



The United Republic of Tanzania
Agriculture Sector Lead Ministries

4TH ANNUAL AGRICULTURAL POLICY CONFERENCE [AAPC]

Integrating Food and Nutrition Security into Economic Transformation and Industrialization Agenda:

How can agriculture be the driver rather than follower of economic transformation in Tanzania?



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Policy Reforms to Catalyze Agriculture Transformation and Agro-industry

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Outline

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- Building upon successes of ASDP-1
- ASDP- 2 has to address new challenges and opportunities
- Policy Reforms to Catalyze Agriculture Transformation and Agro-industry



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INTRODUCTION

- The Agricultural sector has great potential in transforming Tanzania's economy:
- Key driver of industrialization in the country
- Employs 65.5% of population
- Contributes to 29% of the country's GDP
- Sector has performed modestly during the last 15 years
- Sector's performance doesn't match the country's natural resources and market opportunities



NEED TO BUILD UPON SUCCESSES OF ASDP-1

ASDP-1 (2006 – 2015) key achievements:

- **Sector's annual growth of 3.5% exceeds population growth of 2.8%**
- Food self-sufficient during the last 15 years despite sporadic shortage among 30 districts
- **Performance in some value chains has been beyond expectation**
- Compelling evidence on agricultural sector transformation
- **Improvement in nutrition: decline in stunting from 42% to 34%**
- **ASDP-2 builds on successes of ASDP-1**
- Among the priorities of ASDP-2 includes catalyzing private sector investment (Component 4)
- **Prioritization of Component 4 is a reflection of consensus among agriculture stakeholders on the need to address binding constraints to agricultural sector growth**

GOING FORWARD: ASDP-2 TO ADDRESS NEW CHALLENGES AND OPPORTUNITIES

- Rising food prices
- Population explosion
- Changing demographics – youth bulge
- Rapid urbanization
- Rising middle class – rising food imports
- Climate change
- New technologies
- Regional integration – EAC, SADC, etc.
- Potential “Dutch disease” as gas sector emerges

RECENT REFORMS- 2017/18: AGRICULTURAL FEES & CHARGES REDUCED/REMOVED

- Corporate tax reduced from 30% to 10% during the first 5 years of assemblers of vehicles, tractors and fishing boats
- Tax exemptions – VAT
 - On capital goods on machines and plants in production of edible oil, textiles, leather and pharmaceuticals (including vet.)
 - Fertilized eggs for incubation
 - Locally produced animal fees
- Import duty reduced on wheat from 35% to 10%; Escrow account established to ease refund of import duty on industrial sugar



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RECENT REFORMS- 2017/18: AGRICULTURAL FEES & CHARGES REDUCED/REMOVED

- Excise duty increased on **carbonated drinks**, mineral water, juice, beer, etc.
- **Produce cess** – reduced from 5% to 3%
- **Others: Reduction of 108 nuisance fee and charges – crops=80, livestock=23, fisheries=5**

PROPOSED POLICY REFORMS FOR THE AGRICULTURAL SECTOR

1. Reverse a declining public investment in agriculture
2. Reduce cost of production and enhance producers' competitiveness
- 3. Increase the competitiveness of agro-industry**
4. Ensure predictability in Agriculture Markets and Trade Policy
- 5. Establish a legal framework to enable SMEs leverage movable assets to access credit**
6. Address challenges in farm labor through youth engagement
- 7. Other policy reforms to catalyze agriculture transformation and agro- industry**

1. REVERSE A DECLINING PUBLIC INVESTMENT IN AGRICULTURE

Policy Issue	Rationale	Recommendations
<p>Need to reverse a declining public investment in agriculture</p>	<ul style="list-style-type: none"> ▪ Important for inclusive growth and deepening the impact of rapid economic growth ▪ Success of industrial revolution hinges upon agriculture transformation ▪ ASDP-2 builds upon successes of ASDP-1 ▪ Decline in ag sector annual growth from 2.3% in 2015 to 2.1% in 2016 (NBS/BoT, 2017), while population grows at 2.8% p.a. (Census NBS, 2013) ▪ Decline in share of agriculture budget (2016 ASR, 2017/18 Budget speech) ▪ Tanzania lags behind other countries in SSA in meeting the Maputo/Malabo target (ASR, World Bank 2017) ▪ Decline in the share of agriculture in total lending by the financial sector (BoT, 2018) ▪ Public investment in public goods (research, extension, rural infrastructure) is critical to leveraging private sector investment 	<ul style="list-style-type: none"> ✓ Increase agricultural sector budget to meet the CAADP (Maputo/Malabo) commitment of 10% of the national budget ✓ Need to pay attention to budget implementation e.g. only 3% of development budget was disbursed in 2016/17 ✓ The budget needs to reflect priorities under ASDP-2. E.g. NFRA and Input subsidy account for the largest share of the agricultural sector budget ✓ LGAs fall short in meeting the guideline for budget allocation to agriculture for own source revenue (20% agric., 5% livestock & 3% fisheries)

2. REDUCE COST OF PRODUCTION

Policy Issue	Rationale	Recommendations
<p>Further reforms needed to reduce agriculture production cost –specifically LGAs and regulatory body fees and charges</p>	<ul style="list-style-type: none"> ▪ Multiplicity of fees and charges are a disincentive to the agricultural production ▪ The GoT in 2017/18 budget session took bold steps to reduce produce cess from 5% to 3%, abolish 80 fees and charges in agriculture, especially those related to agricultural boards ▪ Further reforms are needed to make agriculture profitable to producers 	<ul style="list-style-type: none"> ✓ International best practice for taxes based on turnover is for rates which are under 1% e.g. service levy ✓ Define a timeline for gradual reduction of produce cess to under 1% ✓ Need to reinstate the 1 ton threshold for cess exemption as stipulated in the initial 2017/18 Finance Bill ✓ Producers paying service levy should be exempted from produce cess ✓ Regulatory fees and charges need to be further reduced ✓ Consider a “single rate – Single window/ platform” approach to consolidate all regulatory fees for easy administration and monitoring

3. ENHANCE COMPETITIVENESS OF AGRO-INDUSTRIES

Policy Issue	Rationale	Recommendations
<p>Reforms to enhance the competitiveness of agro-industry: with special attention to priority sectors – edible oil, dairy, livestock, poultry and horticulture</p>	<ul style="list-style-type: none"> ▪ Critical to agriculture transformation ▪ Recent food import averages around \$ 640 million. Mostly from edible oil, sugar, wheat, livestock products (dairy, meat,) & horticultural products (fruits and vegetables) (BoT/NBS reports) ▪ Fertilizer import bill is approx. \$120 million per year ▪ Potential for farmers and investors in the import substitution ▪ VAT applies to several agricultural inputs & implements, exempted under the repealed law (VAT Act of 2014) ▪ High production cost hampers competition with imports as well as in regional and international markets ▪ Dichotomy in policy objectives between SMEs and large scale processors. More consensus on value chain development strategies with defined timelines e.g. a phase out tariff structure 	<ul style="list-style-type: none"> ✓ Defined timelines for various fiscal incentives ✓ VAT exemption for locally produced commodities – edible oil ✓ VAT and excise waiver for veterinary pharmaceuticals ✓ Tax exemption to packaging materials for seeds, horticultural produce, dairy products and feed ✓ VAT exemption for post harvest handling technologies, agriculture insurance, spare parts for greenhouse & irrigation systems ✓ Establish a review committee at MoA to review VAT/Import duty exemption before submission to MoFP ✓ Need for policy predictability and coherence

4. AGRICULTURE **MARKETING** AND TRADE POLICY **PREDICTABILITY**

Policy Issue	Rationale	Recommendations
<p>Agriculture marketing and trade policy – policy predictability and addressing the challenges of seasonal production for sustainable agro-industry</p>	<p>Policy predictability</p> <ul style="list-style-type: none"> ▪ SSA spends over \$35 billion annually in importing food ▪ Low intra-regional trade in Africa (10%), EAC (12%) and SADC (9%) compared to Asia (40%) ▪ Food trade offers a great opportunity to promote intra-regional trade ▪ Tanzania has a comparative advantage in resources and geographical position ▪ Food crops trade could promote inclusive growth <p>Seasonality of production</p> <ul style="list-style-type: none"> ▪ Seasonality of production is a challenge to farmers and sustainability of agro-processing industry e.g. dairy, tomato, etc. ▪ Glut during harvest season is challenge for farmers in selling their produce while scarcity during off-season threatens agro- industry and laying-off of workers ▪ Agro-industry has resorted to importing raw produce during off-season which often is cheaper than locally grown produce ▪ Improve storage and use technology <p>Higher costs of doing business</p>	<ul style="list-style-type: none"> ✓ Policy predictability & coherence needed urgently to benefit farmers & agro-processors ✓ Rule based & consultative policy making would alleviate challenges in ag marketing ✓ Fiscal incentives could contribute to alleviate the seasonality of production ✓ Further incentives needed to promote local manufacturing of such technologies ✓ Rationalize the number of regulatory institutions ✓ Introduce open and data driven decision support

5. ESTABLISH LEGAL FRAMEWORK TO ENABLE MOVABLE ASSETS TO ACCESS SMES LEVERAGE CREDIT

Policy Issue	Rationale	Recommendations
<p>Legal framework to enable SMEs leverage movable assets to access credit</p>	<ul style="list-style-type: none"> ▪ Access to finance has increased but SMEs still face a challenge particularly in agriculture and rural sector (FSDT – Agricultural Leasing Market Scoping Study for Sub-Saharan Africa, 2017) ▪ Kenya and several other countries in the region have passed their Secured Transaction Law ▪ The law could also enhance access to finance for women and youth ▪ The law could make other related laws more effective .e.g. the 2005 Warehouse Receipt Law and the 2008 Leasing Finance Law 	<ul style="list-style-type: none"> ✓ Expedite the process to establish a legal framework – Secured Transactions Law ✓ Establish collateral registry for movable assets

6. ADDRESSING CHALLENGES IN FARM LABOR THROUGH **YOUTH ENGAGEMENT**

Policy Issue	Rationale	Recommendations
<p>Addressing challenges in farm labor while promoting youth engagement in agriculture</p>	<ul style="list-style-type: none"> ▪ Nearly two thirds of Tanzania's population is youth ▪ Agriculture could alleviate youth unemployment if strategic investment are made to attract them into the sector ▪ High value annual crops, irrigation, post-harvest activities and farm technologies appeal to youth 	<ul style="list-style-type: none"> ✓ Introduce agriculture in VETA curriculum ✓ Improve MATI and LITI curricula for entrepreneurial farmers ✓ Prioritize value chains preferred by youth ✓ Provide fiscal incentives on agriculture technologies for greater youth engagement in agriculture

7. OTHER POLICY REFORMS TO CATALYZE AGRICULTURE AND AGRO INDUSTRY

TRANSFORMATION

Policy Issue	Rationale	Recommendations
<p>Strengthen phytosanitary and pest management capacity in MoA</p>	<ul style="list-style-type: none"> ▪ Farmers incur losses as a result of increased outbreaks of pests and disease 	<ul style="list-style-type: none"> ✓ Plant protection fees should be ring-fenced for pest management – quarantine and preventive activities to build capacity to predict, eradicate and treatment/control of pests
<p>Regulatory Agencies Fees</p>	<ul style="list-style-type: none"> ▪ There are over 42 payments (taxes, fees and levies) paid by registered agricultural business 	<ul style="list-style-type: none"> ✓ Rationalize regulatory fees and levies charged by regulatory authorities (e.g. TFRA ,TFDA,OSHA, Tanzania Atomic Energy Commission (TAEC)and FIRE)
<p>Imports value uplifts by Customs</p>	<ul style="list-style-type: none"> ▪ TRA Customs have been uplifting values of imports during their assessments. The uplifts are done despite the submission of all supporting documents to justify the declared import value. 	<ul style="list-style-type: none"> ✓ TRA Customs to give fair assessments on the import documents logged to them

THANK YOU



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