



Institutional arrangements for trade in agriculture value chains in Tanzania

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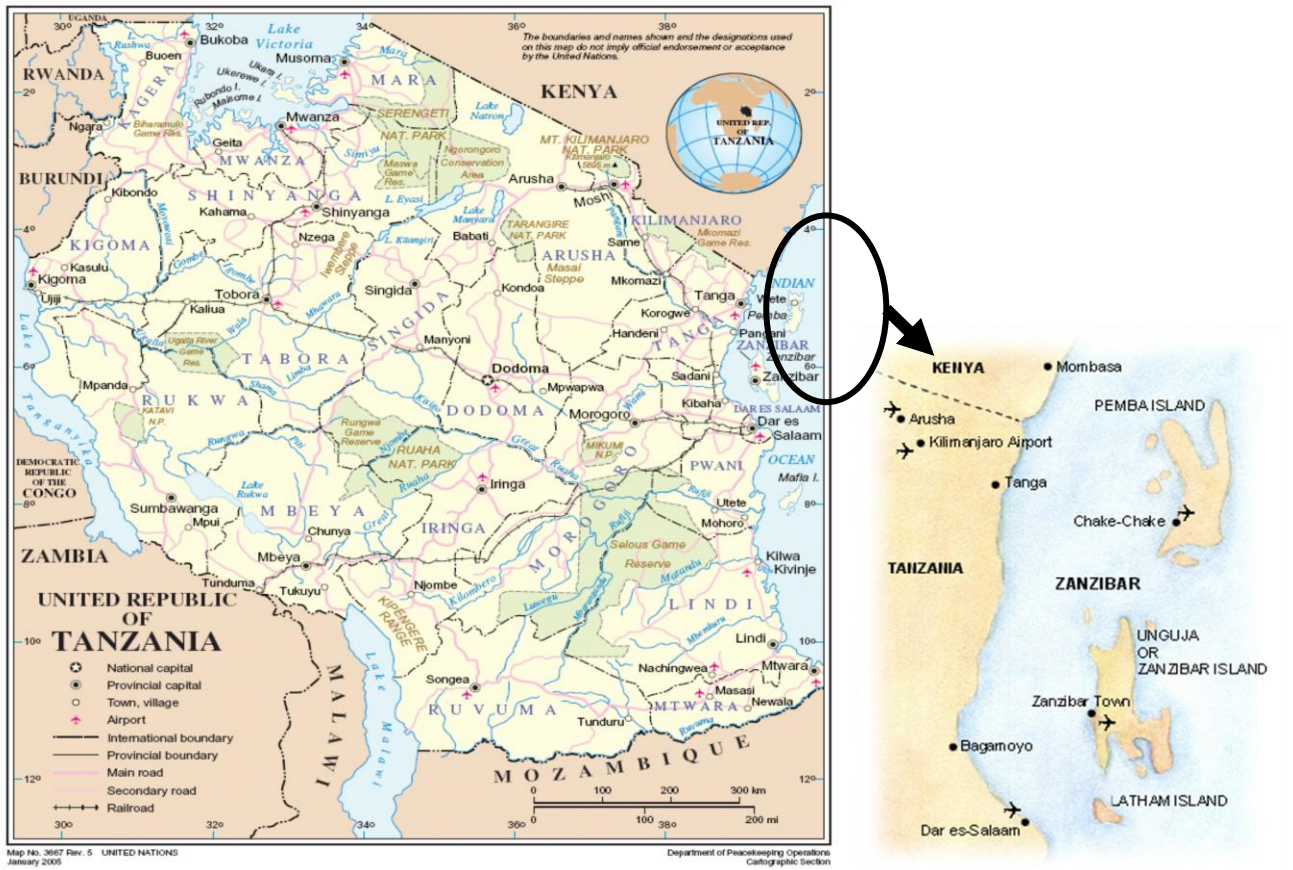
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Abbreviations and acronyms

AAPC	Annual Agricultural Policy Conference
ACP	African, Caribbean, Pacific Group of States
AfDB	African Development Bank
AMCOS	Agricultural Marketing Co-operative Societies
ANSAF	Agricultural Non-State Actors Forum
ASA	Agricultural Seed Agency
ASDP	Agricultural Sector Development Strategy
ASPIRES	Agricultural Sector Policy and Institutional Reform Strengthening
BOT	Bank of Tanzania
BRN	Big Results Now
CAADP	Comprehensive African Agriculture Development Plan
COMESA	Common Market for Eastern and Southern Africa
DADPs	District Agricultural Development Plans
DFC	Dark Fire Cured Tobacco
DFIs	Development Finance Institutions
DTIS	Diagnostic Trade Integration Study
EAC	East African Community
EU	European Union
FAO	Food and Agriculture Organisation of the United Nations
FOB	Free on Board
FYDP	Five-Year Development Plan (First and Second, Government of Tanzania)
GDP	Growth Domestic Product
HS	Harmonised System
IFAD	International Fund for Agricultural Development
IFPRI	International Food Policy Research Institute
IMF	International Monetary Fund
ISTA	International Seed Trade Association
ITC	International Trade Centre
KATI	Kizimbani Agricultural Training Institute
LDC	Least Developed Country
LGAs	Local government authorities
LTPP	Long-term Prospective Plan
MFN	Most Favoured Nation
MKUZA	Zanzibar Strategy for Growth and Reduction of Poverty
MITI	Ministry of Industry, Trade and Investment
NAP	National Agriculture Policy
NGO	Non-Governmental Organisation
NQI	National Quality Infrastructure
NSGRP	National Strategy for Growth and Reduction of Poverty

NTB	Non-Tariff Barriers
PSDP	Private sector development programme
REPOA	Research on Poverty Alleviation
SACCOs	Savings and Credit Cooperatives
SADC	South African Development Community
SAGCOT	Southern Agricultural Growth Corridor of Tanzania
SDGs	Sustainable Development Goals
SPS	Sanitary and Phytosanitary
STEM	Science, Technology, Engineering and Mathematics
SWIFT	Single Window Information for Trade
TaCRI	Tanzania Coffee Research Institute
TAFSIP	Tanzania Agriculture and Food Security Investment Plan
TAHA	Tanzania Horticultural Association
TANCIS	Tanzania Customs Integrated System
TAT	Technical Assistance Team
TBS	Tanzania Bureau of Standards
TBT	Technical Barriers to Trade
TCA	Tanzania Coffee Association
TCB	Tanzania Coffee Board
TCCIA	Tanzania Chamber of Commerce, Industry and Agriculture
TDV	Tanzania Development Vision
TFDA	Tanzania Food and Drugs Authority
TFRA	Tanzania Fertiliser Regulatory Authority
TMEA	TradeMark East Africa
TOAM	Tanzania Organic Agriculture Movement
TOSCI	Tanzania Official Seed Certification Institute
TZS	Tanzanian Shilling
QI	Quality Infrastructure
USAID	United State Agency for International Development
VAT	Value Added Tax
WB	World Bank
WEF	World Economic Forum
WTO	World Trade Organization
ZaSCI	Zanzibar Seaweed Cluster Initiative
ZBS	Zanzibar Bureau of Standards
ZFDB	Zanzibar Food and Drug Board
ZMTIM	Zanzibar Ministry of Trade, Industry and Marketing
ZSTC	Zanzibar State Trading Corporation

Figure 1: Map of Tanzania – mainland and islands – Zanzibar (Unguja and Pemba)



Executive Summary

This report presents the findings of a project *“Targeted support to strengthen capacity of policymakers, exporters, and trade associations to assess and review trade and related economic policies to promote trade competitiveness and diversification for widening trading opportunities with the EU”* funded by the European Union (EU) through the EU-ACP TradeCom II Programme. The overall objective of the programme, which includes working with both multiple stakeholders as host beneficiaries, is to contribute to sustainable economic development and poverty reduction in the United Republic of Tanzania through closer regional integration and increased participation in the global economy. The report has been prepared to contribute to the project by identifying and proposing responses to the bottlenecks to improving competitiveness and diversification in selected agricultural export-oriented sectors along Tanzania’s main export corridors.

Tanzania is an emerging and evolving economy in Africa thanks to long-term growth rates of over 6% per annum since 2005. Its political stability, advantageous geographical location (with a 1,424 km long coastline and eight neighbours), a youthful and growing population (est. 57.6 million in 2020). Membership to regional trading blocs such as the East Africa Community (EAC) and the Southern African Development Community (SADC) provide plenty of promise for trade and investment. Yet, Tanzania suffers from a relatively low agriculture-export base, dominated by a few products with limited value addition.

Tanzania’s current trade and investment priorities are defined in its Third Five-Year Development Plan (FYDP III) 2021–25 which seeks to realise competitiveness and industrialisation for human development (United Republic of Tanzania 2021). The plan emphasises interventions to promote competitiveness, industrialisation, including establishing special economic zones, export processing zones, industrial parks, the strengthening of research and development, promoting local content, and developing capacity. With agriculture and agro-processing being one of its priority sectors, FYDP III also supports value addition and beneficiation towards improving agricultural productivity and deepening agricultural value chain.

The current trade policy frameworks (2003 for mainland Tanzania and 2006 for Zanzibar) are outdated to effectively promote competitiveness and diversification in an era where quality matters as much as prices. Efforts are under way to develop a new trade policy with the World Bank supporting an updated Diagnostic Trade Integration Study (DTIS) – published in 2017, and Zanzibar’s drafted (but not enacted) revised trade policy in 2020. DTIS seeks to inform development of new trade policy for Tanzania with a focus on three key areas: agriculture, mining and extractives, and tourism as well as sanitary and phytosanitary (SPS), technical barriers to trade (TBT),

regulatory and other institutional bottlenecks hindering trade and investment in mainland Tanzania and Zanzibar.

However, limited productivity and quality focused supply-side constraints are at the heart of Tanzania's weak agricultural export competitiveness and diversification. Subsistence farming methods, limited access to agricultural inputs, lack of irrigation infrastructure and weak institutions seriously affect agricultural productivity. On the other hand, the national quality control infrastructure suffers from substantial weaknesses, including overlapping agential mandates, resource constraints and other institutional weaknesses, which hinder value chain upgrading thus undermining its competitiveness in foreign markets. Regulatory overload and institutional weakness inhibit competitiveness and diversification in the selected agricultural export-oriented sectors.

Other major cross cutting inhibitors of agricultural competitiveness include:

- Inadequate policy environment and uneven policy implementation for achieving sustained and inclusive agricultural growth targets.
- Low productivity levels and growth trends caused by inter alia poor access to key inputs (especially fertilisers, seeds, chemicals, etc.).
- Low mechanisation, technology use and innovation – which are widely acknowledged as important determinants of improved productivity and growth.
- Restricted access to sustainable rural finance and inadequate public and private resources.
- Weak delivery of agricultural extension services and poorly resourced agricultural research and training institutions.
- Limited access to finance and the limited resources of many rural Savings and Credit Cooperatives (SACCOs).
- Inadequate rural infrastructure (e.g., irrigation, rural roads, storage facilities, rural energy);
- Governance and marketing issues along the value chain involving complicated relationships between Agricultural Marketing Co-operative Societies (AMCOS), crop boards, traders, and lead firms (commercial estates, etc). Relationships are affected by oligopolies, low prices at auctions, rent seeking middlemen, informal contracts with poor compliance and enforcement, etc.
- Weak institutional capacity and coordination among diverse stakeholders at national and local levels.
- Cumbersome and costly transport and logistical procedures; and
- Limited access to market information and transparency among others.

Agricultural policy recommendations

To address the above constraints and enhance Tanzania' agricultural competitiveness, a number of broad and concrete agricultural trade policy recommendations are made. They build on the learning from past and ongoing agro-processing competitiveness

and value chain upgrading programmes and on the comparisons between these initiatives:

The broad policy recommendations and strategies to enhance agricultural competitiveness include:

Effective implementation of existing policies and strategies is critical. Various policies and strategies to transform agriculture have been adopted yet implementation remains weak and set targets have been missed. Accordingly, the starting point should be effective implementation of the various policies and strategies so far adopted. Clear activities, targets, timeframes, and outcomes and should be set and regular monitoring and evaluation undertaken to ensure set targets are met timeously.

Scaling up production by drastically improving productivity by raising the level of absorption of simple, easily adoptable/adaptable, and affordable technology, greater use and development of high-yield and climate resilient seed varieties especially for smallholder farmers. Access to inputs and finance need to be improved. Adoption of productivity-enhancing technology research and extension coverage, strengthened research-extension linkages, effective extension models, expanded and inclusive private sector role, are all important to incentivize expanded marketed production.

Standards and quality issues are at the heart of Tanzania's weak competitiveness and diversification. The national quality infrastructure and standard systems should be rationalised to limit the overlap of agency mandate and increase awareness and adoption of existing standard systems.

Private sector drive: To turn around agriculture it is important to integrate and promote expanded and inclusive private sector-driven value chain development, facilitate viable public-private partnerships, in developing production base for agriculture (especially small-scale irrigation, post-harvest facilities and rural feeder roads).

Improving the transport and logistics along Tanzania Export Corridors is key to enhancing agribusiness competitiveness.

Policy and Regulatory reforms: Regulatory overload is affecting agriculture competitiveness hence there is need for regulatory and policy reform to rationalise and streamline regulatory framework. To unleash the potential for agricultural exports growth, reforms are required to rationalise and reduce the number of trade permits, trade licenses, and registration certificates, technical regulations required for exportation.

Entrenching a culture of commercial agriculture among farmers as opposed to subsistence farming. A negative image of farming as backbreaking and non-rewarding work causes youth to migrate from farms.

Addressing the issues of land tenure, registration and access for women and youth while also improving access for investors and monitoring and landholding of investors to ensure land investments materialize on time as promised.

Improving on farm and off-farm infrastructure, especially for on-farm processing, storage facilities at ports and airports, increasing the number warehousing/storage facilities and pack sheds, public-private-partnership investments in cold chain; expanding the area under irrigation and promoting water use efficiency.

Drastically improve public financing and the efficiency of disbursement of funds to agricultural sectors.

Improving access to finance: Foreign agricultural investments have a big role to play if they connect with local suppliers and share their know-how. Financial institutions have a role to play by providing more financial support to the industry to boost farm production and ensure the upgrading of selected crops value chain.

Greater transparency, accountability and standardisation is needed on the budget allocations and spending priorities of Local Government Authorities (LGA) and District Councils and how these priorities are integrated into District Agricultural Development Plans (DADPs).

The capacity of efficiency of the Ministry of Agriculture, Livestock and Fisheries and LGAs to absorb increased funds, disburse agricultural development funds, implement, and sustain projects needs to be greatly strengthened.

Improving governance of primary societies and cooperative unions which play a leading role in training on agronomical and good agricultural practices, especially raising productivity, development of standards and obtaining certification marketing.

The efficiency and governance of crop boards is critical to sector performance.

Improving the enabling environment for seed production and the seed value chain by adopting a more streamlined, time and cost-efficient process for registration and licensing of seed varieties.

Facilitating the development of business-to-business relationships among domestic value chain actors and their international counterparts.

Identifying and leveraging synergies between large commercial farmers and small and medium scale farmers within corridor initiatives such as SAGCOT.

Enhancing the national multi-stakeholder approach in the provision, implementation and enforcement of the appropriate regulations and legislations across the value chain.

Trade policy dimension

To reduce trade costs and promote international competitiveness and export diversification the following recommendations are critical:

- Addressing trade barriers that impede market access (especially to regional trade) and reforming regulations that raise the price of imported inputs.
- Strengthening the quality and transparency of trade-related regulations by streamlining regulations and the role of institutions (e.g., those dealing with standards and quality testing).
- Addressing infrastructure and logistics bottlenecks that raise supply chain costs and reduce efficiency and thereby hinder smallholder farmers from engaging in trade participating in the benefits from trade.
- Reforming and simplifying marketing arrangements for certain export crops such as cloves and coffee, which partly points to crop board reforms that are under deliberation; and
- Strengthening regional coordination of efforts to eliminate NTBs under the EAC.

Structure of the report

The report is structured as follows. Chapter 1 provides an introduction and background to the project – and the methodology used in undertaking the study. Chapter 2 provides a detailed account of agriculture trade focusing on export performance in recent years. This is followed by a discussion of the underlying institutional arrangements for agriculture trade policy. Chapter 4 discusses the bottlenecks affecting the effective performance of agricultural trade institutions in Tanzania, this is followed by proposals for improving the effectiveness of agriculture trade support institutions in the country. The report concludes with a series of recommendations for resolving institutional bottlenecks for improved agriculture trade competitiveness and export diversification in Tanzania.

CHAPTER 1

1 INTRODUCTION AND BACKGROUND

The ACP-EU TradeCom II Programme

The European Union (EU) supports improvements in competitiveness and exports in Tanzania's agriculture sector through the TradeCom II Programme. This programme, which was approved following a request from the African, Caribbean and Pacific (ACP) Group of States, is designed to facilitate the integration of ACP countries in the global economy and value chains by improving their capacity to formulate and implement suitable trade policies, participate effectively in multilateral trade negotiations under the World Trade Organization (WTO) and to implement the trade agreements to their benefit, and strengthen their competitiveness.

The TradeCom II Programme has translated the needs of ACP beneficiaries into a number of relevant and implementable projects. This includes the project for which this report has been prepared. The *'Targeted support to strengthen capacity of policymakers, exporters, and trade associations to assess and review trade and related economic policies to promote trade competitiveness and diversification for widening trading opportunities with the EU'* project contributes to sustainable economic development and poverty alleviation through closer regional integration and increased participation in the global economy.

Economic background

The United Republic of Tanzania, which includes the islands of Zanzibar and Pemba, is classified as a lower middle-income country (LMIC). With a per capita income of US\$1,076 or TZS2.46 million (2020)¹, the economy is considerably dependent on agriculture that stands at 27% of GDP and 40% of total exports, and 85% of export earnings for Zanzibar. Tanzania's real gross domestic product (GDP) has grown over 6-7% over the past decade (despite slowing down to 4.8% in 2020) and is projected to maintain strong growth in the medium-to-long term supported by, *inter alia*, trade, continued investments in agriculture, transport and manufacturing². Notwithstanding the impact of the COVID-19 pandemic, Tanzania's long term average GDP growth (in real terms) when sustained over the long term meets the target required for the LDCs to achieve the SDGs targets by 2030 according to the Sustainable Development Report

¹ In October 2014, the National Bureau of Statistics released the revised GDP estimates with 2007 as the new base year instead of 2001. The new base year portrays the economic activities better and ensures international compatibility. Bank of Tanzania Annual Report 2014/15.

² IMF periodic SSA Regional Economic Outlook 2014/16 series; IMF Africa Rising-Harnessing the Demographic Dividends (2014); HSBC Global Research-The World in 2050, 2012; AFDB-Tracking Africa's Progress in Figures (2014).

2016. That growth rate notwithstanding, poverty remain a serious challenge (with the pace having slowed between 2007 and 2018), and hence the desired focus on meeting the SDGs targets (in particular targets *1--no poverty, 2--zero hunger, 8--decent work and sustained economic growth, 10--reduced inequalities, and 12--responsible consumption and production*).

Trade has become a major engine of growth for many developing countries which has enabled the fast-growing economies to embrace the benefits of global trade and, hence, reduce poverty. This is especially true for a number of commodity-exporting countries, which, in a space of two decades with some countries seeing a double-digit growth over a decade, have helped to move Africa from 'the hopeless continent' to 'Africa rising'. However, for many small and vulnerable developing countries their trade is yet to fully integrate into the global trading system. One of the main challenges for such countries, Tanzania included, is how to enhance and sustain the connection to regional and global value chains by increasingly meeting requirements in a competitive manner to capture market access and to enhance their productivity for sustained export expansion.

Methodology and approach

To achieve the programme objectives, REPOA employed a multipronged approach that involved both primary data collection, secondary data analysis and cross-checking the various data sources for consistency. Primary data were gathered from structured interviews with stakeholders (private sector actors and government officials) and value chain actors in both mainland Tanzania and Zanzibar. Key secondary sources of information, (policy and strategy documents) and academic studies on the subject were studied. Government agencies responsible for trade and agriculture,³ farmers' groups, private sector producers, processors, marketers, aggregators, services providers, NGOs, and exporters associations were interviewed to identify general and subsector constraints and also areas of competitive advantage. Interviews were also held with development partners to collect data on the many sector interventions seeking to address different challenges to value chain development and the business environment. For instance, the assessment of the product quality environment was undertaken with the aim of fully understanding the roles of government agencies and institutions in enhancing or undermining quality management along those value chains as well as those agencies that are responsible for SPS/TBT compliance ensuring food safety, plant and animal biosecurity, together with the private sector beneficiaries, agribusinesses, the agricultural production base, and export clusters and associations.

³ This included agencies responsible for food safety and quality standards and certification, customs and trade facilitation, trade statistics, trade, export and investment promotion agencies, crop boards, public research institutions etc.

As a core component of the quality assurance of the programme deliverables, two product quality management briefings and five 'brown-bag' seminar series were held to discuss the programme findings, thereby soliciting feedback and clarification. A final project workshop is to be held in early 2022 to seek views from Tanzania's trade policy community. The output of these activities also provided material for the EU TradeCom II monthly newsletter series.

CHAPTER 2

STATUS OF TANZANIA'S AGRICULTURAL EXPORT PERFORMANCE

Importance of agriculture

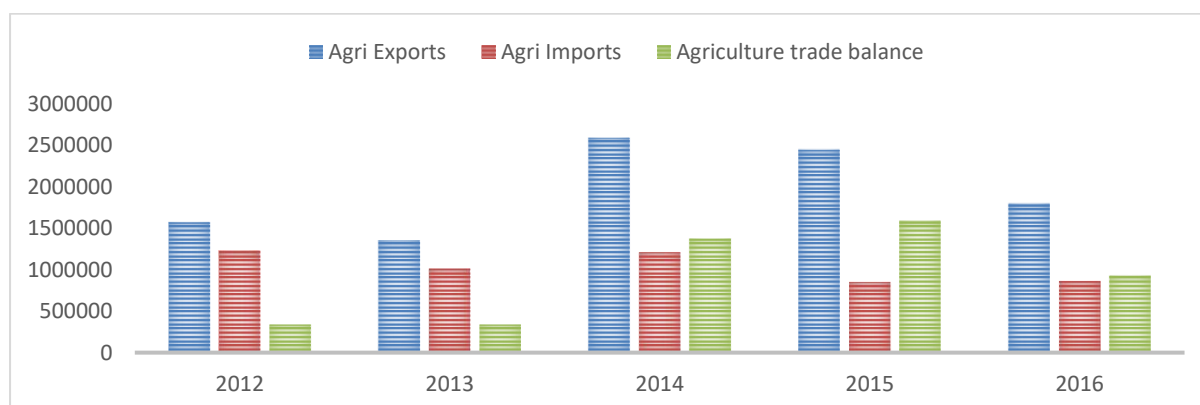
Tanzania has huge agricultural potential underpinned by abundance of fertile land, good rainfall, and other natural conditions well suited to producing a wide range of staple foods and high-value agriculture products. Agriculture contributes about 26.9% to gross domestic product (GDP) is the main source of income for some 68% of the population and contributes about 24.1% of total merchandise trade (URT, 2021). In Zanzibar, agriculture is responsible for 85% of export earnings. Tanzania's real GDP grew by over 6–7% in the ten preceding the global outbreak of the COVID-19 pandemic and the International Monetary Fund (2016) projects that Tanzania will maintain strong growth in the medium to long term supported by continued investments in agriculture, transport, and manufacturing. Despite its potential and importance to the economy, the agricultural sector's growth has lagged the rest of the economy – growing at 5.1% on average compared to 7% for the rate of the rest of the economy. If Tanzania is to sustain its recently attained lower middle-income country status, the agriculture sector must grow at over 10% per annum compared to the 5.1% growth achieved in recent years (African Development Bank 2017). Linked to the poor growth has been the country's limited capacity to take advantage of the opportunities to increase its agricultural exports regionally, to the emerging markets and with EU.

Tanzania's agriculture is dominated by small-scale subsistence farmers who are mainly engaged in growing of staple foods (maize and rice) Robusta coffee, cashew, pulses, and other leading exports. Cash crops including tea, sugarcane, Arabica coffee, tobacco, sisal, and some horticultural crops including cut flowers and fresh vegetables for export are produced by commercial farmers along with some smallholders. Women play an important role in Tanzania's agricultural sector accounting for almost 52% of the total population employed in agriculture (2014 Integrated Labour Force Survey). However, agricultural practices, low productivity, poor agro-processing skills, limited availability of adequate machinery and equipment, restricted access to finance, market information, high duties/levies, and cumbersome procedures affect and prevent small-scale farmers from graduating into the formal economy and become profitable agricultural exporters. Much of the increase in the value of agricultural production is from extensive than intensive methods of agriculture and less from switching to higher-value cash crops.

Performance of agricultural exports

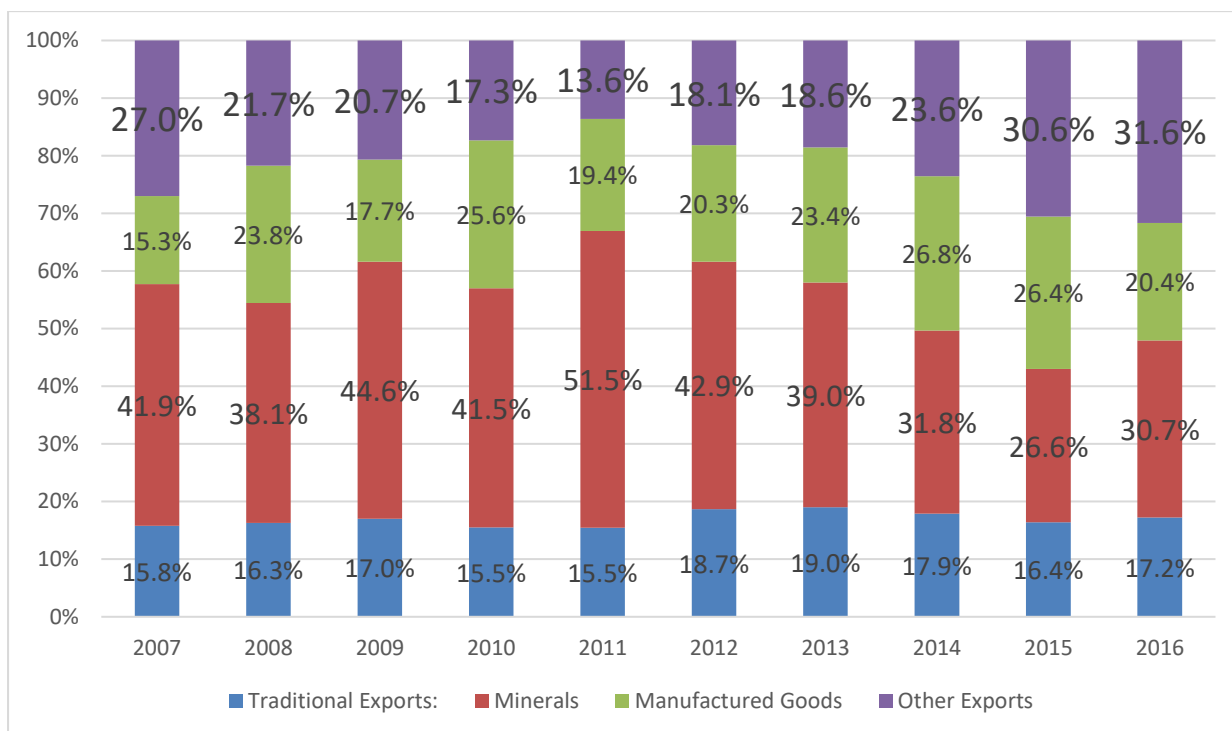
Tanzania enjoys a large and growing agriculture trade surplus. While agriculture exports grew by an average of 5.1% per year between 2012 and 2016 agriculture imports have remained relatively stagnant, such that Tanzania enjoyed a much larger agriculture trade surplus from 2014 to 2016 than five years ago (see Figure 2). Between 2014 and 2016 the value of agricultural trade surplus surpassed total agricultural imports indicating the robust growth being experienced in the export sector. Agriculture accounts for about 40% of total recorded merchandise exports while agricultural imports are below 10% of total merchandise import bill.

Figure 2: Agricultural exports and imports 2012–16 US\$ '000



Tanzania's major traditional exports include coffee, cotton, sisal, tea, tobacco, cashew nuts and cloves; and non-traditional exports including manufactured goods and horticulture products. Over the past decade, there have been major shifts in the aggregate composition of exports. Whereas for the first five years from 2007 to 2011, minerals exports experienced an increase in total exports (from 42% to 52%) at the expense of decline in share of non-traditional exports from 27% to 14%; however, mineral exports lost their share in total exports from 51% to 31% between 2011 and 2016. Non-traditional exports have more than doubled their share in total exports from 14% to 32% over the same period. It is interesting to note that manufactured exports have gradually continued to increase their share in total exports from 15% in 2007 to 20% in 2016 (see Figure 3).

Figure 3: Aggregate commodity exports (% of total), 2007–16



Source: Bank of Tanzania, 2017. Annual Report 2016/17, p.217. Dar es Salaam: Bank of Tanzania

Traditional cash crops (tobacco, coffee, cashew and cotton) along with fishery products continue to lead the way in agriculture accounting for 52% of total recorded agriculture exports. In addition to these commodities, the country exports a great many other products with sesame, dried legumes, groundnuts, and animal feeds having grown rapidly in recent years. EU, India, China and Japan are the largest export markets for higher-value cash crops while regional markets are important for food staples including sugar, rice, oilseeds, and fish.

Table 1 below provides details of the growth trends of Tanzania's global agricultural exports at HS2 level over the past five years from 2012 to 2016. Among the 24 HS chapters that fall under agriculture, only five HS chapters experienced negative average growth while the rest experienced positive growth with some registering three-digit nominal average growth rates over the past five years. The best performers in terms of average nominal growth were include preparations of meat, of fish or aquatic invertebrates (217%), followed by meat and edible meat offal (193%), vegetable plaiting materials (158%); sugars and sugar confectionery, (146%), animal or vegetable fats and oils and their cleavage products (144%). The worst performers include gums, resins and other vegetable saps and extracts (-16%) animal products (-9.5%), coffee and tea (-6.75%) and dairy products (-5.8%).

Table 1: Average Growth of Tanzania's Agricultural Exports 2012-2016 in per cent

HS2	Product Description	Annual Exports growth %				Av Exp growth	Exports in US\$'000
		2012-2013	2013-2014	2014-2015	2015-2016		
1	Live animals	118	43	425	-88	124.5	999
2	Meat and edible meat offal	-47	588	144	89	193.5	9,021
3	Fish and crustaceans, molluscs aquatic invertebrates	-22	46	26	-40	2.5	141,945
4	Dairy produce; birds' eggs; natural honey; edible products	-54	-2	116	-83	-5.75	223
5	Products of animal origin, not elsewhere specified	-27	-8	-20	-9	-16	2,020
6	Live trees and other plants; bulbs, roots cut flowers	-61	-13	79	-43	-9.5	24,658
7	Edible vegetables and certain roots and tubers	-21	138	60	-53	31	186,897
8	Edible fruit and nuts; peel of citrus fruit or melons	2	106	-30	29	26.75	359,161
9	Coffee, tea, maté and spices	-7	-18	7	-9	-6.75	208,967
10	Cereals	-50	259	-79	-25	26.25	23,288
11	Products of the milling industry; malt; starches; wheat	-23	181	-84	-50	6	11,818
12	Oil seeds and oleaginous fruits; miscellaneous grains, seeds and fruit; industrial or medicinal	9	111	-54	0	16.5	165,870

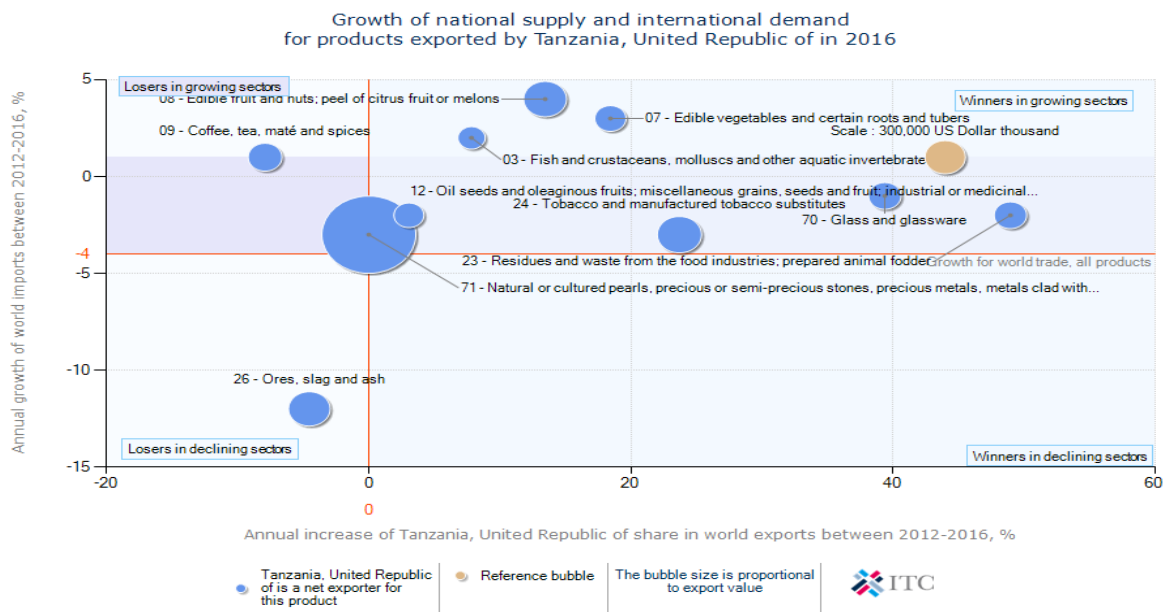
13	Lac; gums, resins and other vegetable saps and extracts	17	-3	-36	-44	-16.5	201
14	Vegetable plaiting materials; vegetable products	-68	730	39	-66	158.75	982
15	Animal or vegetable fats and oils and their cleavage products	-34	682	23	-94	144.25	22,084
16	Preparations of meat, of fish or aquatic invertebrates	476	167	-91	319	217.75	457
17	Sugars and sugar confectionery	777	-37	-99	-56	146.25	181
18	Cocoa and cocoa preparations	-20	34	5	-8	2.75	21,370
19	Preparations of cereals, flour, starch or milk; pastrycooks	-45	-11	51	-33	-9.5	3,532
20	Preparations of vegetables, fruit, nuts parts of plants	314	31	158	-48	113.75	23,362
21	Miscellaneous edible preparations	-46	259	-94	44	40.75	681
22	Beverages, spirits and vinegar	12	5	-31	15	0.25	14,404
23	Residues and food industries; animal fodder	-37	141	156	-31	57.25	202,267
24	Tobacco and manufactured tobacco substitutes	-42	150	-9	26	31.25	370,410

Source: ITC. <https://www.trademap.org/Index.aspx> accessed February 2021

Although the share of Tanzania's non-traditional agricultural exports in global trade remains low, they exhibit great potential. Extracting the top ten exports, Figure 4 illustrates that most of Tanzania's agricultural exports are within the winners in growing sector category. These include edible fruit, vegetables, fish, oil seed, tobacco, horticulture, animal fodder among others. On the other hand, its traditional exports, namely coffee and tea, are considered losers in growing sectors. No agricultural

exports are found in the bottom half (losers in declining sectors or winners in declining sectors) of the global competitiveness quadrant.

Figure 4: Global competitiveness of Tanzania top ten exports in 2016



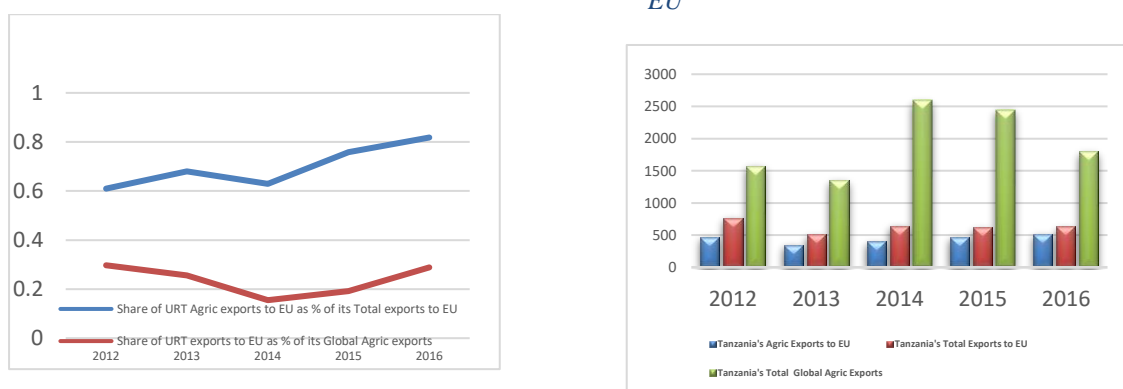
However, most of the agricultural produce in Tanzania is exported in raw or unprocessed⁴ form due to inadequate processing and value addition facilities, a dearth of storage facilities and incomplete cold chains. For instance, Tanzania produces around 2.75 million tonnes of fruit per year but only 4% of it is processed with the result that in much of the production spoils and goes to waste. Only around 10% of cashew nuts are processed domestically, despite growing for oilseed production. Virtually all cashew nuts are exported in unprocessed form to India and other countries in Asia where there are processing plants with spare capacity. China is the destination for more than 80% of sesame exports, while coffee is mainly destined for Japan and the EU (Italy, Germany, Belgium) and the United States (Tanzania – Diagnostic Trade Integration Study 2017). On the other hand, Tanzania’s agricultural imports are dominated by edible oils, wheat, and sugar, which together accounted for about two-thirds of total agriculture imports between 2012 and 2016. It is noteworthy that Tanzania’s natural conditions are ideal for producing most of the agricultural products it sources from outside except wheat which does better under temperate climate conditions.

⁴ United Republic of Tanzania, 2011. Tanzania Agriculture and Food Security Investment Plan, 2011-2012 to 2020-2021, The United Republic of Tanzania, Dar es Salaam.

Synopsis of Tanzania – EU agricultural trade

The EU is increasingly becoming an important export market for Tanzania’s agricultural exports as more and more of its exports are directed to that market. Trade with the EU accounts for 80% of Tanzania's total agri exports in 2016 compared to 60% in 2012 (see figures 5 and 6). In 2020, the EU accounted for 7.4% of all Tanzania’s exports. Major export products to the EU include tobacco and manufactured tobacco substitutes (30%), followed by coffee, tea, maté and spices, fish products, horticultural products (cut flowers); cocoa and others.⁵ Expanding agricultural exports to the EU is important in that the EU is a high-quality market, with stringent standards for entry. Tanzania’s enhanced ability to meet those standards generates better high-value and economic rent. The EU market also places a premium on organic agriculture and exports an area where Tanzania has an advantage as much of its agriculture production is organic by default. In addition, the upsurge of Tanzania agriculture exports to EU is associated with increased inward investment into Tanzania aimed at exploiting the market opportunities offered under the duty-free market access that Tanzania export enjoy into the EU market under the Everything but Arms market access regime.

Figure 5: Tanzania’s agriculture trade with EU (US\$ Mn) Figure 6: Weighing Tanzania’s agriculture trade with EU



In summary, Tanzania’ agricultural exports are far below their potential and this is due to various reasons as elaborated in the ensuing chapter.

⁵ https://www.trademap.org/Product_SelCountry_TS

CHAPTER 3

INSTITUTIONAL ARRANGEMENTS FOR AGRICULTURAL TRADE IN TANZANIA

In order to improve the business environment for agriculture, stimulate investment, enhance productivity and realise the growth potential the sector, Tanzania has adopted a series of policies, sector strategies over the past decade. The policies focused on addressing both supply-side and regulatory constraints as well as liberalising agricultural markets and increasing reliance on the private sector as the engine of growth in agriculture. Minimum targets of at least 6% per annum growth of agricultural sector output and 10% of government budget directed towards agriculture have been set (Agricultural Sector Development Strategy 2015/15–2025/26).

Below we consider two sets of policy responses directed at agriculture namely agricultural and trade policy responses adopted to spur agriculture competitiveness.

Agricultural policies and strategies to boost competitiveness

Because of its national importance, agricultural development is at the core of the 2025 Tanzania Development Vision (TDV 2025), which is the overarching national development plan. TDV 2025 is premised on transforming Tanzania's economy into a typical medium-income developing country by 2025 through, among others, increased productivity and development in agriculture. All other national policies are dovetailed towards meeting the overarching development objectives as set in the TDV 2025. Based on the TDV 2025, targeted policy frameworks and strategies were formulated and adopted to support agriculture development. These include: The 2013 National Agriculture Policy (NAP); Tanzania Agriculture and Food Security Investment Plan (TAFSIP); National Strategy for Growth and Reduction of Poverty (NSGRP I and II); MKUKUTA/MKUZA; Comprehensive African Agriculture Development Programme (CAADP); Agricultural Sector Development Strategy (ASDP I and II) 'Kilimo Kwanza' the Agricultural Transformation Initiative; the Agricultural Strategic Plan for both mainland Tanzania and Zanzibar; 10-year Climate-Smart Agriculture Programme; and the National Climate Change Strategy of 2012, among others.

The National Agriculture Policy 2013 (NAP)⁶ revolves around the goals of developing an efficient, competitive, and profitable agricultural industry that contributes to the improvement of the livelihoods of Tanzanians and attainment of broad-based economic growth and poverty alleviation. The aim is transforming agriculture from subsistence farming towards commercialisation and modernisation through crop

⁶ kilimo.go.tz/uploads/regulations/National_Agricultural_Policy_of...

intensification, diversification, technological advancement, and infrastructural development. The NAP therefore aims at addressing challenges that continue to hinder the development of the agricultural sector. These include low productivity; over dependence on rain-fed agriculture; inadequate agriculture support services; poor infrastructure; weak agro-industries; low quality of agricultural produce; inadequate participation of the country's private sector in agriculture; environmental degradation; and crop pests and diseases. The NAP highlights both the opportunities for increased intra-regional trade within the EAC and SADC in food and crops and the importance of 'eliminating intra-regional trade barriers.' It notes the importance of working towards increased cooperation in standardisation, quality management, metrology, and testing of agricultural products along with other methods of quality conformity assessment that reduces trade costs.

For realisation of TDV 2025, both the Long-Term Perspective Plan (LTPP 2011–25) and the First and Second Five-Year Development Plans (FYDP I & II) provide guidelines and targets to be achieved by the agricultural sector in its contribution to the overall development plans of the country. The LTPP provides guiding principles that include: (i) developing strong forward and backward linkages between agriculture sector and other sectors in the economy; (ii) creating favourable environments for the private sector to engage profitably in activities in the sector; (iii) developing effective training and research programmes to benefit key stakeholders; (iv) and ensuring sustainable production based on available resources. With agriculture and agro-processing being one of its priority sectors, FYDP II also supports value addition and beneficiation towards improving agricultural productivity and deepening agricultural value chain. The second phase of the National Strategy for Growth and Reduction of Poverty (NSGRP II), popularly known as MKUKUTA II, also provided the targets up to 2015.

The Agricultural Sector Development Strategy II (ASDS 2016–25), which follows from the experience of implementing ASDS I (2006–14), is an important guiding tool for implementing the sectoral policies over the next 10 years.⁷ It aims at operationalising transformation of the agricultural sector into being modern, commercial, highly productive, resilient, and competitive in the national and international market which leads to achieving food security and poverty reduction, contributing to realisation of TDV objective of transforming Tanzanians to the level of a typical medium-income developing country by 2025. In practical terms, the ASDS clarifies the issues that constrain the performance of agricultural sector and provides effective guidance on the public interventions that will coincide with private sector development to meet the sector development goals by 2025. The ASDS II has identified the following as required specific interventions: improving water supply management and irrigation, introducing

⁷ ASDS-II: Agricultural Sector Development Strategy 2015/15-2025/26.

farm mechanisation, use of improved seeds, fertilisers, vaccines and agrochemicals, and rangeland management. Some of the required facilitating factors include market information, marketing infrastructure, research and extension, private sector business environment, and financial services.

To date, the commitment to improving productivity and promoting investment through the overarching agricultural programmes have focused on improving planning and coordination aimed at strengthening the efficiency of government parastatals and regulatory bodies. The TAFSIP is the 10-year (2011–21) sector-wide investment plan aimed at meeting the CAADP's target of 6% annual growth in agricultural sector gross domestic product. The TAFSIP sets out the framework for prioritising investment in agriculture to achieve the goals developed in the TDV 2025. It represents the financing mechanism and framework for implementing the Agricultural Sectors Development Strategy and the Agricultural Strategic Plan for both mainland Tanzania and Zanzibar. The TAFSIP is aligned with both Vision 2025 (for the mainland) and Vision 2020 (for Zanzibar).

Other agricultural policies include the then Kilimo Kwanza Resolve, Big Results Now (BRN), the SAGCOT-NEPAD initiative, and USAID's Feed the Future. These initiatives have focused on regulatory reforms and continued to try to provide the private sector with a more prominent role in agricultural development. For instance, the BRN prioritises three crops – rice, sugar, and maize – and focuses on improving agricultural productivity, increasing market efficiencies, and strengthening analytics and accountability.

The National Climate Change Strategy of 2021-2026 seeks to strengthen the resilience of the agriculture sector to cope with variations in rainfall and temperature. It identified the importance of promoting drought resistant crops, strengthening weather forecasting, pest risk management, and postharvest processes. Work by the International Food Policy Research Institute (IFPRI) shows that changing rainfall patterns will result in some areas increasing their yields while other will lose. With increasing rainfall rice yields were forecast to double. These changes, of course, are not confined to Tanzania's borders but occur in neighbouring countries too, making regional trade integration one of the best strategies for coping with climate change.

In 2015, Tanzania adopted a ten-year Climate-Smart Agriculture Programme which identifies six strategic priorities. These include improving productivity, building resilience and mitigation, promoting integrated value chains, strengthening research, improving agricultural advisory services, and improving institutional coordination. Realising higher farm-level productivity requires improving access to higher-quality agricultural inputs (e.g., seeds and fertiliser), providing farmers with good quality technical advice, and making it easier for farmers to sell their products.

In conclusion, through the lens of the agricultural policies adopted, Tanzania has shown clear commitment to transforming the sector. However, the major issue is ineffective implementation of these policies and programmes. Insufficient budgetary allocation towards agriculture has been partly responsible for limited policy implementation. To ensure poverty alleviation and that agriculture becomes an engine of economic transformation in Africa, CAADP has set 10% as the minimum threshold of central government budget resources to be allocated to agriculture. Yet Tanzania's budget allocation towards agriculture has averaged 6.7% over the past five years.⁸

Trade policies to lift agricultural competitiveness

Current trade policies (2003 for mainland Tanzania and 2006 for Zanzibar) and investment policies (1996 for mainland Tanzania and 2004 for Zanzibar) are outdated to effectively promote competitiveness and diversification in an era where quality matters as much as prices. In the interim period, Tanzania's current trade and investment priorities are defined in its Second Five-Year Development Plan (FYDP II) 2016–20 which seeks to nurture Industrialisation for Economic Transformation and Human Development (United Republic of Tanzania 2015). The plan emphasises interventions to promote industrialisation, including establishing special economic zones, export processing zones, industrial parks, the strengthening of research and development, promoting local content, and developing capacity.

A number of reviews of the National Trade Policy environment and strategies have been undertaken over the last 15 years. These include the 2003 Tanzania National Trade Policy for Competitive Economy and Export-Led Growth, the 2005 World Bank Diagnostic Trade Integration Study (DTIS), the 2006 Zanzibar Trade Policy, the 2009–13 Tanzania Trade Integration Strategy, the 2010–14 Tanzania National Export Strategy, and the World Bank updated 2017 DTIS. Overall, these reviews reveal the increasingly glaring need for improved quality and standards, overcoming institutional bottlenecks, enhancing competitiveness, fostering export diversification, and upgrading the agricultural value chain.

Currently there are important parallel processes to this programme. ZMTIM commissioned a draft trade policy aimed at updating the Zanzibar Trade Policy (2006). The draft was prepared but not adopted in 2016. On the mainland, the Ministry of Trade, Industry, and Investment (MITI) began developing a new trade policy for Tanzania in 2016, to update the Tanzania National Trade Policy for Competitive Economy and Export-Led Growth (2003). The process was suspended midway, and the decision taken to first undertake an update of the Tanzania DTIS in 2005 and use the results of the updated DTIS to inform the drafting of the new trade policy.

⁸ <https://www.tanzaniainvest.com/economy/draft-budget-2017-18-june>

The most notable review is the World Bank's Tanzania - Diagnostic Trade Integration Study (DTIS) 2017, which updates and reviews the DTIS 2005. The DTIS focuses on agribusiness, mining and tourism discusses concerns on Sanitary and Phytosanitary (SPS), Technical Barrier to Trade (TBT) as well as regulatory and other institutional bottlenecks hindering trade and investment in Mainland Tanzania and Zanzibar. It also highlights the issues of regional integration, trade facilitation, small scale trade, and gender. The report identifies a package of measures that will support Tanzania's effective delivery of Integrated Industrial Development Strategy 2025. The DTIS 2017 notes that despite progress in improving many aspects of the business-enabling environment including under the Big Results Now and committing to regional integration, many of the constraints identified in the earlier DTIS remain. Tanzania ranks below its major regional peers in doing business and competitiveness rankings as highlighted below. This DTIS update sets out an updated Action Matrix that summarizes the recommended policy reforms.

The DTIS notes that many permits for agricultural products are only issued at regulatory agency's headquarters creating bureaucratic inefficiency. It recommends establishment of an electronic portal (one-stop shop) for all agricultural permits that is linked to the National Trade Portal. The report also argues that further trade reforms are needed for diversification, job creation and poverty reduction. Although Tanzania has enhanced its openness to trade in the last decade, trade potential has not been optimized due to low growth in exports and output. Trade with the EAC has remained low despite reduction of tariffs and NTBs. The conclusion of the COMESA, EAC and SADC Tripartite free trade area⁹ will also further enhance market access (and competition) to regional markets which Tanzania's producers should be ready to exploit. There is therefore under-exploited potential for significantly increasing exports to the region especially as regional transport and logistics links improve – which will help to lower trade costs. The costs of exporting from Tanzania to its major markets remain high which has a major impact on competitiveness and diverts trade to informal channels. Tanzania's exporters face more time-consuming processes compared to their regional neighbours. This points to the need for 'soft infrastructure' and trade facilitation reforms to enhance logistics and infrastructure efficiency. There is significant unreported 'missing trade' in agricultural products like coffee, maize, horticulture etc between Tanzania and region, and the mainland and Zanzibar.

To reduce trade costs and promote international competitiveness and export diversification, the DTIS recommends three key steps, namely:

⁹ The Tripartite FTA agreement includes 26 African countries has the potential to boost trade in Africa and accelerate development by creating a huge single market of about 700 million people with an estimated gross domestic product of well over US\$1.4 trillion.

1. Addressing trade barriers that impede market access (especially to regional trade) and reforming regulations that raise the price of imported inputs.
2. Strengthening the quality and transparency of trade-related regulations by streamlining regulations and the role of institutions (e.g., those dealing with standards and quality testing).
3. Addressing infrastructure and logistics bottlenecks that raise supply chain costs but reduce efficiency and thereby hinder smallholder farmers from engaging in trade participating in the benefits from trade. Examples include lack of warehousing and cold chain infrastructure which leads to significant loss of horticulture products; and
4. The DTIS further recommends that Tanzania should reform and simplify marketing arrangements for certain export crops like cloves and coffee, which partly points to crop board reforms that are under deliberation. This requires consensus-based approaches, as sector stakeholders and sector associations have submitted many recommendations on marketing reforms.

Examples of other recent trade policy analyses for Tanzania include: (i) Dubai Exports' *Tanzania – Economic Overview and Trade Analysis: Market Report 2016*; (ii) the United Nations Development Programme (UNDP) *Capacity Needs Assessment for Mainstreaming Trade Report (2014)* and *Capacity Development for Mainstreaming Trade project for Zanzibar (2013-2016)*; (iii) The International Growth Centre. (2013). *Expanding Agricultural Production in Tanzania: Scoping Study for IGC Tanzania on the National Panel Surveys*; (iv) CRISIL. (2011). *Special Economic Zone Development Strategy for Zanzibar and Road Map*; (v) Michigan State University under the USAID's Feed the Future Program and the Agricultural Sector Policy and Institutional Reform Strengthening project (ASPIRES) contributed to the Third Annual Agricultural Policy Conference (AAPC) in March 2017 on the Role of Agri-food Systems in Promoting Industrialization in Tanzania: Enhancing the Linkage of Upstream and Downstream Value Chain Activities in the Context of Agriculture Transformation. USAID, SAGCOT, DALBERG and Michigan State University have been variously collaborating with the Government's Partnership and Accountability Committee in developing an Agro-processing Strategy for the Government of Tanzania which seeks to crowd in investments in three zonal clusters e.g., undertake value chain prioritization and identify barriers across and within value chains; and (vi) USAID's Feed the Future: Building Capacity for African Agricultural Transformation Project (Africa Lead II) supported the Agricultural Non-State Actors Forum (ANSAF) in developing thematic reports and training on *Leveraging Agriculture-led Industrialization: Setting The Ground for a Mega Take Off (2017)*. Between 2011-2016, USAID's Feed the Future Tanzania SERA Policy Project researched over 18 different policies affecting agricultural sector performance with suggestions for future policy reforms such as the removal of

agricultural export bans (mostly affecting food crops) in favour of more market-oriented solutions that allow farmers to obtain higher prices and increase production.

There have similarly been a plethora of recent value chain analyses and recommendations targeting both cash crops and food crops. The key issue for Tanzania is to operationalize and implement recommendations and to sustain support and public investment into agriculture. One of the criticisms of the 2005 DTIS is that it was too ambitious, and both the mainland and Zanzibar were unable to implement some of the recommendation. We have also observed similar over-ambition in sector strategies. For example, the Coffee Sector Strategy is only partially implemented, and targets will not be met. The Spice Sector Strategy 2014 is yet to be implemented, and in fact some recommendations from the previous Spice Strategy were not implemented either. Therefore, against these resource and capacity limitations, it is prudent to be modest in making recommendations, to what is achievable and priority actions. Another key issue to consider is how to merge the trade policy documents and processes of the mainland and Zanzibar. Although there are formal mechanisms for collaboration on trade between the two sides, there still appears to be weaknesses at the level of officials, which means synergies are lost. There are many areas where Zanzibar would benefit from closer collaboration with the mainland, including on technical assistance projects.

Overall, these reviews reveal the increasingly glaring role of improved quality and standards overcoming institutional bottlenecks, enhancing competitiveness, fostering export diversification, and upgrading the agricultural value chain. They also demonstrate that there is no shortage of recent trade policy reviews and recommendations for policy action what is lacking is effective implementation, monitoring and evaluation of adopted policies and strategies.

The next chapter presents proposals for a trade policy framework to foster agricultural competitiveness, export diversification and value chain processing in Tanzania.

CHAPTER 4

BOTTLENECKS TO AGRICULTURAL COMPETITIVENESS AND EXPORT DIVERSIFICATION IN TANZANIA

Broad agricultural inhibitors

Agricultural production and competitiveness in Tanzania are marred by a number of bottlenecks affecting the entire value chain from input supply, production, processing to marketing, regulatory regime and institutions. The bottlenecks are well known and documented in national agricultural policy frameworks, strategy documents, several reviews, analysis and these correlate with those identified in this study. The field work revealed that at the heart of the challenges affecting agricultural performance is limited productivity due to supply side constraints and quality issues. Demand for Tanzania's agricultural products especially the non-traditional exports and some traditional exports such as coffee, tea, cotton, and sisal is huge yet Tanzania is failing to supply the right quantities at the right quality. Low productivity is a result of multiple factors chief among them being:

- **Dependence on subsistence farming.** About 70% Tanzania's crop area is cultivated by hand hoe, 20% by ox plough and 10% by tractor.¹⁰ According to the Global Yield Gap Atlas, most farmers are engaged in small-scale farming on plots ranging between 0.9ha and 3ha. Out of 10.1 million ha being cultivated, commercial farming is carried out on only 1.5 million ha. Food production accounts for nearly 85% of the cultivated area, although on 23% of suitable agricultural land is under-utilization. Not all the remaining unutilized land is easily accessible for a variety of reasons.
- **Limited access to high yielding seed varieties.** The majority of small holder farmers have no access to high yielding new seed varieties, fertilisers and chemicals; hence their output is low. They contend that certified and hybrid seeds cost two to four times higher than the price for non-hybrid seed. It is estimated that 75% of smallholder farmers source their seeds through the informal seed system which exposes them to low yielding and occasionally counterfeit seeds, including even expired seeds that are more susceptible to diseases and pests. On the other hand, Tanzania has highly favourable climate to develop a vibrant seed industry along the Northern corridor which has rich

¹⁰ For a detailed survey of agricultural constraints in Tanzania see also USAID Feed the Future. (2020) *Final Report – Tanzania Enabling Policy Environment for Agricultural Sector Growth: SERA Policy Project*. Available at www.usaid.gov

volcanic soils, warm climate and cool nights – ideal conditions for seed production but the local agriculture research institutions like the Tanzania Coffee Research Institute (TaCRI), face various operating and resource constraints.¹¹ Specific constraints that inhibit growth of the seed industry that have to be addressed include improving access to new varieties, improving the efficiency and cost of the process for registering seeds under the Tanzania Official Seed Certification Institute (TOSCI) – which is working to secure accreditation to the International Seed Trade Association (ISTA), providing support to local laboratories to obtain accreditation and certification (including, development of infrastructure and purchase of equipment) to enable regional exports, periodic surveys of market demand were needed to incentivise licensing of protected varieties, as well as improving the tax treatment and incentives to the seed industry. The seed industry also needs to find a policy balance between the role of government and private sector in the seed sector, in a manner that encourages healthy competition and better availability, quality and prices of seeds for farmers. The Government liberalised the seed market in the early 2000s but established the Agricultural Seed Agency (ASA) in 2006, which now acts as an intermediary between the national agricultural research institutes (ARIs) and the private sector. In practice, the ASA can be a bottleneck in the supply chain and pursues its own commercial activities in direct competition with private sector seed companies.¹² Use of high-yield and climate-proof (e.g., drought resistant) seeds is key to unlocking agricultural productivity and competitiveness. This requires the existence of a vibrant and competitive seed industry and seed trade, including, an import regime that allows farmers to access seeds easily.

- **Lack of irrigation capacity and infrastructure.** Most farmers rely on rain-fed agriculture which is becoming increasingly erratic due to climate change. According to the National Irrigation Master Plan (2002) out of the 44 million ha of arable land, a total of 29.4 million ha has potential for irrigation. However, only about 589,000 ha (just over 2% of arable land with irrigation potential) are currently under irrigation, with some of the installed capacity in need of upgrading. There is also growing competition for water sources which has implications for Government plans to expand irrigation to one million ha by 2020. This includes both access to local and transboundary water sources. Recent pledges by Government to increase irrigation present exciting

¹¹ See for example Ubwani, Zephania. *TaCRI in dire financial state*. The Citizen, Friday 14 July 2017. Available at <http://www.thecitizen.co.tz/>

¹² USAID Enabling Agricultural Trade (EAT) project. (2013). *SeedCLIR Tanzania Pilot Report*. Available at <http://eatproject.org/>

opportunities to boost agricultural productivity.¹³ The Irrigation Master Plan is currently being reviewed. The country's size and water diversity will require locally tailored irrigation solutions to include initiatives such as gravity-fed irrigation schemes, rainwater harvesting schemes etc. Irrigation requires considerable investment, and out-grower schemes have demonstrated some success in unlocking private sector investments into irrigation in Tanzania. However, this success and sustainability depends on effective collaboration between an ecosystem of value chain stakeholders: lead firms (commercial estates), farmers, central and local government, banks, water boards, donors, NGOs etc. More technical/engineering capacity will be needed to develop water resources, and regulations to ensure equitable allocation of water, including, mechanisms for resolving water disputes.

- **Limited technology absorption.** There is low agricultural mechanisation, diffusion and absorption of technology and innovation. Agyei-Holmes (2016), identifies the major challenges of absorption of technology as quality and suitability machinery for Tanzanian conditions (especially with the rise of Chinese and Indian imports of machinery), the quality and availability of service providers and spare parts (which attract duty beyond 10% for spare parts relative to the value of a tractor) and obtaining financing for machinery. Quite often imported technology is not appropriate for small holder farmers.
- **Low investment in service delivery.** Agricultural service delivery through public research, extension, and training are still inadequate both in terms of manpower and budget allocation despite of government's effort. This leads to low access to new knowledge and technology by farmers, and poor adoption rate of improved technology. There needs to be a supporting ecosystem of reforms and measures ranging from skills training, extension services, affordable financing for inputs, infrastructure, efficient marketing systems and tax structures etc., which will allow Tanzania's smallholder farmers to make more productive use of their land.
- **Insecure land tenure.** Decentralisation has exposed weaknesses in land administration capacity among local governmental authorities (LGAs), which is affecting agricultural production and investments. There are disparities in how foreign investors access land in Tanzania, which can contribute to disputes with local farmers. For example, we observed examples where investors had agreed farm leases with primary societies or cooperative unions, and when the management of the primary society of cooperative union changed, they sought to revoke or significantly revise the terms of the lease. About 80% of Tanzania's

¹³ See Oates, Naomi; Mosello, Beatrice Mosello and Jobbins, Guy. (2017). *Pathways for irrigation development: policies and irrigation performance in Tanzania*. Pathways to Resilience in Semi-Arid Economies (PRISE) project. Available at <http://prise.odi.org/>

land is classified as village lands. Land in many villages is not mapped, demarcated according to use or registered/titled. Only about 10% of the population are said to have formal certificates of ownership of farmlands. Increased security of tenure leads to enhanced productivity through the intensification effect. Farmers with greater security of tenure are more confident in making capital investments in their farms. The basic legal and regulatory framework governing investment and purchases of agricultural land for locals and foreigners should be transparent, streamlined, and certain. Especially if the Government plans to unlock large scale agricultural investments such as SAGCOT are to succeed and be replicated along other regional corridors. Several bilateral partners, including, the European Union, USAID (SERA Project), Denmark, GiZ, IFAD and Sweden are supporting the government with reforms in this area. Reforms need to also include land use planning, which was a major problem for land scarce regions like Unga and Kilimanjaro, Arusha etc.

- **Poor quality and standards across production and processing** are major inhibitors to agricultural export competitiveness and prevent Tanzania's ability to upgrade across different value chains. The national quality and standards infrastructure suffers from substantial weaknesses. These include the overlapping mandates and limited capacity for trade facilitation of trade-supporting agencies like the Tanzania Bureau of Standards (TBS) and Zanzibar Bureau of Standards (ZBS), low transparency in disseminating information on product standards, resource constraints and poor capacity for compliance with standards among local producers and processors which undermines competitiveness in foreign markets. Quality infrastructure' (QI) forms the basic enabling environment for providing proof of compliance with export market standards. This is an area in need of significant development in Tanzania. QI is also essential for successful efforts to upgrade value chains, for example, diversification into organic and other certified specialty products. The DTIS 2017 also draws attention to product quality issues by addressing sanitary and phytosanitary (SPS), technical barriers to trade (TBT) as well as regulatory and other institutional bottlenecks.

Other cross-cutting inhibitors of agricultural competitiveness include:

- **Weak rural infrastructures.** Weak rural infrastructures including rural road, electrification, market facilities and others have discouraged investments in agricultural production and agro-industries by private sector.
- **Degradation of natural environment.** As the development and human activity enhances, degradation of natural environment such as land degradation, siltation in the river, change of river course, eventually affect the agricultural

activities. Observation of environmental laws and regulations at local level is generally weak.

- **Increasing resource competition.** Along with climate changes, water demand by multiple sectors (agriculture, energy, human life consumption, watershed, and wildlife conservation, etc.) is becoming more and more competitive. There is no assurance of continuous water allocation for the agricultural sector, which is the largest user of water resources. Increasing human and livestock populations are putting pressure on land use. Increasing conflicts between farmers and livestock keepers is a hindrance to the sector development. Promotion of land use plans and their enforcement is critical for sustainability of the sector.¹⁴
- **Limited to access to finance** and the limited resources of many rural Savings and Credit Cooperatives (SACCOs).
- **Governance and marketing issues** along the value chain involving complicated relationships between Agricultural Marketing Co-operative Societies (AMCOS), crop boards, traders, and lead firms (commercial estates etc). Relationships are affected by oligopolies, low prices at auctions, rent seeking middlemen, informal contracts with poor compliance and enforcement, etc.
- **Weak institutional capacity** and coordination among diverse stakeholders at national and local levels.
- **Weak policy and regulatory implementation** for achieving sustained agricultural growth targets.
- **Limited access to market information and transparency.**

In general, the blockages affecting agricultural competitiveness can be categorised into three broad areas namely:

5. Supply-side factors, including governance and macrofiscal, trade and domestic policies that establish the incentive framework faced by the private sector, as well as the factor inputs that determine competitiveness at the factory or farm gate.
6. Trade promotion infrastructure – range of interventions by government to address market failures (coordination challenges, asymmetric information) and government failures that restrict export participation and performance, including traditional export promotion, special economic zones, industry coordination bodies, and standards regimes; and
7. Market access – the external trade policy environment that constrain exporters from entering and maintaining competitiveness in markets.

Table 2 provides details of the elements of each category.

¹⁴ ASDS-II: Agricultural Sector Development Strategy 2015/15–2025/26.

Table 2: Categories of bottlenecks to agricultural competitiveness

Supply-side factors	Trade promotion infrastructure	Market access
Land tenure and registration problems	Regulatory environment and governance	Tariff peaks
Deficiency of relevant agricultural and quality infrastructure	Incentive scheme	Quantitative restrictions
Inadequate credit facilities	Trade facilitation and logistics	Non-tariff barriers
Inadequate access to safer seeds, products, or processes quality inefficiencies	Duplication of tasks by government agencies	Preferential trade arrangements
Insufficient funds for extension services	Unfavourable trade and business environment	Standards and certification
Scale economies	Underreported activities of women and children	Logistics
Poor farming practices	Failure of farmers' cooperatives and associations;	Rules of Origin
Changing climate	Limited government support across all levels	Multiple taxes and levies
Insufficient production skills	Inadequate records keeping	
inadequacy of reliable cold chain	Industry coordination bodies	
Environmental resources degradation	Standards and certification	
Pests, infection and increasing risk of diseases	Export and investment promotion	
Limited value chain upgrading		

Due to the wide nature of the bottlenecks affecting agriculture, this study only focuses on trade related bottlenecks affecting agricultural export competitiveness and diversification.

Trade-related bottlenecks affecting agricultural export competitiveness

The main trade-related bottlenecks affecting agricultural competitiveness include:

- ✚ Complex and rigid regulations that affect access and availability of agricultural inputs.
- ✚ Closed marketing channels for main traditional exports.
- ✚ Duplication of standard requirements and processes.
- ✚ Unpredictable application of export restrictions and high levels of protection and export taxes.
- ✚ Transport and logistical constraints.
- ✚ Cumbersome border administration procedures.

Regulatory environment

Over the years, Tanzania has created numerous regulatory agencies and complex trade rules that add to the cost of doing business, delay farmer access to new types of inputs, and prevent small entrepreneurs from competing on equal footing with large companies.

Rigid technical regulations

Agricultural competitiveness is seriously undermined by overlapping and unnecessarily rigid technical regulations, namely:

- Time consuming and expensive procedures for approving crop inputs (new varieties of seed, new fertiliser products, new agrichemicals);
- Overlap between TBS and TFDA product registration and inspection requirements; and
- All standards for food products are treated as mandatory technical regulations including non-essential quality aspects contrary to WTO SPS and TBT agreements.

Regulations governing agriculture inputs including as seed, fertiliser, pesticides, and farm machinery are cumbersome and affect Tanzania's competitiveness in agriculture trade. For instance, depending on variety, new seed varieties must be tested for minimum of five years in different locations before being released into the market. All types of fertilisers in Tanzania are required to be registered by the Tanzania Fertiliser Regulatory Authority (TFRA). Every single combination of NPK fertiliser and supplemental micronutrient requires a minimum of 3 years of domestic field trials at multiple test sites before it could be sold to farmers. Until recently, product registration by each importer, including every new combination, required three seasons of domestic field trails at a cost of US\$10,000 per season. The government continues to levy VAT on seed while some district authorities charge cess. (Tanzania – Diagnostic

Trade Integration Study 2017). Reforming the Seed Act and the Fertiliser Act to allow the fast-track registration of new seed types and removing restrictions on fertiliser and types of fertilisers will encourage more efficient production.

Standards and technical regulations

Tanzania's food safety regime is fragmented, costly and ineffective. The existing national quality infrastructure imposes unnecessary costs on producers through over-regulation, which adds to trade costs, undermines competitiveness, and effectively crowds out small traders from participating in the formal sector. For health considerations, the Tanzania Bureau of Standards (TBS) has made all standards in agriculture mandatory (available at a cost), which creates additional work and increases compliance costs. Further, there are considerable overlapping responsibilities between TBS and TFDA. Both regulate the same products, but each agency maintains separate product registration and inspection requirements in the name of food safety. This adds to the time and resources required for obtaining approval to register even very basic food products and release crop inputs (Tanzania – Diagnostic Trade Integration Study 2017). In 2012, Zanzibar established the Zanzibar Bureau of Standards (ZBS) risking duplicating procedures on intra-union trade which increases compliance costs.

Elimination of regulatory overlaps and minimising the costs of regulatory compliance in both time and money could lead to higher farm gate prices. These would incentivise farmers to raise crop yields and supply more raw material for processing as well as spurring domestic and regional agriculture trade essential for poverty reduction.

Centralised marketing

Marketing of major agricultural products (e.g., cloves, coffee, cashew, cotton) is centralised and controlled. This prevents private firms from competing for business, affecting competitiveness of the sector. For example, cloves can only be exported by the Zanzibar State Trading Company (ZSTC) which enjoys a 100% monopoly on the trade of this commodity. All coffee must be sold on Moshi auction run by the Tanzania Coffee Board (TCB) or through a direct export contract approved by the TCB. A Warehouse Receipt System introduced to stamp out collusion and to increase competition between processors, cashew buyers and exporters is now mandatory whereby all cashew sales are through auctions managed by the Cashew Nut Board of Tanzania.

As a result, closed marketing, (official monopolies, single channels, and other controls) discourages large and small-scale private investment, depresses prices farmers receive and reduces competition as farmers and buyers do not have market options.

Export restrictions on agricultural products

Exporting agricultural products requires several trade permits, licences, and registration certificates most of which can only be fulfilled by travelling to each

agency's headquarters which increases costs of exportation. For instance, to promote food security and regulate the trade in staple foods, export licences are required for all major food crops (maize, rice, and sugar).¹⁵ However, the process for obtaining export permits remains cumbersome and effectively discriminates against smallholder farmers and small traders- exporters have to go through five steps to obtain an export licence.

The general requirements to obtain an export licence include: (i) business licence; import/export licence; (ii) tax clearance certificate; (iii) TFDA certification of safety of food and drugs, Mark of Origin, Quality Standard Certification, Phytosanitary Certificate, Certificate of Radiation Analysis. Because of the difficulties involved, most traders choose to rely on secondary markets by paying a fee to the forwarding and clearing agents for a permit.¹⁶ Only large traders have the capacity and economies of scale needed to comply with these requirements, leaving local entrepreneurs shut out from business in their own country.

Export restrictions increase the cost of exporting (transaction costs), which effectively discriminate against small-scale traders as they end up receiving lower prices for their crops and ultimately affect their export competitiveness. The imposition of export bans at short notice creates market uncertainty, discourages investment, and increases price volatility. Coherent and predictable policies are crucial for sustainable sector development.

Anti-export bias due to high tariff on agricultural imports

Tanzania imposes high tariffs on some agricultural imports (cane or beet sugar and chemically pure sucrose – EAC common external tariff (CET) of 35–100%, rice 75%, dairy 60%).¹⁷ Further, products in which Tanzania has a comparative advantage, such as cashew nuts, coffee, tea, and tobacco all have most favoured nation (MFN) tariff of 25% which discourages agro-industrial expansion and diversification by increasing the input costs. High tariff creates captive markets. Instead of being motivated to produce for export, firms find comfort is producing for local captive markets. The effect of protecting local markets creates a bias against competing exports and does not encourage productivity-enhancing investments.

¹⁵ Mukhtar Amin and Dirck Stryker, Impact of Export and Import Permits on Staple Food Trade in Tanzania, September 2013.

¹⁶ Ibid.

¹⁷ Tanzania tariff regime is governed by the EAC CET regime. However, Zanzibar has a dispensation from the EAC CET to maintain much reduced tariffs on the imports of rice and sugar destined for domestic consumption. It also has its own investment regime, and independent policies for government procurement, privatization, completion policy and intellectual property rights.

Export taxes

To encourage domestic value addition and processing, export taxes are levied on raw hides and skins (60% of the FOB value), raw cashew nuts (10% of the FOB), and on blue leather. However, export tax serves to reduce the prices paid to farmers and discourages the production of higher-quality hides and skins.¹⁸ The export tax on cashew nuts also has the unintended effect of depressing the prices paid to smallholders and farmers.

Trade incentive scheme

Tanzania has a number of incentive programmes to support exports (VAT exemption on agricultural inputs and equipment, rebates and remission, duty drawback, and special economic zones). However, the schemes are more skewed towards supporting manufacturing than agriculture issues. For example, to enhance agricultural production there is VAT exemption on agricultural inputs, but exemptions do not cover all agricultural inputs. Key agriculture inputs including irrigation and water harvesting equipment, rice processing equipment, special planting material tools including plastic bags and seed trays, milk processing supplies and equipment, and many other packaging and planting materials are excluded in the VAT exemption scheme. Further, access to these incentives is only available to formally registered firms yet most of agricultural operators are small scale.

Non-tariff barriers

The Tanzania Chamber of Commerce, Industry and Agriculture (TCCIA), identified the top five NTBs, which included transport, clearing and forwarding as the leading constraint (27.59% of reported cases). Traders cited cumbersome border administration procedures, delays and border posts which resulted in additional port charges, and inconsistent shipping times. Customs and administrative procedures (20.69% of reported NTBs), stemmed from problems with rules and certificates of origin from Tanzania being rejected by some regional trading partners. Technical barriers to trade (TBT) constituted 17.24% of reported NTBs. Challenges here included disparities and unreasonable testing requirements, delays in testing e.g., limited capacity in Zanzibar leading to products being sent to mainland for testing, where there were delays and backlog. In some cases, there are not only inconsistencies between TBS and its regional counterparts, but also with the Zanzibar Bureau of Standards. The report also notes the absence of risk management strategies for using

¹⁸ In Zimbabwe, in 2014 export taxes were imposed on hides and skin to promote domestic value addition but prices that were offered by the tanneries were much lower than costs of collecting hides from farmers and did not make business sense. At the same time abattoirs were not paying for the fifth quarter so farmers simply left the hides to rot and exports of both processed products and hides fell drastically triggering a strike by farmers.

scarce technical and staffing resources efficiency. There is also mandatory radiation testing for all agri-food imports and exports.

Our recommendation was for governments on mainland and in Zanzibar to work urgently to streamline the testing agencies (standards bodies, food safety agencies, government chemist, the Tanzanian Atomic Energy Commission and other testing agencies) to avoid unnecessary duplication and to focus on synergies and building testing and accreditation capacity. There is also a need to harmonise testing at the regional level. Another leading NTB (13.79% of complaints) was the lack of coordination between government institutions on issues such as taxes, licensing procedures, access to land (for example, some uncertainty as to the applicable regime for investors when dealing with both the Tanzania Investment Centre and the Export Processing Zones Authority).

Transport and trade logistics

Transport and logistics are a major issue affecting agricultural competitiveness along the five export corridors. For instance, over 70% of Rwanda's maritime cargo passes through the Dar es Salaam port. However, the export corridors are poorly linked with only 7% of the entire road network paved (10,601 km out of 152,600 km), 18% electrification, limited rail, and air travel (NBS, 2017). For example, the transit time from Dar to Zambia is seven days at a cost of US\$4,000 per container (Southern Corridor), while that from Dar to Kampala takes four days at \$3,800 per container (Central Corridor).¹⁹

Trading across borders is Tanzania's weakest indicator

Trading across borders²⁰ is Tanzania's weakest indicator in the WB report, whether measured relative to other countries or relative to the best performing country (see Figure 7 below). In 2017, Tanzania had a ranking of number 180 from 190 economies on the ease of trading across borders, but it still has a long way to go and compares poorly to regional countries in terms of distance to frontier. It is also noteworthy that although documentary compliance for exports is larger than for imports in Tanzania, in the rest of the EAC documentary compliance costs for imports are significantly larger than for exports. High compliance costs for exports have a negative effect on agricultural exports as most of them are perishable.

It is, however, important to highlight some improvements over the years. Following the upgrade of infrastructure at the Port of Dar es Salaam and rolling out of the Tanzania Customs Integrated System (TANCIS) – an online system for downloading

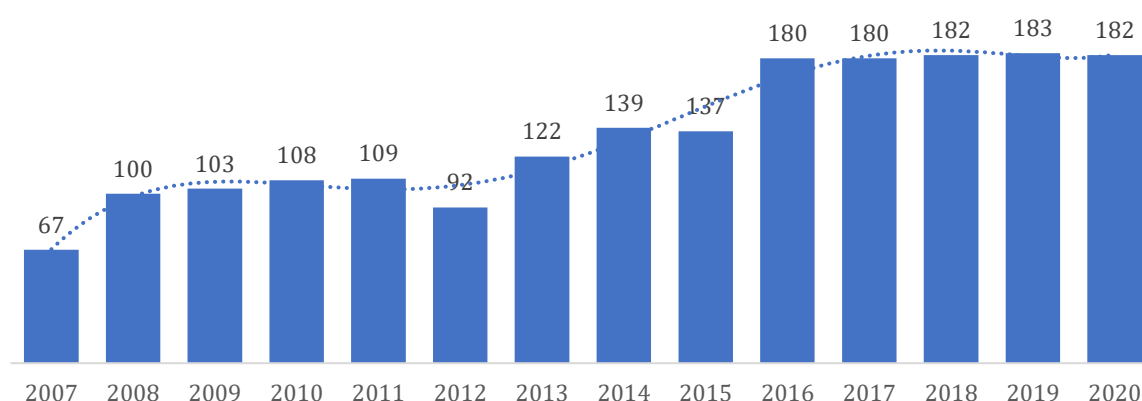
¹⁹ Nakaweesi, D (2017). Kampala-Dar es Salaam: Another route Uganda should consider? <http://www.monitor.co.ug/Business/Prosper/Kampala-Dar-es-Salaam--Another-route-Uganda-consider/688616-3839108-uhsfugz/index.html>. Accessed 07 Feb 2018.

²⁰ www.doingbusiness.org/.../tanzania?topic=trading-across-borders

and processing customs documents, Tanzania’s Doing Business recorded improvements in 2015 and 2020 respectively.²¹ Over the same period, the time required for exporting a container declined from 18 to 4 days, but the cost increased by 32.6%. To export a single container, the border compliance in Tanzania costs US\$ 1,175 as reported in the DB 2020. This cost is far higher than the SSA average of US\$ 603 and US\$ 137 in the OECD high income countries. It costs nothing (US\$ 0) in the 19 best regulatory performing countries. In the DB 2020, documentary compliance to export a single container cost US\$ 275 against the SSA average of US\$ 173 and US\$ 33 for the OECD high income countries.

Further, Tanzania has made importing more difficult by introducing a requirement to obtain a certificate of conformity before the imported goods are shipped. The time required to import declines from 26 to 16.75 days, while the cost of compliance increased by 6.8%.²² The time spent to import is more than 3 times higher than the SSA average of 5.25 days while the cost of importing a single 20-foot contained which stands at US\$ 1,350 is twice the SSA average of US\$ 691 and more than 10 times the US\$ 98 that costs an importer in the OECD high income countries. According to the 2017 DTIS, notwithstanding recent improvements relating to the new customs clearance software TANCIS, Tanzania’s border procedures continue to rely on physical inspection and unnecessarily bureaucratic procedures resulting in delays and additional costs on both importers and exporters, which slows down and discourages formal transactions while encouraging parallel trade. Unnecessary and duplicative customs procedures and inefficient Tanzania Ports Authority port operations divert trade to alternative ports.

Figure 7: How Tanzania ranks on the ease of trading across borders



²¹ World Doing (2020). Doing Business. Washington DC: World Bank.

²² documents.worldbank.org/curated/en/714021478682069410/Doing-business

Limited transparency

Limited transparency of Tanzania's trade rules and lack of reliable and timely data are serious constraints affecting agricultural competitiveness. As noted earlier, most producers are small-scale farmers with no access to the Internet, which makes it challenging to access updates on key requirements from relevant service institutions. At the same time, websites of business support institutions do not always have customer friendly up-to-date information. According to the Agricultural Statistics Strategic Plan (2014), National Sample Census of Agriculture, Annual Agricultural Sample Survey, and routine data collection systems need to be improved towards evidence-based decision making. As agricultural production continues to increase, export market, especially to regional one, needs to be explored.

An international perspective and comparison of the bottlenecks to competitiveness

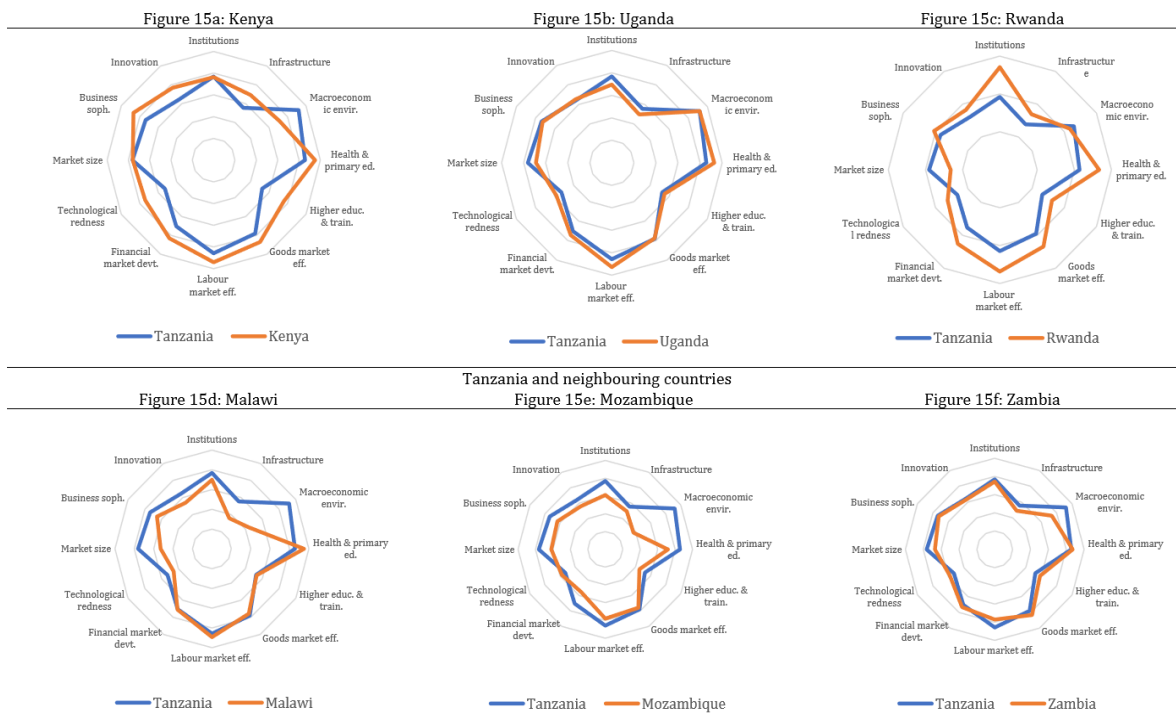
From the global perspective, several sources inform about Tanzania's bottlenecks to competitiveness in comparison with other countries. They include the WB's Doing Business Economy Profile for Tanzania, the Africa Competitiveness Report and the related Global Competitiveness Index jointly published by the African Development Bank (AfDB), the World Bank and the World Economic Forum (WEF). Table 3 and Figure 8 below list Tanzania's global ranking for selected competitiveness indicators. They illustrate that out of 144 countries, Tanzania scores low on many of these basic pillars. Moreover, Tanzania's competitiveness ranking has been declining over the last decade compared to its regional peers. In 2008, Tanzania was ranked 104th globally (11th in Africa in 2006); by 2015 it had slid to 121st globally and 22nd in Africa. Tanzania's regional peers improved their global competitiveness ranking in 2015 led by Rwanda which moved from 66th to 62nd (3rd in Africa) and Kenya which moved from 96th to 90th (10th in Africa). Zambia has also seen its ranking rise from 122nd in 2008 (23rd in Africa) to 96th in 2016 (12th in Africa).

Table 3: Tanzania: Global Competitiveness Index Ranking 2014/15: Selected indicators

Pillar and Sub-Index	Rank / 144 countries	Score 1-7 (best)
Global Competitiveness Index	121	3.6
Irregular payments and bribes (imports and exports)	117	2.6
Irregular payments and bribes: Annual tax payments	125	2.8
Irregular payment and bribes: public utilities	133	3.1
Public institutions	92	3.4

Burden of government regulation	61	3.6
Transparency of government policymaking	111	3.6
Private institutions	119	3.7
Infrastructure	130	2.3
Transport infrastructure	123	2.6
Quality of roads	112	3.0
Quality of railroad infrastructure	88	2.0
Quality of port infrastructure	106	3.3
Quality of air transport infrastructure	131	2.8
Electricity and telephony infrastructure	131	1.9
Skills: Quality of Higher Education and training	134	2.4
Secondary education enrolment rate	132	3.5
Tertiary education enrolment rate	134	3.9
Quality of math and science education	137	2.4
Goods market efficiency	122	3.9
Number of procedures and time to start a business	105	
Agricultural policy costs	101	3.4
Prevalence of non-tariff barriers	125	3.9
Burden of customs procedures	123	3.2
Labour market efficiency	47	4.4
Pay and productivity	122	3.3
Affordability of financial services	116	3.6
Availability of latest technologies	126	3.8
Firm-level technology absorption	129	3.8
Capacity for Innovation	102	3.4
ICT use	137	1.1
Exports % GDP	115	24.6
Local supplier quality	112	3.8
Nature of competitive advantage	108	3.0
Value chain breadth	102	3.5
Control of international distribution	119	3.5
Production process sophistication	111	3.2
Extent of marketing	117	3.5

Figure 8: Tanzania Global Competitiveness Index – Score 2014-2015 (1=Lowest, 5=Best)



Source: World Economic Forum (2017). *The Africa competitiveness report 2017: Addressing Africa's demographic dividend*.

From Table 3 and Figure 8 above we can identify some of the most problematic factors and constraints to enhancing competitiveness which correlate to the bottlenecks that were identified during the field visits and stakeholder interviews. They include, for example, access to land, access to affordable financing, inadequate supply of infrastructure and quality of infrastructure, removal of non-tariff barriers, macro-economic constraints and burdensome regulations constraints that affect the business enabling environment, corruption, and administrative inconsistency with respect to licensing, tax assessments etc, also challenges in dealing with LGAs. The challenge of skills is an economy wide challenge, which highlights the need for improving education at all levels, including Science, Technology, Engineering and Mathematics (STEM) subjects and the use of technologies in learning. Agricultural taxes are substantial and complex challenge for most sectors. They involve land rent, local government levies, licenses, and Value Added Tax (VAT) on fuel. In addition, the current tax code and avenues for tax payments are complex and costly and taxpayers have to pay multiple through multiple agencies e.g., local taxes, pre-profit taxes, produce cess, VAT on agricultural inputs, machinery and spare parts (despite agricultural inputs being declared VAT-exempt).²³

²³ Dalberg and Michigan State University. (2017). *Draft Agro-processing Strategy for the Government of Tanzania*. Available at <http://foodsecuritypolicy.msu.edu/>

CHAPTER 5

PROPOSALS FOR A TRADE POLICY FRAMEWORK TO ENHANCE AGRICULTURAL COMPETITIVENESS AND EXPORT DIVERSIFICATION

The rationale and anchors for a trade policy framework to enhance agricultural competitiveness

The rationale of a new trade policy lies in that the current trade policy framework (2003 for Mainland Tanzania and 2006 for Zanzibar) are outdated to effectively promote competitiveness and diversification in an era where supply response and quality matters as much as prices. The new trade policy framework should build on the lessons from the previous trade policy, the outcomes of the various trade policy reviews outlined in the preceding chapters. More importantly, 'enhancing competitiveness' should be the main rallying and cross-cutting theme for a new trade policy framework as in seeking to achieve high levels of competitiveness bottlenecks identified in the preceding chapters will first need to be addressed.

The new trade policy should be anchored to the 2025 Tanzania Development Vision (TDV 2025) which is premised on transforming Tanzania's economy into a typical medium income developing country by 2025 through among others increased productivity and development in agriculture. In addition the new trade policy framework should mainstream key strategies of The 2013 National Agricultural Policy (NAP); Tanzania Agriculture and Food Security Investment Plan (TAFSIP); National Strategy for Growth and Reduction of Poverty (NSGRP I and II); MKUKUTA/MKUZA; Comprehensive African Agriculture Development Program (CAADP); Agricultural Sector Development Strategy (ASDP I and II) ' Kilimo Kwanza' the Agricultural Transformation Initiative; and the Agricultural Strategic Plan for both Mainland Tanzania and Zanzibar; 10-year Climate Smart Agriculture Program; and the National Climate Change Strategy of 2012 among others. Specifically, the development of Tanzania's agricultural trade competitiveness should be intimately linked and influenced by its membership to regional organisations namely Southern Africa Development Community (SADC), EAC, the Tripartite FTA and as well as WTO including GSP schemes.

Imperative agricultural policy reforms to stimulate competitiveness

The broad policy strategies to enhance agricultural competitiveness include:

- Entrenching a culture of commercial agriculture among farmers as opposed to subsistence farming. A negative image of farming as backbreaking and non-rewarding work causes youth to migrate from farms. There is even a worrying trend of brain drain from the sector, as trained young agronomists are electing to work in other sectors that are perceived as more lucrative.
- Scaling up production by drastically improving productivity. This includes raising the level of technology absorption and mechanization, greater use and development of high-yield and climate resilient seed varieties, strengthening crop research institutions.
- Addressing the issues of land tenure, registration and access for women and youth (as women form the bulk of the agriculture labour force), while also improving access for investors and monitoring and handholding of investors to ensure land investments materialize on time as promised. The land policy has to address regional nuances and differences. For example, some regions like Dar es Salaam, Kilimanjaro, Unguja have very high population densities and increasing land scarcity.
- Strengthening extension services that are key to providing support to farmers for improved productivity. As of April 2016, the demand for extension officers stood at 15,802 versus 9,558 employed officers (a shortfall of 40%). There is also a great need for training specialists to have skills that are crop specific, to augment 'generalist' extension officers and the extension services supplied by commercial farmers under out-grower schemes.
- Improving on-farm and off-farm infrastructure, especially for on-farm processing, storage facilities at ports and airports, increase the number warehousing/storage facilities and pack sheds, public-private-partnership investments in cold chain, expanding the area under irrigation and promoting water use efficiency.
- Drastically improving public financing and the efficiency of disbursement of funds to agricultural sectors. At 4.9% of the budget, funding towards agriculture is far less than the target of 10% of the budget contrary Tanzania's commitments under the Maputo/Malabo Declaration on Accelerated Agricultural Growth and Transformation for Shared Prosperity and Improved Livelihoods.
- Greater transparency, accountability and standardization is needed on the budget allocations and spending priorities of Local Government Authorities (LGAs) and District Councils and how these priorities are integrated into District

Agricultural Development Plans (DADPs).²⁴ LGAs are at the forefront of implementing support for local agriculture. Yet we observed cases where funds received from agriculture cess were not being reinvested into agriculture but used for other purposes like payment of council salaries and administrative expenses. In other cases, we observed extension services that lacked funding and essential tools like motorcycles and vehicles, which left extension officers demoralized. Local agricultural stakeholders need to have more input into the formulation and implementation of DADPs.

- Strengthening the capacity and efficiency of the Ministry of Agriculture, Livestock and Fisheries and LGAs to absorb increased funds, disburse agricultural development funds, implement, and sustain projects. There have been recent instances where only 24% of the agriculture budget was disbursed.²⁵ Given the limited funding from central government and bilateral partners, LGAs also needed to explore additional income sources. We observed instances of unfinished projects and where projects initiated by donor funds came to a halt and reverted to previous status quo once funding ended. In addition, collection of data by LGAs requires greater consistency and standardisation.
- Improving governance of primary societies and cooperative unions which play a leading role in training on agronomical and good agricultural practices, especially raising productivity, development of standards and obtaining certification marketing. It was observed that some of the better performing primary societies have benefitted from close collaboration with lead firms from the private sector e.g., in horticulture and coffee, and long-term support from NGOs to develop improved and accountable governance structures.
- Improving the efficiency and governance of crop boards.
- Improving the enabling environment for seed production and the seed value chain. This includes adopting a more streamlined, time and cost-efficient process for registration and licensing of seed varieties under TOSCI, elaborating on the role of the Agricultural Seed Agency (ASA) (in collaboration with industry stakeholders like the agricultural research institutions and the Tanzania Seed Traders Association) on a healthy competitive relationship between private and public operators, ease bottlenecks in the supply of basic seed and vigorously implement a national program for quality control in the seed market to deal with the on-going problem of fake seeds. Expand the use of seed (input) vouchers to stimulate demand and development of the seed value chain.

²⁴ See for example report by MVIWATA, Tanzania Organic Agriculture Movement (TOAM) et al. (2015). *Small-scale farmers are the backbone of Tanzania's agriculture sector: is this reality reflected in local government plans and expenditure?* Available at www.tfcg.org

²⁵ See Eastern and Southern Africa Small Scale Farmers Forum. (2015). *Tanzania Agriculture Sector Budget Allocation Still Far Low*. Available at www.esaff.org

- Supporting business to business linkages and leverage synergies between large commercial farmers and small and medium scale farmers within corridor initiatives such as SAGCOT.
- Rationalising and reducing the number of trade permits, trade licences, and registration certificates required for exportation.

Box 1: 2017–18 Planting season: new measures to support agriculture

In the 2017-2018 planting year, farmers and consumers of agricultural products are on the way to overcoming a few agricultural trade capacity related bottlenecks due to the government announcement of removing 80 out of 139 levies in the 2017–18 fiscal year, thereby reducing the burden of numerous taxes and high inputs costs that farmers have been subjected to. More specifically, the Ministry of Agriculture, Livestock and Fisheries also removed 23 levies on livestock products, as well as five levies on fisheries products, thus making it 108 taxes and levies removal from the three sub-sectors. Further, the ministry will remove 10 levies charged on tobacco products, coffee (17), sugar (16) and cotton (2). The government will also remove 20 fees charged by the Tanzanian Cooperative Development Commission. Some levies that will no longer exist in the next agricultural year include tax on license to buy Dark Fire Cured tobacco (DFC) amounting to US\$400, fee on license to see coffee outside the country (US\$1000), and parchment dry cherry coffee buying license (US\$20), fee on coffee processing license (US\$250), and a fee (US\$450,000) paid by each cotton processing enterprise as a contribution to a national torch race.

- Streamlining the unnecessarily rigid technical regulations procedures for approving crop inputs (new varieties of seed, new fertiliser products, new agrichemicals) and considering allowing for existing public and private test data from other countries to be used in granting product registration.
- Urgently improving trade facilitation, transport, and logistics services along export corridors by addressing the soft infrastructure as these require policy reforms and do not need many resources.

Additionally, the overlap between TBS and TFDA product registration and inspection requirements should be addressed through mutual recognition of each other's product registration and testing procedures by eliminating mandatory inspections and product registration requirements that do not have a direct and justifiable health or safety objective; eliminate market restrictions official monopolies, single channels, and other controls on major exports as that discourages large and small-scale private investment.

Box 2 - TradeMark East Africa (TMEA) support to export corridors

In an attempt to alleviate institutional bottleneck and agricultural trade costs along the export corridors, TradeMark East Africa (TMEA) is supporting institutional strengthening among national and regional ministries and agencies to improve competitiveness, export diversification and market access. TMEA has strengthened the Zanzibar Food and Drug Board (ZFDB) and TFDA capacities by developing Single Window Information for Trade (SWIFT) systems or single window. The beneficiaries of these capacity-based trade strategies are the economic operators and trade agencies towards improving efficiency in

execution of key trade processes, thereby reducing the total cost of trade. These and similar initiatives reveal the potent contribution of logistics in the sense that it plays a critical role in enhancing competitiveness due to their wide-ranging impact on the agricultural economy as well as its potential to generate low skilled jobs.

In its current and forthcoming implementation year, TMEA is also planning to support TBS and the Ministry of Agriculture in developing another SWIFT as well as a one-stop centre. The SWIFT for Ministry of Agriculture is under development while the TBS SWIFT is yet to be commenced. TMEA continues to support standards harmonisation and mutual recognition of conformity assessment processes through the EAC Secretariat.

Proposals for a trade policy framework for enhancing agricultural competitiveness

The vision and mission

The vision and mission of a trade policy framework for enhancing agricultural competitiveness should derive from and be anchored on the key national development programs namely TDV 2025 and the various agricultural policies/strategies discussed in the preceding chapters. In our view the vision could be to 'a transformed dynamic and internationally competitive economy, driven by the agricultural trade sector with goal of achieving socio- economic transformation and middle-income developing country status by 2025 as stipulated in the TDV 2025'.

The main objectives of the agricultural trade policy could include:

1. To increase the country's agricultural growth to exceed the average 6% average economic growth and meet 10% target set under TDV 2025 for the country to achieve social transformation through harnessing competitive advantage in non-traditional and traditional agricultural priority sectors/products with ultimate target of increasing contribution of agricultural exports to GDP.
2. To enhance market access for Tanzania's agricultural exports of goods through branding and improved product quality.
3. To expand its agricultural export base through enhanced value addition and ensure an increased product mix of both traditional and non-traditional exports of goods. To increase high value and quality agricultural exports.
4. To facilitate inflows of export oriented FDI in agriculture that promote local value addition and enhance agricultural competitiveness while ensuring that the positive agricultural balance of trade continues to grow.
5. To eliminate the various trade restrictions including tariff peaks, export bans so as to remove the anti-export bias in agriculture exports.
6. To strengthen and streamline the regulatory and institutional regime by removing duplication of mandates to reduce costs of doing business in agriculture.

7. To promote enhanced value-addition of agricultural products and increase the value-added content of agricultural exports.
8. To diversify markets especially expand exports to emerging markets.
9. To consolidate, expand existing markets and explore new markets in the context of deepening regional economic integration, SADC, EAC, COMESA/EAC/SADC tripartite, boosting Intra African trade, ACP – EU trade, and predisposing to enhance trade with emerging markets as a launch pad for meaningful integration into the global economy.
10. To enhance trade facilitation and to expedite movement of agricultural goods by reducing and eliminating barriers to trade and improve Tanzania's ranking in World Bank's Trading Across Borders Distance to Frontier Index as part of BRN Reforms.
11. To give guidance on trade policy instruments such as tariffs, non-tariff measures and trade remedies with the aim of promoting trade, protecting local agriculture from unfair trade practices, as well as improving access by consumers to a wider range of quality goods and services at affordable prices; and
12. To promote increased consumption of local agricultural goods to insulate agricultural sector from fluctuations in global agricultural prices.

The new trade policy framework for enhancing agricultural competitiveness should be guided by the following principles and strategies:

1. Promoting export led agricultural production. The main thrust of such a strategy is to nurture a culture of producing for export especially among small holder farmers. This is essential given that Tanzania is a small market and producing for exports will enable for firms to attain international competitiveness and benefit from economies of scale. The export led agricultural production strategy requires firms to reorient their business models towards the competitive production of high quality valued added goods for export. Small- holder farmers often do not produce for exports and are not exposed to the quality requirements. There is a need to encourage linkages between small holder large scale exporting farmers.
2. Identifying priority sectors that exhibit potential for developing competitiveness. Effective participation in international trade will require identification of agricultural sectors that have existing and potential competitive advantage. With the emergence of regional and global value chains supported by opening of regional and global markets, successful firms identify and carve out specific segments of production for specialised production and trade that enable them to appropriate economic rent globally.

3. Promoting export diversification of both agricultural exports and markets. The study noted that over 60% of Tanzania agricultural exports are destined for EU markets which is already saturated and competitive. In this regard the strategy should be to diversify both exports and markets.
4. To support the transformation of small holder farmers there is need to continuously improve the environment for agricultural led export development. Specifically, efforts are required to improve access to finance for small holder farmers, capacity building and promote partnerships with large firms.
5. To support agricultural exports growth, Government should pursue effective and comprehensive export development and promotion policy and strategy to buttress its agricultural export led production and industrialisation through providing trade finance, trade incentives, export credit guarantee and reinsurance, trade promotion and trade facilitation.
6. Commitment to regional and multilateral trade regime; It is important to expand existing markets and explore new markets in the context of deepening regional economic integration, SADC, EAC, COMESA/EAC/SADC tripartite, and predisposing to enhanced trade with emerging markets as a launch pad for meaningful integration into the global economy.
7. Limited capacity of local firms to meet international standards is one of the major challenges facing exporters yet increasingly countries to which most of Tanzania agricultural exports are destined demand very stringent product standards. Government policy should as a priority seek to implement internationally accepted quality standards and accreditation programs to develop local standards that are at par with internationally accepted standards. The Quality Management Guide developed for Zanzibar as part of this Technical Assistance is a useful starting point.
8. Ensuring stable macroeconomic and regulatory environment supportive of agricultural trade development is critical. A stable macroeconomic environment is necessary to create a conducive environment for trade to thrive; and
9. Supporting effective collaboration between key stakeholders. Successful implementation of the policy can only be achieved based on an inclusive approach that involves all relevant stakeholders in its design, implementation, monitoring and review. The key stakeholders include government as facilitator and implementer, farmers and private sector as the economic operators and direct beneficiaries.

Last but certainly not least, successful trade policy implementation requires strong political will, capacity development of key public and agricultural support institutions and private sector and effective monitoring and evaluation championed by the lead organisation.

CHAPTER 6

CONCLUSIONS AND RECOMMENDATIONS

Conclusions

Tanzania's economy revolves around agriculture which accounts for about 30% of gross domestic product and is the main source of income for some 68% of the population. It also accounts for about 40% of merchandise export earnings. Agricultural trade is an important engine for Tanzania's economic growth as the country enjoys a large and growing agriculture trade surplus which is used to finance critical inputs in other sectors. While the share of Tanzania's non-traditional agricultural exports especially horticulture products in global trade remains low but they exhibit great potential as most of them are within the winners in growing sectors globally. At the same time prospects for revival of major traditional exports (coffee, cotton, sisal, tea, tobacco, cashew nuts and cloves) look good on the backdrop of increasing global demand and value addition. However, most of the agricultural produce in Tanzania is exported in unprocessed form due to inadequate processing and value addition facilities, capacity constraints, a dearth of storage facilities and incomplete cold chains. Agriculture is dominated by small-holder farmers.

Buoyed by increased export oriented foreign investment into the agricultural sector that aim to exploit the favourable climate, political stability, sustained conducive macroeconomic environment and global market opportunities, agricultural products are experiencing unprecedented growth. Despite accounting for only 7.4% of all exports in 2020, the EU is Tanzania's fifth largest export market. It is a high value and quality market, with stringent standards for entry, providing high premium on organic agriculture. Tanzania agriculture production is organic by default. Despite its potential and importance to the economy, the sector's growth has lagged the rest of the economy – growing at half (3.7%, on average) compared to 7% for the rate of the rest of the economy over the last decade.

At the same time, agricultural production and competitiveness in Tanzania is marred by a number of bottlenecks affecting the whole value chain from inputs supply, production, processing to marketing, regulatory regime, institutions and standards. The report highlights the following key constraints that cut across the five value chains prioritised by the Action.

The central challenge facing agriculture is inadequate production capacity to meet the growing demand. Agricultural productivity is still low due to multiple factors starting from inputs such as seed, fertiliser and pesticide, watering, harvesting, drying processing and marketing to limited modern farming equipment. Weak production

capacity and subsistence agricultural methods constrain competitiveness and diversification. There is low investment in service delivery and weak rural infrastructures. Agricultural service delivery through public research, extension, and training are inadequate both in terms of manpower and budget allocation. Weak rural infrastructures including rural road, electrification, market facilities and others have discouraged investments in agricultural production and agro-industries by private sector.

Quality issues are at the heart of Tanzania's weak agricultural export competitiveness and diversification especially for small holder farmers. The national quality infrastructure suffers from substantial weaknesses, including the duplication of agency mandates, which hinder value chain upgrading thus undermining its competitiveness in foreign markets.

Institutional weaknesses and fragmentation inhibit competitiveness and diversification in agricultural-export-oriented sectors. One of the key drivers in transiting the Tanzanian's economy towards industrialisation is increased agricultural trade investment, which enhances its diversification capacities with more focus on high value returns agribusiness sub-sectors.

Regulatory overload namely complex trade rules, fees, charges, and taxes add to the cost of doing business, delay farmer access to new types of inputs, and prevent small entrepreneurs from competing on equal footing with large companies. Marketing of major agricultural products (cloves, coffee, cashew, cotton) is centralised and controlled which prevents private firms from competing for business. Overlapping, fragmented food safety regimes and unnecessarily rigid technical regulations for approving crop inputs (new varieties of seed, new fertilizer products, new agrichemicals) are time consuming and costly.

Transport and logistics are a major issue affecting agricultural competitiveness along the 5 export corridors which are poorly linked to the main ports. For example, the transit time and cost from Dar to Zambia are 7 days at \$4000 per container (Southern Corridor), while that from Dar to Kampala takes 4 days at \$3800 per container (Central Corridor). Given the perishable nature of agricultural products, the unnecessarily bureaucratic procedures in moving goods to the border and at the borders result in delays and additional costs on both importers and exporters.

Recommendations

Based on the above analysis and conclusions, the following recommendations are made:

Effective Implementation of existing policies and strategies is critical: Various policies and strategies to transform agriculture have been adopted yet implementation

remains weak and set targets have been missed. Accordingly, the starting point should be effective implementation of the various policies and strategies so far adopted. Successful transformation of agriculture requires effective implementation of targeted industry specific reforms. Clear activities, targets, timeframes, and outcomes should be set and regular monitoring and evaluation undertaken to ensure set targets are met timeously. As Tanzania is making frantic efforts to overcome handicaps undermining its agricultural competitiveness and leapfrog from the bottom of the WEF competitiveness metrics and participate more significantly in the global supply chain clear measurable milestones should be set.

Improving agricultural productivity: Weak production base and low agricultural productivity is a major challenge affecting agriculture. Accordingly, there is urgent need to adopt policies to increase sustainable production methods for crop, livestock, and export commodities especially for smallholder farmers. Access to inputs and finance need to be improved. Adoption of productivity-enhancing technology research and extension coverage, strengthened research-extension linkages, effective extension models, expanded and inclusive private sector role, are all important to incentivize expanded marketed production.

Standards and quality issues are at the heart of Tanzania's weak competitiveness and diversification. The national quality infrastructure suffers from substantial weaknesses, including the duplication of agency mandates which hinder value chain upgrading thus undermining its competitiveness in foreign markets. A one stop standards portal should be established which provides an alert and early warning systems on standards controls, maximum residue limits of certain pesticides or biocides which change too often and too quickly in foreign markets, taking farmers and exports by surprises. TBS, ZBS, TMEA, ZMTIM and MITI should rationalise their existing standard systems.

Private sector drive: To turn around agriculture it is important to integrate and promote expanded and inclusive private sector-driven value chain development, facilitate viable public-private partnerships, in developing production base for agriculture (especially small-scale irrigation, post-harvest facilities and rural feeder roads). This would contribute to much needed expanded off-farm employment opportunities. Realisation of agribusiness competitiveness, diversification and value chain upgrading will continue to remain an uphill task for Tanzania, unless there is intelligent public policy and public and private investment to catalyse it.

Improving the transport and logistics along Tanzania Export Corridors is key to enhancing agribusiness competitiveness. A two-pronged approach is required -first is to address the soft infrastructure and trade facilitation issues in the short term. Such reforms do not need many resources. On the other hand, long term investments should be channelled towards improving the hard infrastructure along the corridors

(roads, rail, ICT energy and other back borne services). These require resources and strategic alliances with private sector to implement them.

Policy and regulatory reforms: Regulatory overload is affecting agriculture competitiveness hence there is need for regulatory and policy reform to rationalise and stream line regulatory framework. To unleash the potential for agricultural exports growth reforms are required to rationalise and reduce the number of trade permits, trade licenses, and registration certificates required for exportation. Unnecessarily rigid technical regulations which results in time consuming and expensive procedures for approving crop inputs (new varieties of seed, new fertilizer products, new agrichemicals) should be addressed by allowing for existing public and private test data from other countries to be used in granting product registration. The overlap between TBS and TFDA product registration and inspection requirements should be addressed through mutual recognition of each other's product registration and testing procedures and eliminating unnecessary mandatory inspections and product registration requirements. Closed markets (official monopolies, single channels, and other controls) for major products should be competitive and without monopolistic protection.

Institutional strengthening: There is a need to identify and adopt the champion approach to strengthen associations that will dramatically advance primary producers' interests towards overcoming institutional bottlenecks and enhancing value chain activities competitiveness and diversification. For instance, TAHA and ZaSCI are notable associations that need to be continually supported by strengthening their governance and mandates capacities for them to strengthen their members capacities. These organisations can leverage on their reputation and achievements to intervene between small scale producers, processors, traders, retailers, exporters and the formal banking sector to provide sufficient credit and technical support to their members (especially women) towards enhancing their competitiveness to scale up, increase retail outlets and access both regional and international (i.e., European, Asian, and American) export markets.

Introducing district-level technological and quality infrastructure platforms: Inadequate supply of electricity and other basic agro-products, quality infrastructure has long been the major institutional bottlenecks. Most horticultural products are perishable by nature and require modern technology in the processing and drying due to their health and safety dimension. Projects must be designed to enhance the quality of horticultural products by introducing district technological platforms focusing on preserving and processing facilities, equipment, and advice relating to the products. If well managed, it provides the space for primary processors to benefit from the one-stop technology, infrastructure and power hub while also adhering to specified food safety regulations.

Improving district and sector planning: There is a need for specific district-level strategic plan for value chain and agricultural trade of the selected commodity. Every district must review and approve a comprehensive plan for value chain upgrading and agricultural trade expansion. While collaboratively determining the appropriate timeframe for implementation, the plan must provide specific explanations on relevant agricultural trade regulations. One strategic area of focus in this regard is an investment in warehouses and in-roads and feeder roads from farms to market. This will help to add value to harvested produce, as well as reduce post-harvest losses.

Biotechnology and biosafety issues: In addition to the implications for health, environment and agriculture, there is a need to educate the public on biotechnology and biosafety issues, while embracing biotechnology as a better alternative for socio-economic advancement. Perceiving biotechnology as innovative technological systems for improving crop and plant varieties and ensuring competitive agriculture with crops that are highly resistant to diseases and pests, thereby ensuring higher yields. Research centres should develop new crops varieties that are more resistant to the changing weather patterns and provide to consumers the assurance for safe consumption. The government needs to continue to work toward promoting the environmentally sound application of biotechnology that maximises its potential benefits and minimizes the likely risk to the environment and human health.

Improving access to finance: Foreign agricultural investments have a big role to play if they connect with local suppliers and share their know-how. Financial institutions have a big role to play by providing more financial support to the industry to boost farm production and ensure the upgrading of selected crops value chain. This support could be in the form of well-customized credit guarantee scheme, which is currently being implemented, but at a very low efficiency. While leveraging co-investment from private and public sectors, the Bank of Tanzania should serve as a lead lender on projects of core economic significance to the achievement of Vision 2025 and SDGs 2030. In collaboration with EXIM, and other agribusiness related commercial banks, TADB's capacity should be strengthened to serve as a source of multilateral financing for agribusiness and agri-institutional development projects, as well as agricultural trade programmes. In the process, TADB should finance private and public agricultural investments that revitalizes communities and enhances the quality of life towards realising the SDGs. TADB should be modelled such that its capital would be subscribed by investors including regional governments, banks, corporations, and other development-interested groups. Non-Tanzanian members could subscribe to the fund and benefit by having preferred status as suppliers of goods and services for TADB-financed projects.

Coordinating the national and international multi-stakeholder approach in the provision, implementation and enforcement of the appropriate regulations and

legislations across the value chain: Farmers encounter challenges regarding the unavailability as well as poor quality seed, fertilizer, pesticides, and other inputs which hardly undergo quality testing by the appropriate agencies, as well as problems with imported inputs (due to minimal controls and frequent quarantines) and poor, or even absence of, traceability measures. These are peculiar challenges that require multi-stakeholder involvement at both national and international levels. It is also imperative that regulations are practical and well understood by all value-chain actors, while ensuring that implementation and enforcement costs are not unduly placed on small-scale farmers and processors.

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