

Annual Agricultural Policy Conference (AAPC)

Policy Brief 7

Realizing Tanzania's Agricultural and Agro-Industry Competitiveness: Fostering Competitiveness, Productivity and Efficiency in Agri-food Systems



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BACKGROUND AND CONTEXT

Tanzania has made great strides in economic growth. At the beginning of 2020 the country was declared to have attained the Lower Middle-Income status after achieving a gross national income (GNI) per capita of \$1,080 (the threshold is \$1,036). This achievement is part of Tanzania's 2025 Vision of becoming a middle-income country as stipulated in the 2010-2025 Long-Term Perspective Plan (LTPP). The 15-year LTPP is implemented in a series of three phases of 5-year development plans, namely:

- 2010–2015 Unleashing Tanzania's Latent Growth Potential
- 2016–2020 Nurturing Industrialization for Economic Transformation and Human Development
- 2021–2025 Building Tanzania's Competitiveness and Industry for Human Development

Tanzania is transitioning to the third phase of the LTPP (2021–2025) which focuses on enhancing the country's competitiveness in regional and global markets. The 7th Annual Agricultural Policy Conference (AAPC) coincides with the inception of The Third Five-Year Development Plan whose agenda is to foster the country's competitiveness. The theme of the 7th AAPC is intended to reflect this development agenda, namely, Realizing Tanzania's Agricultural and Agro-Industry Competitiveness: *Fostering Competitiveness, Productivity and Efficiency in Agri-food Systems*.

Agricultural export contributes about a quarter of export earnings (BoT, 2019). Agricultural export earnings during the last ten years have been fluctuating annually from USD 500 million to USD 1 billion as influenced by volume of production and global market prices (NBS, 2019). Major agricultural exports include cashew nut, cotton, coffee, tobacco, tea, sisal and pyrethrum. Besides exports, Tanzania also imports various food products such as wheat, sugar, edible oil, etc. Food import bill in the last 10 years has ranged from USD 300 million to USD 650 million (BoT, 2019). So, agricultural competitiveness affects Tanzania's share in global markets but also the share of import substitutes in domestic markets.

Agricultural competitiveness is an integral part of ASDP II whose goal is to achieve transformation of the agricultural sector (crops, livestock and fisheries value chains) into modern, commercial, highly productive, resilient, and competitive in both national and international markets. The expected outcomes of ASDP-2 include increased productivity, enhanced development of the value chain, development of sustainable market linkages for competitive surplus commercialization, value addition, increased farmer incomes, increased food security and nutrition, and poverty reduction. The main component/program areas of ASDP 2 include: a) Sustainable Water and Land Use Management; b) Enhanced Agricultural Productivity; c) Rural Commercialization and Value Addition; and d) Strengthening Sector Enablers. Components 2 to 4 of ASDP II are all about enhancing the competitiveness of the sector.

There is ample literature on the determinants of agricultural competitiveness. However, The World Economic Forum (WEF) through its "Global Competitiveness Report" seems to provide the most comprehensive indicators of competitiveness. The WEF approach adopts a 12 pillar approach, structured as follows:

- Enabling environment (1. Institutions, 2. Infrastructure, 3. ICT adoption, 4. Macroeconomic stability)
- Human capital (5. Health, 6. Skills)
- Markets (7. Product market, 8. Labor market, 9. Financial system, 10. Market size)
- Innovation ecosystem (11. Business dynamism, 12. Innovation capability)



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Tanzania's ranking in the Global Competitiveness Index (GCI) in 2019 is 117 (among 141 economies) more or less the same ranking from the previous year (116 out of 140 economies). During the last 15 years (2007–2019) Tanzania ranking in GCI has ranged between 97 and 125. Similarly, in the 2020 “Ease of Doing Business” report of the World Bank, Tanzania's ranking has been 141 (out of 190 economies), a slight improvement from the previous year at 144. During the last 15 years, Tanzania's ranking in EDB ranged between 125 and 145. Despite modest ranking in competitiveness Tanzania is highly ranked in terms of potential for agricultural growth. Analyzing productivity potential across 44 countries in Sub-Saharan Africa, the McKinsey Report (2019) showed that nine countries make up 60 percent of the total potential, with three countries -- Ethiopia, Nigeria, and Tanzania-comprising half of that. While this potential is highly concentrated, the significant variation in agricultural development and policy on the continent means differentiated approaches are required for each market. The three highest potential countries illustrate this variation well with respect to government involvement in agriculture, enabling environment, and factors such as improved input adoption. Since 2015 Tanzania has embarked on implementing policy reforms to improve agribusiness environment which among other things yielded the following results:

- Removal of over 120 fees and charges in agriculture, livestock, and fisheries
- Reduction of produce cess from a ceiling of 5 percent of producer price to 3 percent and institution of a threshold of 1 tonne for exclusion in payment of the cess
- Granting a waiver in import duty or VAT for various agricultural technologies to reduce production cost
- Increasing import duty of various food commodities to temporarily protect domestic industry

In 2018, the GoT endorsed the “Blueprint on regulatory reforms to improve business environment in Tanzania”. The “Blueprint”, as popularly referenced, provides a comprehensive roadmap for regulatory reforms in Tanzania - across sectors and within specific sectors. The Agricultural Sector Lead Ministries (ASLMs) have to champion reforms within their sectors. Implementation of reforms under the Blueprint offers

a great opportunity to accelerate reforms in the sector. The theme of the 7th AAPC is intended to reflect this development agenda. The theme: Realizing Tanzania's Agricultural and Agro-Industry Competitiveness: Fostering Competitiveness, Productivity and Efficiency in Agri-food Systems, entails seven thematic areas that will be categorized using a value chain approach.

Tanzania has diverse climatic conditions and there are over 80 crops and different types of livestock across seven agro-ecological zones, with climate ranging from temperate highlands to semi-arid central zones. However, the numerous value chains could be categorized into seven groups, with each value chain within a group sharing policy and regulatory issues.

On the other hand, Tanzania is in both mixed and modern food systems characterized by highly- processed and packaged food products. These are associated with moderate levels of undernutrition, as well increased prevalences of overweight and obesity. From the 1990s to 2015, overweight and obesity rates have risen among Tanzanian adults by averages of 62% and 279 %, respectively. Besides, overweight prevalences among girls and boys aged from 5 to 19 years have increased by averages of 293% and 557%, respectively.

The 7th AAPC analyzes value chain competitiveness within seven value chains grouped as follows:

- Staples and food crops
- Traditional export crops
- Non-traditional export crops
- Import substitution commodities
- Livestock and fisheries
- Farm inputs
- Farm services



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Key Policy Questions for Discussion

Based on the theme and sub-theme for the 7th AAPC, the following are some of the key questions tackled during paper presentations and discussions:

- 1) How competitive are Tanzania's agricultural commodities and products in the regional and international markets? What are the determinants of competitiveness for Tanzania's agricultural commodities and products? How could Tanzania prioritize its investment in various value chains taking into consideration their comparative and competitive advantages? What lessons could Tanzania draw from other countries in the region and from global leaders in agricultural exports?
- 2) What kind of policy reforms have been implemented recently to enhance Tanzania's competitiveness? What policy areas are yet to be implemented to enhance competitiveness? Of the six broad value chain groups across agro-ecological zones, which value chains are facing more policy challenges than others and why? What are the value-chain specific challenges? Could the policy issues be prioritized?
- 3) What nutrition and food system policies should be in place if we are to improve the nutrition status and health of human capital as we are fostering competitiveness, productivity and efficiency in agri-food systems?



in the region and beyond. The Conference provides an opportunity to assess progress in implementing policy reforms under the CAADP framework of the New Alliance on Food Security and Nutrition. In addition, the conference discusses successes, lessons learned and identified remaining gaps, how to increase competitiveness within the alliances, and emerging issues that require attention.

The Policy Analysis Group (PAG) members include the following:

- Africa Lead
- Agricultural Markets and Development Trust (AMDT)
- Agricultural Non-State Actors Forum (ANSAP)
- 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)
- International Food Policy Research Institute (IFPRI)
- International Livestock Research Institute (ILRI)
- Monitoring and Analysing Food and Agriculture Policies (FAO-MAFAP)
- Agricultural Sector Lead Ministries (ASLMs)
- Research on Poverty Alleviation (REPOA)
- Regional Strategic Analysis and Knowledge Support System (ReSAKSS)
- Southern Agricultural Growth Corridor of Tanzania (SAGCOT)
- Sokoine University of Agriculture (SUA)

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. The PAG is an informal (community of practice) and voluntary group that consists of members working on agricultural policy projects/initiatives, academia, and 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. The 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,

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- Tanzania Horticultural Association (TAHA)
- Feed the Future Tanzania NAFKA II
- Tanzania Private Sector Foundation (TPSF)

Number of Attendees

More than 350 participants attended the 7th AAPC. Attendance was mostly virtual with 77 participants attending physically. The Conference covered seven value chains with 32 presentations and seven panel discussions. Several questions and comments were received both from the ground and virtually. Out of the seven thematic areas, specific papers presented, panel discussions, questions and commentaries, there were some clear key policy issues that seem to be critical for all value chains. These are summarised below.

EMERGING ISSUES

1. Agricultural Transformation

Key emerging policy issues discussed covered reforms in agricultural transformation and specific value chains and nodes with a focus on policy and regulatory requirements. Under the main area of agricultural transformation, participants observed that there is a serious ‘political support’ provided by the high-level Government leadership. The Government is urged to ensure continuity of transformative reforms and to maintain stakeholders’ engagement while considering sustainable environmental interventions.

2. Agro-Infrastructure

Participants acknowledged the remarkable Government funding and investments in infrastructure. However, more investments on logistical support and handling of produce needs to be done to address specific value chain needs



especially for the non-traditional exports, livestock, fisheries and emerging fruits and vegetables in Southern Highlands including Iringa, Njombe and Mbeya.

Policies need to focus on investment opportunities that include five key sub-sectors - floriculture, roots and tubers, vegetables, fruits, spices and herbs. Emerging new opportunities in avocados, mangos, pineapples, macadamia and spices should also be considered.

Other countries including Kenya have established fast tracking and handling processes, even to the extent of dedicating docks for agricultural produce at the port. These also include arrangements to minimize the time of handling and transportation of perishable commodities like horticulture.

3. Attracting the Youth

It was observed that there is a need to romanticize agricultural production by making it cool and sexy to attract and retain youth. Policy interventions could target risky parts of the value chains to support innovation and new uses of agricultural produce through value addition. The private sector should be encouraged to provide Corporate Social Investment (CSI) as part of their Corporate Social Responsibility (CSR).

Smallholder based agricultural sector value chains operate mostly informally and this complicates availability of evidence/data needed to appropriately inform policy development. It is important and necessary to take advantage of ICT penetration to increase access to information and reduce cost of doing business. There is also a need for conducting regulatory impact assessment, strengthening of support systems and use of ICT for price discovery, among others.

4. Irrigation

Since independence Tanzania has developed only about 400,000 hectares of irrigated land out of 2,000,000 hectares with potential for irrigation. This is just 20% of the potential land for irrigation. Given the climate change challenges, irrigation agriculture should command a higher priority than before.

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Policy should focus on increasing land under irrigation and sustainable water management. Given the levels of investment required, general and specific agricultural business environment issues especially in terms of laws, policies and regulations predictability need to be addressed to attract and retain private sector investment in irrigation infrastructure.



5. Regional and Export Trade

Regional trade still has a big potential for Tanzania to increase her market share for agricultural produce and products. There is a need to take advantage of the growing market in EAC (especially given the possibility of DRC joining the EAC bloc) with combined purchasing power of about US \$ 132 billion annually.

Policy interventions must address informal cross border trade and operationalize the regional marketing protocols. Infrastructure and other logistical facilities including storage structures need to be developed at border posts to allow smooth flow of business.

6. Domestic Market Enhancement

Domestic market for agricultural produce and other products is still huge and expanding as population increases. Consumption patterns structure is equally evolving leading to more of urban lifestyle. The importance of segregating the market into internal and export market as policy interventions is important. This is because 'one size fits all' policy will not work. Policy interventions should address strategic import-substitution investment specifically in value addition.

7. Agricultural Financing

Agricultural financing is a challenge for value addition start-up businesses. Traditional financial institutions do not normally lend to start-up businesses due to several issues including low capacity to attract financing and risks involved. This is partly due to lack of specialized patient capital financing institutions.

Policy interventions need to target smallholder farmers and SMEs in addressing packaging of bankable business proposals capacity and development of patient capital institutions. There is

a need for a supportive legislation to allow flexible environment for financing rather than a restricting environment. Examples include product financing through contract farming modalities.

8. Nutrition and Food Safety

It was observed that nutrition and food safety are burning issues in Tanzania. Despite there being good laws enacted, there are concerns on whether people are getting the services they deserve. There is a clear evidence that children and women malnutrition trend for the whole population is alarming with the situation worsening annually due to several factors. Policies to address nutrition and food safety issues should include campaigns to promote physical exercises for all age groups.

9. Other policy challenges

It was observed that there are still challenges leading to high costs of exports from Tanzania relative to the other EA countries. These include cumbersome certification and clearing processes. Inspection and certification services add extra costs.

Policies to support reclaiming of Tanzania's global market share for traditional export crops and extend support to gaining more market share for non-traditional export produce and explore emerging opportunities are needed.

Stakeholders including Government officials responsible for regulatory procedures should be trained on quality standards for agricultural produce and products (including livestock and fisheries) management. Most agricultural products are perishable and have highly sensitive markets in terms of quality and time. This is particularly the case for horticultural products.

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