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Tanzania - Articulating trade-related support measures for agriculture

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1. Introduction

This paper complements the previous two chapters on Tanzania by focussing on the issue of articulating trade-related support measures (TRSMs) that are essential for trade development. This paper needs to be read together with the previous two because it is important that TRSMs are fully consistent, or mainstreamed, with strategies and goals as articulated in national development strategy and plans (e.g. the PRSP) and subsidiary policy frameworks (e.g. policies on agriculture, industry). This is the only way to articulate and prioritize trade support measures. The background work on this subject is Hatibu *et al.* (2010).

Section 2 of this chapter provides an overview of the past and ongoing TRSMs in Tanzania. This is done with two sources of information. One is some recent studies on Aid for Trade (Aft) flows to Tanzania as tabulated in the OECD/CRS database, also supplemented by data compiled in Tanzania in one case. Also presented is an interesting exercise by a researcher to tabulate support measures along the line of the actions recommended in the Tanzania DTIS action matrix. The second source of information reviewed is agriculture sector specific, based on Tanzania's agricultural sector development programme. Together, these provide a picture of the current situation.

Given the importance of mainstreaming TRSMs within policy frameworks, Section 3 summarizes key features of national development strategies and subsidiary policies, drawing from insights from the previous two chapters. Based on these two analyses, Section 4 discusses some ideas and proposals towards

articulating TRSMs for agriculture in a manner that is consistent with trade and development policy.

As explained in the synthesis paper (Chapter 4), this case study uses the term TRSM instead of Aid for Trade (AfT) for two reasons. One is that AfT is limited to external funding while TRSM does not make that distinction and covers all support measures irrespective of the source of funding. The other reason is that TRSMs as used here are meant to cover all products and sub-sectors, including importables, whereas AfT is often seen as support to exports, although this is not very clear from the WTO Task Force report on AfT. Aside from these, there are no differences between the two terms. The six categories of the scope of the AfT are comprehensive in covering both trade-specific measures and productive sectors like agriculture and industry.

2. Trade-related support measures

This section seeks, first, to provide a picture of AfT based on the OECD/CRS data as tabulated in some studies (and called AfT although the data come from before 2005 when the term originated), and second, it focuses on the case of agriculture.¹

2.1 External support for trade

Overall picture on Aid for Trade

Table 1 copies a table prepared by Turner (2008) in a recent ODI study attempting to quantify AfT support to Tanzania along the categories recommended by the WTO Task Force on AfT. Turner also discusses a number of difficulties in accurately portraying the picture on AfT, which need to be noted.

In discussing these numbers, Turner notes that the OECD/CRS data include only aid that can be allocated by sub-sector, and so could be misleading where sizable aid is non-sector allocable. In Tanzania, nearly half of all ODA is non-sector allocable (46 percent on average during 2000-06) of which a large proportion is provided through general budget support (GBS). ODA provided as GBS are unearmarked contributions (i.e. not pre-allocated by donors to any particular sector) to the government budget. Where this money is spent will be known only after some years. Thus, the OECD/CRS's exclusion of budget support from AfT data might significantly under-estimate AfT flow. Turner also remarks that comparing AfT flow over time is problematic where donors decide to switch the channel of the ODA (i.e.

¹ Note that a comprehensive notification to the WTO agricultural domestic support measures would have been useful for this work, but Tanzania has not submitted such a notification to the WTO.

TABLE 1:

Tanzania - Aid for trade commitments (bilateral and multilateral) by category, 2000-06 (in 2005 constant price, million USD)

	2002	2003	2004	2005	2006	2002-06 average
Trade policy and regulations						
Trade policy and admin. management	0.0	0.6	0.4	6.2	2.1	1.9
Trade facilitation				2.6	0.2	1.4
Regional trade agreements			0.1	0.1	0.1	0.1
Trade education/training	0.0		0.3	0.5		0.3
Sub-total	0.1	0.6	0.7	9.4	2.4	2.6
Economic infrastructure						
Transport and storage	12.8	13.6	247.9	195.2	51.0	104.1
Communications	2.2	5.5	0.9	2.2	2.2	2.6
Energy supply and generation	16.5	25.7	59.2	7.1	15.6	24.8
Sub-total	31.5	44.8	308.0	204.5	68.8	131.5
Building productive capacity (including trade devt.)						
Business support services & insts.	8.8	38.8	14.8	4.1	0.3	13.3
Banking and financial services	2.4	2.0	0.3	20.5	12.8	7.6
Agriculture	98.0	99.5	26.8	94.9	104.0	84.6
Forestry	47.2	10.5	0.5	0.2	13.4	14.4
Fishing	0.1	6.3	0.2	51.2	0.2	11.6
Industry	1.5	7.2	7.4	98.8	5.8	24.1
Mineral resources and mining	13.2	0.0	2.0	0.2	0.1	3.1
Tourism	0.5	0.2	0.3	3.1	0.0	0.8
Sub-total	171.7	164.3	52.4	272.9	136.4	159.5
Aid for Trade proxies total	203.3	209.7	361.1	486.8	207.7	293.7
Aid for Trade proxies (% of total ODA)	12.4	11.9	17.4	26.7	8.1	15.3

Source: Table 2, page 16 of Turner (2008), itself based on the OECD/CRS database

between GBS and sector allocable project aid). Thus, for example, where a donor decides to withdraw from GBS and channel through project support, the AfT flow from the OECD/CRS data would record a sharp increase although in reality this is a diversion of funds.

A more general problem (applying to all countries) is quantifying AfT in the two broader areas – productive capacity and infrastructures. Although the WTO Task Force defined these as AfT, the “trade” content in these activities could be small in many cases. In the case of infrastructures, a OECD-WTO report has remarked that “it is almost impossible at the global level to provide a sound criterion

that differentiates between trade-related infrastructure and general economic infrastructure.” In response, a “trade development marker” has been introduced in the OECD/CRS reporting directives to record trade development under the larger category “building productive capacity”. A score of 0, 1 or 2 is assigned to each activity depending on whether the activity has a trade development objective. Given the subjective nature of this classification, estimates will continue to be inaccurate. Handling these two categories for the purpose of accurately monitoring AfT flows remains a serious challenge.

The OECD/CRS database show the following (Table 1). First, during 2002-06, AfT flows have varied quite considerably, e.g. in trade policy from USD 0.1 million in 2002 to USD 9.4 million in 2005. This is even more so with economic infrastructures. Second, aid flow under trade policy and regulations is only a fraction of those under the other two categories.

In another study, Andrew Temu of the Sokoine University of Agriculture has also compiled AfT data from the OECD/CRS source but with a focus on agriculture and agribusiness, and so is of greater relevance to this paper (Temu 2007). He compiled a total of 82 donor supported projects covering agriculture, agribusiness or private sector development linked to agricultural trade from the OECD/CRS database, supplementing this with information from interviews with donors based in Tanzania. It covered the 1990-2005 period. Temu summarizes several features of these projects in two annexes.

Table 2 below copies a table in Temu that provides a summary. He notes that for the 82 projects, the budgets ranged from below USD 100 000 (typically, capacity building activities like training) to as high as USD 170 million (for transport and other infrastructure projects). Project life spanned from less than one year to over 10 years. Interventions ranged from small initiatives covering some villages to the whole country.

One insightful remark made by him is that there has been a concentration of support on primary crop production, including irrigation (1/3rd of the projects and 27 percent of the total outlay). Objectives of such programmes are to increase crop productivity, improve propagation and husbandry practices, deliver public services in support of primary production, and address farm disease control, water management and some irrigation innovations. These programmes are predominantly focussed on smallholder traditional systems justified on poverty alleviation and household food security. He also notes that this category attracts the broadest range of donors and lending agencies. Likewise, while the livestock industry could contribute substantially more to development, this sub-sector has received much less donor attention.

Temu also finds that in agricultural institutional development, the private sector received relatively more donor support (USD 90 million) than public institutions

TABLE 2:
Donor assistance to agriculture in Tanzania as reported to the OECD/CRS database (million USD)

	Category: Value chain node and focus	No. of projects	Total budget USD million	% share	Average per project USD million
1	Agriculture - Public Institutional Development	4	22.7	1.8	5.7
2	Agriculture - Private Institutional Development	3	89.5	7.1	29.8
3	Business - Private Sector Development	4	112.1	8.9	28.0
4	Business - SME-focussed	2	0.1	0.0	0.1
5	Livestock & Livestock Products Marketing	3	31	2.4	10.3
6	Livestock Husbandry	2	11.7	0.9	5.9
7	Crop - Production and Irrigation	24	345.7	27.3	14.4
8	Crop - Domestic Marketing	1	0	0.0	0.0
9	Crop and Livestock - Post-harvest	5	43.5	3.4	8.7
10	Trade - Private Sector Institutional Capacity Building	5	99.9	7.9	20.0
11	Trade - SME-focussed	1	-	-	-
12	Trade - Public Institutional Development	9	48.4	3.8	5.4
13	Trade - Quality, SPS, Laboratories, Inspection	12	32.4	2.6	2.7
14	Trade - Commodity Development	4	107.1	8.5	26.8
15	Infrastructure (roads, railways)	3	322.2	25.4	107.4
	Total	82	1 266.3	100.0	15.4

Source: Table 3, page 17 in Temu (2006), based on the OECD/CRS data

(USD 23 million). Notable examples of private sector support were strengthening producer organizations, microfinance institutions, and “empowerment” initiatives. Public sector support was for assisting government ministries in their normal functions, developing master plans, policy capacity, and so on. The analysis also showed that support to private business sector development and SMEs was comprehensive, significant and principally delivered through public institutions. These supports covered areas such as improving labour laws, regulatory mechanisms, and market access enhancement, all considered important for private sector growth, especially for a country still growing out of the command economy legacy.

Support to export commodity also received large donor support. Value chain analyses and studies have been central to articulating policies and programmes.²

² The US-supported Southern Highlands Agricultural Marketing and Business Acceleration (SHAMBA) and Private Enterprise Support Activities (DAI-PESA) have claimed that successful models in this area have been developed.

Interventions have been through individual producers' associations and agro-entrepreneurs. This support has been considered effective in expanding the export of speciality coffee, improved leather and sisal products.

Support for institutional capacity building for the private sector has also been high. This includes development of policies in support of the private sector in trade, inter and intra-regional agribusiness linkages, strengthening exporting food processors associations, promoting the use of IT in trade by local firms, and funding higher education courses in trade.

On the other hand, support for a number of other areas with a more direct bearing on exports was considered to be on the low side. This includes emerging niche markets, particularly for non-traditional exports such as horticulture, floriculture and fish, where "behind-the-border" constraints are serious. Local producers, processors and agribusiness firms face serious challenges to maintain required quality and SPS standards. Also, effective inspection systems and testing laboratories are other constraints that need to be addressed strongly.

There are often substantial discrepancies between what donors say they will spend (commitments), what they actually spend (disbursements) and what the government records as having received. It is also noted that in Tanzania there is a multiplicity of expenditure, accounting and reporting databases, often duplicative and frequently not sufficiently linked, and data discrepancies are commonplace. For instance, the MFEFD is not linked to the budget department in the MoFEA and data inconsistencies as reported by the two departments are common. In particular, aid commitments for projects that are directly funded (where resources do not go through the Exchequer) are often under-reported by donors in their reported commitments and projections to the government.

There is a time lag in reporting to a central location of project funds. All ministries, departments and agencies (MDAs) and local government authorities (LGAs) are required to report such direct project funds (more commonly known as D-funds), after execution, to the MoFEA. Turner notes that in practice such funds are not only reported late (thus missing on timely quantification) but also not fully.

Note that all these estimates of AfT exclude budget support which is a major concern given that budget support is an important aid modality in Tanzania, accounting for more than half of the total aid in 2006. So far discussions on budget support have concentrated on budget support as an aid category while it should be considered as an aid modality. This issue needs to be satisfactorily addressed if the numbers on AfT are to be meaningful. For instance, where a donor commits a majority of the ODA to budget support and where government prioritizes trade in its budget allocation, AfT figures will be significantly under-estimated.

Another issue is recording AfT flows in categories that can be compared with the OECD/CRS AfT codes. Individual countries are yet to adopt the same CRS codes used in the OECD/WTO database. As a result, sometimes there are huge discrepancies in AfT areas assisted.

The DTIS and DTIS-aligned AfT support³

The Action Matrix of a DTIS is a useful source for TRSMs or AfT because it is primarily geared towards identifying projects and programmes rather than policy. Table 3 provides an overview of various actions recommended in the Tanzania DTIS Action Plan. There are a total of 124 actions of which 72 (58 percent) are under cross-cutting areas and the rest 52 (42 percent) are product-specific. The proposals cover a wide range of actions under several trade-related areas. For each action, the nature of the action required is also provided. A simple counting of the recommended activities shows the following: i) 18 activities fall under the category implementing existing policy; ii) 62 under changing policy, legislation and institutions; and iii) 90 under technical assistance and investments. This shows that not all actions call for hard investment, although this will most likely dominate the overall portfolio in monetary term. There are also many activities that would not require large sums of money, such as implementing existing policies, formulating legislation and regulatory guidelines, reforming institutions and technical assistance. In other words, what is needed is a mix of actions, although sizable investments are also inevitable.

In an interesting exercise, a study commissioned by the Swedish agency SIDA assembled TRSM support to Tanzania based on the DTIS categories. The data cover a long period, 2000 to 2010, and were compiled in Tanzania itself (i.e. not the OECD/CRS data). This analysis is available in Turner (2008) and the following summary is based on this source. Table 4 presents the counts of the number of projects falling into various DTIS areas (the original SIDA source in Turner also provides other details like project title, budget where available, donors, and implementation period). A total of 216 projects were uncovered and classified under various DTIS categories. Note that this information should be used carefully because it only counts the projects and not the outlays - the size of the projects varies widely, from USD 4 000 for a training project to USD 36 million for Business Sector Programme Support and USD 102 million for a transport project.

³ See also the previous chapter on mainstreaming for additional commentaries on the DTIS.

TABLE 3:
Number of actions identified under various areas in the Action Plan of the 2005 Tanzania DTIS

Policy/action area	# of actions recommended	Policy/action area	# of actions recommended
Cross-cutting areas		Product-specific areas	
1. Trade Policy	10	8. Gems and Jewellery	1
2. Market Access	3	9. Agricultural Export Crops (cross-cutting, cashew, coffee)	10
3. Trade Insitutions	10	10. Horticulture and Floriculture	11
4. Export Processing Zones	10	11. Tourism Backward Linkages	12
5. SPS Capacity	16	12. Spirces	8
6. Transport	12	13. Fish/Mariculture	10
7. Customs	11		
		Total # of actions	124

Source: Tabulated from DTIS action matrix (DTIS 2005)

Turner also compares the DTIS-aligned SIDA data with those from the OECD/CRS database. She finds several significant divergences, e.g. total funding in the OECD data is four times the SIDA compiled total (the latter also covers identified AfT needs under both the narrow and broader AfT categories). On the other hand, in the *trade policy and regulations* category, the total in the DTIS-aligned data was double that recorded in the OECD total. Her remark for this was that this may be due to problems of separating different components of the same project and programme between different aid categories. For example, support to the Tanzania Revenue Authority is included under trade facilitation; however, the activities may cover a much broader remit beyond AfT. Alternatively, it may simply represent paucity of data recorded in the OECD/CRS database on trade policy and regulations. In addition, both the OECD and DTIS-aligned data exclude budget support, therefore under-estimating AfT flow.

This analysis shows that there are many difficulties in compiling, monitoring and comparing AfT data across sources (e.g. OECD, in-country, across studies). It will take lots of efforts, mainly in the country, before the differences are reconciled. Nevertheless, the above discussion provides a picture of the size and structure of AfT support to Tanzania, and it should be left at that.

2.2 Investment in agriculture

The focus of the above three illustrations was on the AfT in general – the first two based on OECD/CRS data and the third on DTIS-aligned data assembled in Tanzania

TABLE 4:
Number of Aid for Trade projects in Tanzania according to DTIS priorities (2000-2010)

Action in DTIS matrix	# projects
Trade Policy and Market Access Negotiations	29
Regional Integration	26
Competition and Trade Policy	3
Trade Institutions	53
Trade Policy Institutions	32
Export Development	21
Export Processing Zones	14
EPZ Regulatory Framework	4
Investment Promotion	10
SPS Capacity	14
Strategy and Priority Setting	5
Institutional Coordination on SPS	3
Plant Protection SPS: legislation, awareness and surveillance	3
Animal Health SPS: legislation, awareness, and enforcement	2
Laboratory Capacity: plant protection, animal protection, and food safety	1
Transport	28
Transport infrastructure	24
Public-Private Sector Dialogue on Trade Facilitation	4
Customs	15
Customs Import and Export Processing	12
Human Resources Dev. in Customs	3
Agricultural Export Crops	41
Cross-cutting Issues	41
Cashew	1
Coffee	7
Horticulture and Floriculture	1
Tourism Backward Linkages	10
Education	1
Supply of Local Tourism Products	9
Prices	
Production and Productivity	1
Fish and Mariculture	11
SPS Issues	3
Supply Capacity	8
All total products	216

Source: Compiled from Table A2 in Turner (2008), which in turn was based on a compilation in Tanzania by SIDA in 2007.

itself (the TRSM data). This sub-section discusses support to agriculture. Two sources are used for this. One is a recent study by the OECD development centre (Wolter 2008) and the other is Tanzania's agricultural development programme (ASDP).

Wolter compiled data on agricultural sector support by donors, by tabulating data for 140 development projects for the fiscal year 2006/07 (Table 5). The actual number of projects is likely to be higher since the table only covers major bilateral and multilateral donors, excluding NGOs and non-DAC donors such as China or the Arab Bank. Also, donors such as the US operate mainly outside the GoT structure and therefore their projects do not appear in the table. Lastly, the ASDP Basket Fund is also counted as one project.

The table shows a total commitment of USD 445 million for the 140 projects. The allocation of support across various areas is interesting, although the table is said not to be comprehensive in covering all public support to agriculture. Wolter offers a number of interesting observations. In the case of support to farm/firm level, which amounts to about 10 percent in the table, first, the focus of donor support

TABLE 5:
Donor support to agriculture (for 2006/07, commitments in million USD)

	Area of intervention	Number of projects	Total commitment	Percent of total
1.	Firm/Farm level			
1.1	Access to inputs and irrigation	12	7.84	1.8
1.2	Production	19	15.63	3.5
1.3	Agricultural marketing	3	18.42	4.1
2.	Public Sector			
2.1	Agricultural policy and interventions	12	13.90	3.1
2.2	Trade, commerce, industry	9	12.53	2.8
2.3	Business environment	14	29.64	6.7
2.4	Specialized agencies	1	1.04	0.2
2.5	Economic infrastructure	46	280.34	63.0
3.	Public/Private Sector			
3.1	ASDP Basket	1	28.87	6.5
3.2	Business developmetn services	1	0.20	0.0
3.3	Advocacy/lobbying for policy reform	1	0.20	0.0
3.4	Other	3	14.88	3.3
4.	PSD Support			
4.1	General PSD support	10	12.21	2.7
4.2	Financial sector	8	9.30	2.1
	Total	140	445.00	100.0

Source: Based on Table 1 in Wolter (2008)

has been on the upstream side of the value chain, i.e. primary production. There are also many projects around food security issues. Support to inputs – notably irrigation and maize seeds – is also popular, although Table 5 underestimates support to irrigation as this features prominently within the ASDP basket and not in other categories. Second, and this follows from the first point, support for downstream activities in the value chain – the core commercial farming activities - is relatively small. Also an area receiving limited support is marketing.

Third, some efforts being made to promote commercial agriculture, including involving small producers, appear promising. One example of a project explicitly targeting agribusinesses is Denmark's Private Agricultural Sector Support (PASS). PASS offers a credit guarantee fund to provide incentives for commercial banks to lend to the agricultural sector. It has also been quite successful in supporting small-scale but also some larger commercial farmers in developing business plans which are a prerequisite for accessing commercial bank loans. Targeting such programmes to subsistence farmers was found to be difficult as they cannot pay the consultancy fees and do not have collaterals. The Rural Micro, Small and Medium Enterprise Support Programme (MUVI in Swahili), financed by IFAD and Ireland, is meant to help smallholder farmers and fishers link up with processors using a value chain approach.

As regards donor support to the public sector, two observations were made. One is the large support to economic infrastructures (notably road construction): 14 donors supporting through 46 projects for a total of USD 280 million (63 percent of total). Improving the business environment is the second largest category (7 percent of the total). This is said to be in line with the fact that most donor support to the private sector is currently provided under the BEST programme which has a strong focus on improving the national regulatory environment. The same is true of financial sector support, under which most of the donor support goes to the Financial Sector Deepening Trust (FSDT).

Wolter also noted that currently no donor or project covers the whole agricultural value chain, which is now a priority in most policy frameworks. There is thus, he argued, a need for de-concentrating current support in primary production towards other elements of the value chain.

In Table 5, the ASDP basket was shown as one entity, with only about 7 percent of the total share. This only includes donor support to the ASDP fund – the ASDP is much bigger than this because bulk of the government's own funding to agriculture is channelled through it. Moreover, ASDP will be increasingly expanded as the main sector basket fund for agricultural investment with donors increasingly channelling their support through ASDP.⁴ With the ASDP, the GoT envisages breaking away

⁴ See the previous chapter on mainstreaming for more on the ASDP.

TABLE 6:
Proposed programme costs of the ASDP (total for 2006/07-2012/13, in USD million)

	ADSP Programme Components	Total cost by component	Expected contribution in % of component financed by			Component share of total cost (%)
			GoT	Donors	Farmers	
Component 1: Local Level Support						
1.1	Agricultural Investments	1262	77	6	18	65
	Irrigation	1156	81	1	18	60
	District Ag. Devt. Grants	105	32	54	15	6
1.2	Agricultural Services	147	69	30	2	8
1.3	Ag. Capacity Building and Reforms	44	7	93	-	2
	Sub-total Local programme	1453	74	11	15	75
Component 2: National Level Support						
2.1	Agricultural Services	83	34	66	-	4.3
	Research and Training	73	38	63	-	3.8
	Extension	8	14	86	-	0.4
	Livestock	2	-	100	-	0.1
2.2	Irrigation Development	367	99	1	-	19.0
2.3	Marketing & Private Sector Devt.	9	-	100	-	0.5
2.4	Food Security	4	-	100	-	0.2
2.5	Co-ordination and M&E	14	-	100	-	0.7
	Sub-total National Programme	477	82	18	-	25
	Total	1930	76	13	12	100

Source: Table 5 in ASDP Document

from past approaches based on fragmented and area-based projects with their own donor-specific systems, to a single comprehensive sector programme. It will be the major GoT instrument for achieving agricultural growth and poverty reduction as outlined in the agricultural development strategy (ASDS) and PRSP (the NSGRP).

The objective of the ASDP is to increase productivity, profitability and farm incomes by: i) improving farmers' use of and access to agricultural knowledge, technologies, marketing systems and infrastructure; and ii) promoting agricultural private investment. The focus of the ASDP is on commercialization of agriculture (from subsistence to profit) and the decentralization of implementation to district

and field level. The ASDP consists of a local and a national component with three and five sub-components respectively. The implementation time period was increased from five to seven years. Table 6 provides an overview of the programme components as well as expected financing needs as estimated by the GoT.

The trend is for the government and donors to work together in formulating a consolidated set of interventions in support of the ASDP, with an increasing share of donor support to agricultural sector channelled through the ASDP basket fund. The use of the ASDP basket is itself a transitional arrangement toward General Budget Support (GBS).

The ASDP provides the strategy, policies and implementation details for support to agriculture. It is anchored to the ASDS and PRSP visions, and claims that its policies and programmes are mainstreamed because its preparation was guided by these and other key policy frameworks (e.g. Tanzania Development Vision 2025 and Rural Development Strategy 2002). It further claims to have moved away from the past framework where government and parastatals played the lead role in agriculture to a future where the private sector would play such a role. The ASDP design's five key principles are: i) increasing control of resources by beneficiaries; ii) pluralism in service provision; iii) results-based resource transfers; iv) integration with government systems; and v) national in scope.

Aside from large scale increases of funding to irrigation and research in particular, the ASDP plans to make substantive efforts at: i) creating an enabling environment for private sector participation in the provision of services to agriculture; and ii) supporting value chains as a whole, rather than just focus at the farm level as was the case previously. This strategy is said to be based on the guidance provided by the NSGRP, and by national trade policy where these measures are considered essential for boosting export. On the former, one major component outlined is: improving overall sector policy, regulatory and legal framework; marketing and private sector development; capacity building; and information and communication. On the latter, sub-component 2.3 of the ASDP (*Marketing and Private Sector Development*) aims at linking farmers to markets through value chains. Programmes include reducing marketing costs and risks for small and medium producers, traders, processors and other service suppliers. A host of constraints are identified, those that require not just investment but also policy reforms and laws.

3. Overview of policy frameworks for TRSMs

One fundamental principle about TRSMs is that these should be guided by and articulated from within national development and policy frameworks. It is for this reason that discussions on trade policy and trade mainstreaming in the previous two chapters are important for the topic of this chapter. What

follows is a brief discussion of these policy frameworks from the standpoint of articulating TRSMs.

In the concluding section of the previous chapter it was said that Tanzania's PRSP (the NSGRP) was fairly weak on the trade side. This was also the view of a recent review of seven PRSPs from this angle (Driscoll *et al.* 2007). It seems that the NSGRP essentially "delegated" trade issues to Tanzania's 2003 national trade policy (TNTPO3). Although thus the NSGRP did not say much on trade strategy and issues, it does provide some guidance.

The NSGRP sets fairly high growth rates for GDP, agriculture and livestock and determines that achieving these would require agricultural transformation - significant increases in productivity, modernization and commercialization, accelerated private-sector led growth, a competitive economy, efficient governance, and so on. One important role assigned to trade in this process is that external trade should stimulate domestic productive capacity and enhance competitiveness. The importance of liberalizing domestic trade is also stressed from time to time. Private sector is given high importance on all these. Consistent with all these is the emphasis on developing value chains, i.e. focussing efforts on commercialization and trade and not just production. Under Goal 2 in Cluster 1, the NSGRP outlines a growth strategy that focuses on specific products/services where Tanzania has and can create competitive advantages, with hints on value chains, but the proposals/views are not articulated well.

As the fundamental concern of the NSGRP is with growth and poverty reduction, agriculture as a whole is stressed throughout, with some elaborated treatment on food production and food security. The NSGRP is also balanced in that, when it speaks of trade, it accords high importance to both the export crops and food crops, including value chains of processed foods for domestic and regional markets.

The TNTPO3 is sub-titled *Trade Policy for a Competitive Economy and Export-led Growth*. It is a comprehensive trade policy document with five chapters: background and rationale; economic overview; vision, mission and objectives; constraints and challenges; policy instruments; and implementation framework and action plan. Among the issues listed that the TNTPO3 is meant to address include continuing policy shift towards a competitive market economy, using trade for poverty eradication and the development of the domestic market; safeguarding of domestic industry and economic activity threatened by liberalization, including identification of sectors to be protected; and addressing supply-side constraints that inhibit expansion of trade within the domestic and global markets.

The above shows that the TNTPO3 is broadly consistent with the vision of the NSGRP, i.e. trade should contribute to continually transform domestic productive sectors towards a market-led competitive economy. Although export-led growth

is stressed in many places, the TNTPO3 is not overly one-sided by focussing on exports only as is the case with national trade policies of some other countries. Thus, for example, one of the goals articulated is: “to stimulate a process of trade development as the means of triggering higher performance and capacity to withstand intensifying competition within the domestic market”. In other words, there are concerns also with import competition. This becomes very clear in Chapter 5 of the TNTPO3 where several policy instruments are provisioned to ensure the growth of domestic import-competing activities and fair competition (e.g. “tariff has a role for protection”, trade defence measures, policy on local raw materials use, State Trading Enterprise, and so on).

Tanzania’s 2005 DTIS was discussed earlier. It is a detailed analysis of trade-related constraints and, based on this, recommends a comprehensive list of actions. Its one major weakness is the total focus on export products only. This was by design, and is not different from most other DTIS for other LDCs. It is also explicit on this: “The DTIS is aimed towards supporting the Government of Tanzania (GoT) in the realization of its National Trade Policy, the objective of which is to develop an export orientation for the country to enhance income and reduce poverty”. Thus, while the DTIS is a solid contribution to a well-articulated export strategy, it misses out on bulk of the agricultural products – notably foods – that are so critical for Tanzania’s growth and poverty reduction, and were addressed well by the NSGRP and TNTPO3.

As regards *policy frameworks for agriculture*, as reviewed earlier, one finds that key strategies laid out in the 2001 ASDS and the more recent ASDP are essentially along the lines of the NSGRP. Thus, the AFDS also stresses on the strategies like commercialization of agriculture, prominence of the role of private sector and a holistic approach (through value chains).

Kilimo Kwanza (“agriculture first”) (ACT 2010) was also reviewed in the previous chapter. Claimed as a blueprint for Tanzania’s Green Revolution, it also stresses on the need for transforming agriculture into a modern and commercial sector. One of its 10 pillars, called *paradigm shift to strategic framework*, makes a number of proposals focussed on identifying and prioritizing areas/products for development. These include both food products and cash crops. In this sense, the *Kilimo Kwanza* is consistent with the previous policy frameworks other than the DTIS.

Finally, two *EAC policy frameworks* are also relevant here for articulating TRSMs. The EAC CET will limit Tanzania’s policy space in some areas but also expand opportunities in others. With free intra-EAC trade and new activities proposed for regional value chains, especially of food products, Tanzania should gain given its comparative advantage on food production. The target is to double intra-EAC trade in food to 30 percent by 2015. Thus, Tanzania should support regional initiatives and formulate plans and projects for regional trade in food products.

4. Conclusions

Based on discussions in Sections 2 and 3, the following five areas appear as requiring priority attention in articulating TRSMs.

First, significant investments need to be made on raising agricultural productivity, notably for identified strategic food and cash products, as conceived in the NSGRP, as well as in the Kilimo Kwanza and AFDP. The ASDP plan for large-scale activities on irrigation and technology appears to be a response to that call.

Second, much more needs to be done on linking farmers to markets through value chains, leading to modernization and commercialization of the farm economy and creating significant backward and forward linkages in the rural economy and beyond.

Third, extra efforts are needed to ensure the participation of the private sector in the agricultural value chains, including in the delivery of inputs, services and finance. This was identified as being specially important given Tanzania's history of highly interventionist economic paradigm.

Fourth, given that Tanzania is recognized to have comparative advantage in producing surplus food, policy and regulatory reforms are essential for facilitating food exports to the regional markets. The EAC customs union is a big plus for this strategy.

Fifth, capacity building is needed in a variety of areas. These include trade surveillance capability (also related to trade defence measures in the national trade policy), monitoring food prices and managing volatility using trade and the SGR as instruments, policy analysis, and trade negotiations.

At the risk of some repetition, the following three points are considered worth noting again at the end of this paper; these came specifically from the background works done for this and other papers under the FAO project, including stakeholder consultations.

Recognizing the importance of TRSMs for the food sector as well – There is a general tendency in discussions on AfT to focus exclusively on export crops and products, and rarely on food products (which are typically importables and non-traded).⁵ In Tanzania, this is the case with the DTIS, and to the extent the AfT is linked to DTIS, there is a risk that non export products – so vital for agricultural growth and poverty

⁵ Indeed, the WTO AfT Task Force itself states thus: "Aid for Trade is about assisting developing countries to increase exports of goods and services, to integrate into the multilateral trading system, and to benefit from liberalized trade and increased market access".

reduction – may not benefit from new AfT resources. Aside from the DTIS, however, production and trade of food products, including national and regional value chains of processed foods, are given due prominence by other policy frameworks.

Taking a holistic view in identifying and reliving constraints along the value chain – It is necessary to reiterate the importance of this point: it is absolutely important that a holistic view is taken in supporting product development as a whole if the vision articulated in the NSGRP is to be made a success. Wolter (2008) noted that currently no donor or project covered the whole agricultural value chain. There is thus, he argued, a need for de-concentrating current support in primary production towards other phases of the value chain. Besides investment, policy reforms and regulatory measures are required and there is much to learn from successful examples from other countries in Africa and elsewhere.

The issue of clarity in defining, quantifying and monitoring AfT flows – The 2006 WTO task force on AfT has identified the following six categories for AfT: i) trade policy and regulations; ii) trade development; iii) trade-related infrastructure; iv) building productive capacity; v) trade-related adjustment; and vi) other trade-related needs. While it is known all along that categories 3 and 4 are the most binding constraints for trade expansion in most LDCs, it is not clear how one goes about measuring the “trade content” in total investment in these two categories.

Based on the lessons learnt during the course of the background analyses that contributed this paper, literature on AfT or TRSM in Tanzania, it comes out very clearly that trying to precisely define what is AfT or TRSM and what it is not - for the purpose of quantifying AfT or TRSM flows - is almost a futile exercise at this stage. This is mainly due to difficulties in ascertaining trade contents under categories 3 and 4. An attempt has been made in the OECD/CRS system to use a “trade development marker” to apportion part of the investment to trade in category 4, but this is highly subjective. A more doable and useful exercise would be to consider the following three categories *separately* for the purpose of monitoring and review: 1) trade development (categories 1, 2, 5 and 6); 2) productive capacity (separately for main sub-sectors, e.g. agriculture, industry); and 3) infrastructures.

In conclusion, many of these observations taken separately would not appear to be new to those following these issues, or as something that has not been thought or tried before. But what is new here is an attempt to discuss the TPSPM or AfT agenda in the context of the key national policy frameworks. There will be always some differences in views on the priority areas for investment in terms of the returns on growth and poverty reduction, But this is normal and the best way to respond to that would be to put in place a system of monitoring and analysing the outcomes of the investment process, and subject them to effective stakeholder consultations.

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This book is an output of the FAO project, Articulating and mainstreaming agricultural trade policy and support measures, implemented during 2008-2010. With a view to maximizing the contribution of trade to national development, a process has been underway in many developing countries to mainstream trade and other policies into national development strategy such as the Poverty Reduction Strategy Paper (PRSP). A similar process of mainstreaming is strongly advocated, and underway, for trade-related support measures, including Aid for Trade. In view of this, there is a high demand for information, analyses and advice on best approaches to undertaking these tasks. It was in this context that the FAO project was conceived. Its three core objectives are to contribute to: i) the process of articulating appropriate agricultural trade policies consistent with overall development objectives; ii) the process of articulating trade support measures; and iii) the process of mainstreaming trade policies and support measures into national development framework.

The study is based on case studies for five countries - Bangladesh, Ghana, Nepal, Sri Lanka and Tanzania. The approach taken was to analyse how the above three processes were undertaken in recent years. The book presents, in 15 chapters, analyses for each country of the above three topics – agricultural trade policy issues, trade-support measures and mainstreaming. Based on these country case studies, three additional chapters present the syntheses on these three topics.

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