

Annual Agricultural Policy Conference (AAPC)

Policy Brief 6

Tackling Agribusiness Drivers and Enablers in Crops, Livestock, Fisheries and Agro-processing



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BACKGROUND AND CONTEXT

Tanzania has made great strides in economic growth in the last two decades registering an average annual Gross Domestic Product (GDP) growth exceeding 5%, including 7% in the last three years (NBS, 2019). Tanzania joined the group of Lower Middle Income (MIC) countries in 2017 by attaining a per capita annual income of \$1,090 (MoF, 2019). Despite rapid economic growth, poverty has declined only slowly, at a rate of 0.5 percentage point per year between 2000/01 and 2017/18 (National Bureau of Statistics/ Household Budget Survey 2001 and 2019). Poverty reduction slower than economic growth implies that economic growth has not been sufficiently inclusive. This pattern is explained in part by the fact that agriculture, agro-processing and manufacturing have grown at a slower pace than the overall economy. For example, agricultural GDP has been growing at a rate of 3-4 % in the last decade, only slightly above population growth of 2.8% (NBS, 2019). Recent rates of poverty reduction mean that it will take another 52 years to completely eliminate poverty in Tanzania unless there is a drastic improvement in agricultural sector performance or a slow-down in population growth. The rate of stunting among children under-five years of age has declined much faster (0.9% per annum) from 48.2% in 1999 to 34.4% in 2015/ 16 (Demographic and Health Survey, 1999 and 2016).

Economic Growth and Poverty Reduction: Poverty reduction requires economic growth and it is virtually impossible for a poor country to reduce poverty without growth (USAID 2015a). Evidence shows income of the poorest 20% increases as fast or faster than economic growth rates. The importance of agriculture in economic growth and poverty reduction cannot be overemphasized. A cross-country study by the World Bank (2007) which focuses on Sub-Saharan Africa

reveals that agriculture does deliver more poverty reduction than other sectors, especially in the lower-income countries, because it has strong links with other sectors and because poor people participate more in growth from agriculture than in growth from other sectors.

Economic Growth and Productivity: Based on the literature, it is indisputable that economic growth is



brought about by increased productivity. There is also ample literature on factors contributing to increased productivity such as: specialization and trade; quality of labor; technology (machine, knowledge and network); and cost reduction (management).

There is no single path to development. However, a cross-country analysis by the Growth Commission Report (2007) reveals that countries that experienced rapid economic growth had the following points of resemblance:

- Their economies were open
- Their macro-economic policies were stable
- They saved and invested
- They let markets allocate resources
- Their governments were competent and committed to growth

Radelet (2010) provides a framework for economic growth based on two factors:

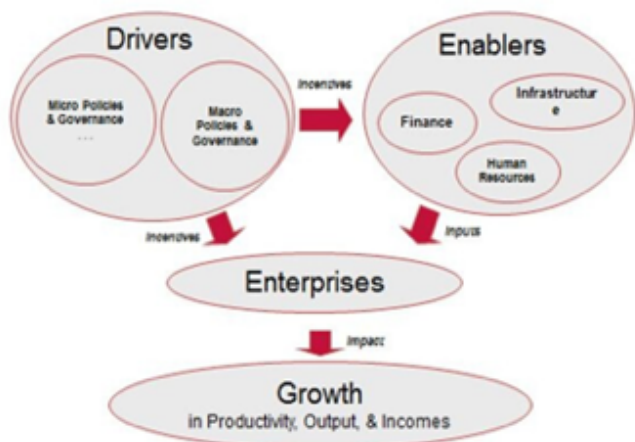
- Drivers of growth which include macroeconomic and microeconomic policies
- Enablers of growth which include finance, infrastructure and human resource

The two factors are incentives for entrepreneurs (including farms and agribusiness) to invest and thrive.

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Figure 1: Growth Producing Factors



Source: USAID EG Course, 2015b2015b

The GoT, during the last two decades embarked on a number of initiatives to improve the business environment such as BEST (Business Environment Strengthening in Tanzania). Development partners such as USAID, through projects such as ASPIRES (Agriculture Sector Policy and Institutional Reforms Strengthening project) has supported GoT's effort to improve the policy environment in agriculture, food security and nutrition. Such support has helped accelerate policy and regulatory reform. Overall, many reforms have been carried out in the fiscal policy sphere but challenges remain, especially in the regulatory framework.

The food security and nutrition policy in Tanzania is guided by two policies: The 1993 Agricultural Policy and the 1992 Food and Nutrition Policy (FNP). Both are

under review and expected to be approved during the 2020/ 21 fiscal year.

The implementing strategies for Agricultural Policy and FSNP are specified by the 2017-26

Agricultural Sector Development Program, phase-two (ASDP II) and the 2016-21 National

Multi-Sectoral Nutrition Action Plan (NMNAP). Under ASDP-2, Component 4 focuses on Sector Enablers (policy, regulatory framework) and Coordination. In addition to agricultural sector policies, food security and nutrition is affected by policies from other sectors. Although Tanzania has made some progress in policy reforms, many challenges remain to be addressed in order to create a favorable policy environment to accelerate agricultural transformation, food security and nutrition, and poverty reduction.

Based on experience from the Policy Analysis Group (PAG), this section highlights the strengths, weaknesses, opportunities and threats in the implementation of activities to improve enabling policy environment. The analysis provides a justification for further investment to improve enabling policy environment in agriculture.

2020 Thematic Focus

Renowned as an instrumental policy dialogue structure, the 6th Annual Agricultural Policy Conference (AAPC) will take stock of the Tanzania's agricultural sector performance and address a key question: "Is Agriculture the Driver or Follower of Economic Transformation?"



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The 6th AAPC will therefore respond to this theme. The discussion will revolve around drivers of growth which include macro and micro economic policies and enablers of sector growth, particularly supporting infrastructure, finance and human resource. The theme captures very well the fifth phase Government agenda for economic transformation and industrialization in which agriculture provides multiple linkages including raw materials and labour. Therefore, the 6th AAPC is organized around seven policy thematic areas as namely:

- i) Agricultural sector policies (macro and micro economic policies)
- ii) Trade policy
- iii) Private sector enabling environment
- iv) Land, natural resource and environment
- v) Access to farm input and technology
- vi) Access to finance
- vii) Food security, nutrition and resilience

Key policy questions for discussion

Based on the theme and sub-theme for the 6th AAPC, the following are some of the key questions to be tackled during paper presentations and discussions:

- 1) What is the performance of the agricultural sector in the context of the economic transformation and industrialization agenda? Is agriculture the driver or follower of economic transformation?
- 2) Despite increased pace of policy reforms why have concerns on business environment persisted?

- 3) Is there a need for prioritization of reforms? What further incentives could be provided to enhance both public and private sector investment in the sector?

ABOUT AAPC and PAG

The Annual Agricultural Policy Conference (AAPC) is organized by the Policy Analysis Group (PAG) in collaboration with the Ministry of Agriculture and other Agricultural Sector Lead Ministries. PAG is an informal (community of practice) and voluntary group with members working on agricultural policy projects and initiatives, academia, local and international policy think tanks. Established in 2013, the group has about 20 members and provides a platform for sharing information on policy research findings so as to enhance coordination, collaboration and synergy. PAG also aims at ensuring consistency in policy messaging. The AAPC brings together over 150 participants from academia, research institutions, policy-makers, advocacy groups and development practitioners from Tanzania, in the region and beyond.

The Conference will provide an opportunity to assess progress in implementation of policy reforms under the CAADP framework of the New Alliance on Food Security and Nutrition. In addition, the conference will discuss successes, lessons learned and identify remaining gaps and emerging issues that require attention.

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- Agricultural Markets and Development Trust(AMDT)
- Agricultural Non-State Actors Forum(ANSAF)
- Agricultural Sector Policy and Institutional Reforms Strengthening(ASPIRES)
- Alliance for a Green Revolution in Africa (AGRA)
- Dalberg
- Eastern Africa Grain Council(EAGC)
- Economic and Social Research Foundation(ESRF)
- Enabling Growth through Investment and Enterprise Program(ENGINE)
- Financial Sector Deepening Trust(FSDT)



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- International Food Policy Research Institute (IFPRI)
- International Livestock Research Institute (ILRI)
- Monitoring and Analysing Food and Agriculture Policies (FAO-MAFAP)
- Platform for Agricultural Policy Analysis and Coordination-PAPAC, representing the Ministry of Agriculture Livestock and Fisheries
- REPOA
- Regional Strategic Analysis and Knowledge Support System (ReSAKSS)
- Southern Agricultural Growth Corridor of Tanzania (SAGCOT)
- Tanzania Horticulture Association (TAHA)
- Trademark East Africa (TMEA)
- Tanzania Private Sector Foundation (TPSF)
- Agri-connect (EU)
- USAID

Number of Attendees

This three-day conference brought together over 300 stakeholders. A total of 307, 248 and 184 participants attended on days 1, 2 and 3 respectively. They came from the Agricultural Sector Lead Ministries (ASLM), nutrition-specific and sensitive sector organizations, regulatory authorities in agriculture, Members of the Parliamentary Committee on Agriculture, farmers and agribusiness associations, development partners, NGOs engaged in agricultural development, research and training institutions and the private sector.

EMERGING ISSUES

Trade policy

- There is a need for continued monitoring, evaluation, and research on crop marketing systems through the Market Intelligence Unit to promote a predictable trade policy and regulatory environment
- There is a need to consider including agricultural trade policy as part of agriculture policy

Private sector enabling environment

- Consider policies that would promote growth of medium and large-scale farms. Issues affecting the growth of the medium and large-scale farms include deficiencies in land, input markets and value chain governance including legal frameworks

- Laws, rules, regulations, and their management systems continue to be major obstacles in improving the agricultural business environment in the country

Natural resources and the environment

- There is a need to work towards climate smart initiatives in agriculture, considering Tanzania is ranked high in terms of climate change vulnerability
- There is need for multisector coordination to address natural resource management challenges in the country. Sectors such as social services, forestry, water, agriculture, are at the heart of such a coordination

Access to finance

- The Microfinance Act 2018 - brings major changes in the financial sector
- There is a need for policies to support alternative finance mechanisms to serve agriculture
- There is a need for continued follow up on the drafting and enactment of the secured transactions law that has the potential to enable SMEs to leverage movable asset as collateral to enhance their access to finance

Farm inputs

- There is a need to rethink the structuring of extension services in the country and consider a blend of private and public sector service providers

Food security and nutrition

- There is a need to deal with the question: How can we best align agricultural policies, programs, and incentives to include nutritional aspects?



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