives remain the most effective to channel credit and financial services.</li> <li>• Fiscal reforms increased LGA revenue, transparency, accountability and predictability.</li> </ul> <p><b>Potential Intervention/Research Recommendations</b></p> <ul style="list-style-type: none"> <li>• Policy instruments are needed to ensure group performance</li> <li>• There is a need for efficient mechanisms to mobilize rural savings and external savings for agro-industries.</li> <li>• Leveraging technology in provision of financial services is essential to achieve operational efficiency, transparency, and economy of scale.</li> <li>• The government should foster Public Private Partnership (PPPs).</li> </ul>

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6	Agricultural Input Policy	<p><b>Key Issues</b></p> <ul style="list-style-type: none"> <li>• The government should ensure that fertilizers, seeds, and crop protection products are of desired quality.</li> <li>• Monopoly in fertilizer importation proving to be unsuccessful. Having more importers is likely to ensure sustainability</li> <li>• Shifting to a bulk procurement system for inputs should be looked carefully to avoid undesired impact along the value chain</li> <li>• There is a need for quality standards guiding manufacturing and application of organic fertilizer in Tanzania</li> <li>• There is a need to increase farmers awareness and approp</li> <li>• Strengthening farmers' organizations and their exposure is necessary to increase productivity.</li> </ul> <p><b>Potential Intervention/ Research Recommendations</b></p> <ul style="list-style-type: none"> <li>• Shifting to a bulk importation of inputs requires efficient mechanisms to ensure accountability, efficiency, and transparency</li> <li>• The government should fast track establishment of policy and regulatory frameworks for organic fertilizers</li> <li>• Establishment of policy frameworks for inputs should rely on evidence-based research findings from the ground</li> </ul>
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