Lessons learned from the agribusiness support for smallholders project in Kenya and the southern highlands food systems programme in the United Republic of Tanzania

Developing inclusive food systems in Kenya and the United Republic of Tanzania

Lessons learned from the agribusiness support for smallholders project in Kenya and the southern highlands food systems programme in the United Republic of Tanzania
in memoriam of our colleague

David K. Hitchcock
Developing inclusive food systems in Kenya and the United Republic of Tanzania

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GROUP S
APAK ORG'S STRUCTURE

AGM

NEC.
- National Chairperson
- Vice Chairperson
- National Secretary
- Vice Secretary
- National Secretary-Treasurer

KSC
- Group Leaders
  - A
  - B
  - C
  - D
  - E
  - F

Groups
<table>
<thead>
<tr>
<th>Acronym</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>3SDP</td>
<td>Subsector Strategy Development Process</td>
</tr>
<tr>
<td>AbSS</td>
<td>Agribusiness Support for Smallholders (Project)</td>
</tr>
<tr>
<td>ACT</td>
<td>Agricultural Council of Tanzania</td>
</tr>
<tr>
<td>AGS</td>
<td>Rural Infrastructure and Agro-Industries Division (FAO)</td>
</tr>
<tr>
<td>AMD</td>
<td>Agribusiness and Marketing Department</td>
</tr>
<tr>
<td>APAK</td>
<td>Agroprocessors association (Kenya)</td>
</tr>
<tr>
<td>ASCU</td>
<td>Agricultural Sector Coordination Unit</td>
</tr>
<tr>
<td>ASDP</td>
<td>Agricultural Sector Development Programme</td>
</tr>
<tr>
<td>ASDS</td>
<td>Agricultural Sector Development Strategy</td>
</tr>
<tr>
<td>BMLSP</td>
<td>Business and market linkage service provider</td>
</tr>
<tr>
<td>CIP</td>
<td>Commodity Investment Plan</td>
</tr>
<tr>
<td>DADO</td>
<td>District Agribusiness Development Officer</td>
</tr>
<tr>
<td>DADP</td>
<td>District Agricultural Development Plan</td>
</tr>
<tr>
<td>DFT</td>
<td>District Facilitation Team</td>
</tr>
<tr>
<td>FAB</td>
<td>Farming as a business</td>
</tr>
<tr>
<td>GIZ</td>
<td>German Agency for International Cooperation</td>
</tr>
<tr>
<td></td>
<td>[Deutsche Gesellschaft für Internationale Zusammenarbeit]</td>
</tr>
<tr>
<td>KENFAP</td>
<td>Kenya National Federation of Agricultural Producers</td>
</tr>
<tr>
<td>MAFC</td>
<td>Ministry of Agriculture, Food Security and Cooperatives (United Republic of Tanzania)</td>
</tr>
<tr>
<td>MATI</td>
<td>Ministry of Agriculture Training Institute</td>
</tr>
<tr>
<td>MoALF</td>
<td>Ministry of Agriculture, Livestock and Fisheries (Kenya)</td>
</tr>
<tr>
<td>MTIM</td>
<td>Ministry of Trade, Industry and Marketing (United Republic of Tanzania)</td>
</tr>
<tr>
<td>MVIWATA</td>
<td>[kiswahili] National Farmers’ Union (United Republic of Tanzania)</td>
</tr>
<tr>
<td>NAS</td>
<td>National Agribusiness Strategy</td>
</tr>
<tr>
<td>NGO</td>
<td>Non-governmental Organization</td>
</tr>
<tr>
<td>PADO</td>
<td>Provincial Agribusiness Development Officer</td>
</tr>
<tr>
<td>SAGCOT</td>
<td>Southern Agricultural Growth Corridor of Tanzania</td>
</tr>
<tr>
<td>SHFSP</td>
<td>Southern Highlands Food Systems Programme</td>
</tr>
<tr>
<td>SMAE</td>
<td>Small and medium agro-enterprise</td>
</tr>
<tr>
<td>TAP</td>
<td>Tanzania Agricultural Partnership</td>
</tr>
<tr>
<td>TCI</td>
<td>Investment Centre Division (FAO)</td>
</tr>
<tr>
<td>UNIDO</td>
<td>United Nations Industrial Development Organization</td>
</tr>
<tr>
<td>USAID</td>
<td>United States Agency for International Development</td>
</tr>
</tbody>
</table>
There has been impressive economic growth in both Kenya and the United Republic of Tanzania in recent years. Growth in domestic products is projected to rise to 5.9 percent in Kenya and 7 percent in Tanzania. Tanzania’s growth mainly results from gold mining and the emerging gas and oil industries. According to the World Bank’s economic overview of 2015, agriculture value addition accounts for 31.5 percent of gross domestic product (GDP). In Kenya, it contributes to 30.3 percent. Kenya’s growth is mainly attributed to the agricultural sector, the backbone of the country’s economy – Kenyan exports of agricultural goods represent 65 percent of export earnings.

For both countries, agriculture is a sector of fundamental importance, involving around 75 percent of the population (World Bank, 2016). Most agricultural production comes from small family-owned farms that produce food crops for local consumption and commercial use. For instance, in Kenya, smallholder farmers produce 80 percent of total agriculture production.

Both countries are undergoing impressive structural transitions. The United Republic of Tanzania is moving away from centralized, state-run agricultural production and marketing systems towards innovative, commercially oriented production methods. In Kenya, agro-industry is in the development phase, representing 20 percent of the formal sector – 15 percent of the informal sector is engaged in agro-industries (UNIDO, 2015). The United Nations
Industrial Development Organization (UNIDO) has attributed the positive performance of the last few years to an increase in demand for industrial products from processing firms as well as an increased supply through agriculture production. Other transitions were induced by growing urbanization and growing demand for agriculture products, together with an increasing population.

Throughout, farming systems remain smallholder based (characterized by land expansion and traditional practices). The challenge of the transition process is, therefore, to include smallholder farmers in development strategies. Smallholder farmer inclusion is instrumental in order to lift farmers out of poverty and achieve food security in the region.

Following requests from the respective Ministries of Agriculture, FAO implemented two different programmes, funded by Germany and overseen by the German Federal Ministry of Food, Agriculture and Consumer Protection. The primary objective of both programmes was to promote and support value chain development for strategically important food, while ensuring that all stakeholders (producers, consumers and agribusiness firms) benefit from the improvements. To achieve their policy-level objectives and institutional capacity strengthening, the programmes offered assistance for subsector planning, investment appraisal and policy implementation.

In 2007, the Kenyan Ministry of Agriculture, Livestock and Fisheries (MoALF) with the support of FAO, created a specific department dedicated to the development of agro-industries: the Agribusiness and Marketing Department (AMD). In order to strengthen this new team’s capacities, the Ministry asked FAO to develop a pilot focusing on agro-industries. The primary objective of the Agribusiness Support for Smallholders (AbSS) Project (GCP/KEN/070/GER) was to support the development of small and medium agro-enterprises (SMAEs) and pilot test the inclusion of smallholder farmers’ suppliers. The allocated budget was US$2.5 million over three years.

In the United Republic of Tanzania, the Southern Highlands Food Systems Programme (SHFSP) was a twofold programme jointly implemented by FAO and the Tanzanian Ministry of Agriculture, Food Security and Cooperatives (MAFC). The first project focused on the policy level “Food Systems Development in the United Republic of Tanzania” (GCP/URT/132/GER). The second focused on the capacity of advisory services providers and farmers in farming as a business (FAB), “Advisory Service Capacity Development in Support of Food Security in the United Republic of Tanzania” (GCP/URT/133/GER). The budget consisted of US$5 million over a period of three years. It covered the Southern Highlands and looked at four subsectors (red meat, white meat, soybean, rice, maize and edible oils).
The Ministries and FAO teams observed the performance and quality of the different implementation components throughout the entire programme. As a result, guidelines were drafted with regard to what worked and what needed improvement in order to develop inclusive agrifood subsectors and value chains to include smallholder farmers.

The objective of this publication is to present the results and accomplishments of the innovative approach taken towards the development of inclusive food systems through the development of subsectors and value chains. The study may be considered a useful starting-point for applying the same approach to other development projects in Kenya and the United Republic of Tanzania as well as to other countries.

The content of this report is structured as follows. After the present introductory chapter, Chapter 2 presents the implementation strategies and lessons learned in AbSS in Kenya. In the third chapter, the accomplishments of SHFSP in the United Republic of Tanzania are presented. The report concludes with the lessons learned from the set of projects, together with recommendations.
Developing inclusive food systems in Kenya and the United Republic of Tanzania

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Chapter 2
Agribusiness support for smallholders project in Kenya

The Agricultural Sector Development Strategy (ASDS) 2010–2020 launched by the Kenyan Government has the objective of positioning the agricultural sector as a key driver in delivering 10 percent of annual economic growth by prioritizing increased productivity, commercialization and competitiveness as one of the four strategic growth results.

The project arose from the need to strengthen capacity in business strategy, planning and management in the country, together with complementary institutional support for business development involving producers and SMAEs. The Kenya National Federation of Agricultural Producers (KENFAP), an apex producer organization, has had a relatively poor record in providing business services and organizing collective action such as input purchasing and marketing. Since KENFAP had largely operated in isolation and in competition with other input providers, the project was vital to consolidate the Federation’s awareness of engaging more constructively with the public and private sectors, strengthening its capacity to provide the services demanded by producers for fostering market access.

The Agribusiness and Market Development Directorate of the Ministry of Agriculture, Livestock and Fisheries (MoALF), which has a mandate that includes support for value chain development and marketing, needed further technical support in order to develop
further strategies to support, replicate and upscale the business development of producer organizations, agribusiness organizations and relevant public sector units at both national and decentralized levels.

The project strategy was accepted as a significant departure from traditional government project approaches concentrating on the smallholder producer end of the value chain. Instead, the project focused on SMAEs as the central players, while aiming to strengthen the capacity of upstream and downstream value chain actors, facilitators and enablers in both the private and public sectors. This was reinforced by efforts to strengthen capacity and induce a paradigm shift in those providing information and interacting technically with small-scale producers and SMAEs, such as public and private sector policy and strategy developers, frontline public or private sector extension workers, and business and market linkage service providers (BMLSPs).
2.1 PROJECT OBJECTIVES

The primary objective of the project was to support the development of SMAEs, while ensuring the inclusion of smallholder farmers, the suppliers of raw materials to SMAEs. The project was designed to identify and address gaps and opportunities to improve the productivity of various agrifood value chains and the access to markets for actors in the sector: agroprocessors, producer groups, Non-governmental Organizations (NGOs) and BMLSPs.

The project targeted producer groups and SMAEs in the private sector while, in the public sector, it targeted MoALF at national, regional and district levels. It involved Agribusiness and Marketing Department (AMD) officers, and provincial and district agribusiness development officers.

FIGURE 2.1

PUBLIC INSTITUTIONS

Ministry of Agriculture  Ministry of Trade  Ministry of Finance  Ministry of Industrialization

CAPACITY BUILDING AND SERVICE PROVIDERS

FAQ Project  Service Providers BMLSPS

VALUE CHAIN FUNCTIONING

Farmers produce raw materials  Farmer Groups do post-harvest handling and collection  SMAES do primary processing  Whole-sellers  Large Companies  Assistance  Retailers  Supermarkets

Source: developed by the authors.
2.2 CAPACITY BUILDING FOR VALUE CHAIN ACTORS

The project implementation made use of advisory service providers specialized in capacity building, and having contextual knowledge. These providers were engaged in training the primary stakeholders in the project:

- KENFAP leaders and officers;
- Provincial Agribusiness Development Officers (PADOs) and District Agribusiness Development Officers (DADOs);
- farmer organization leaders and SMAEs in pilot locations;
- specific public sector units such as the Agricultural Sector Coordination Unit (ASCU).
Strengthening the training skills of advisory service providers in Kenya

Eight service providers were selected to strengthen the training skills of advisory service providers in Kenya. These providers are referred to as BMLSPs. They were selected by an open tender process and their suitability was based on a set of criteria, including previous experience and technical capacity.

1. React Africa Ltd
2. TechnoServe Ltd
3. Enterprise Development Centre for Africa
4. Farm Concern International
5. Enterprise Institute
6. Smart Logistic Solutions
7. The Agri and Co-operative Training and Consultancy Services of the Cooperative University College of Kenya
8. Technical University of Kenya

The eight selected providers were presented with the training curricula and FAO training materials. They were required to modify and adapt the training manuals for their intended training target audiences, tailored to local context and knowledge.

Using the training curriculum as a base, FAO organized training for building and developing the training capacity of the representatives of the eight service providers. This training of trainers was built on an adult training methodology together with methods such as participatory, learning by doing, deductive and inductive training. All these enabled participants to develop their knowledge based on their expertise. This choice revealed to be a key factor of success during all the training sessions.

A core team of trainers was trained within each BMLSP for them to aggregate the relevant training material from FAO together with their capacity and knowledge to address the training demand of the SMAEs and producer groups.

The trainees were at different levels with regard to learning capabilities so that training materials had to be adjusted accordingly and, in some situations, simplified. A training needs assessment determined the formation of groups of SMAEs.
Developing inclusive food systems in Kenya and the United Republic of Tanzania

Improving business skills of small and medium agro-enterprises

A public announcement in the national newspaper, which presented the project specifically for SMAEs, initiated the SMAE recruitment process. There was a positive response from 31 SMAEs, from the five subsectors shown in Figure 2.3.

All SMAE respondents were contacted and asked to fill in a questionnaire to assess their current situations and need for capacity building. The questionnaire also acted as a baseline survey, which was reused at the closure of the project for the purpose of evaluation. The same questionnaire was used throughout the project implementation to assess the progress of the SMAEs.

**FIGURE 2.3**

<table>
<thead>
<tr>
<th>SUBSECTOR</th>
<th>RESPONDENTS (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Dairy</td>
<td>10</td>
</tr>
<tr>
<td>Fruit and vegetables</td>
<td>45</td>
</tr>
<tr>
<td>Cereals</td>
<td>15</td>
</tr>
<tr>
<td>Livestock</td>
<td>20</td>
</tr>
<tr>
<td>Nuts and edible oils</td>
<td>10</td>
</tr>
</tbody>
</table>

Source: developed by the authors.
The next step was to match the advisory service providers with the SMAEs for field training. Locations for the training session were selected to be as close to the SMAEs as possible. This was so that (i) SMAE work was not disrupted; and (ii) to be able to choose SMAEs as case studies for other participants within the same region. The training sessions were established in short sessions of four to five days.

The topics of the training sessions delivered by the advisory service providers to SMAEs, with the aim of improving their business skills, are shown in Figure 2.4.

**Establishment of business plan and coaching**

The prospective business model pilots were identified using the FAO value chain portfolio approach, which uses the criteria of clear business opportunities; prospects for successful value chains; prospects for sustaining competitiveness; suitability for support within the project time frame and resources; and capacities to implement in the location.

Five business appraisal and planning sessions were conducted for SMAEs using a participatory methodology, whereby each SMAE completed the task using its business records. Based on the findings from these appraisals, the SMAEs developed their upgrading plans. Five demand-driven technical and business management training modules derived from priority topics identified in the business appraisals were then designed and delivered by BMLSPs in a capacity-building programme for SMAEs.

FAO Ruralinvest software was used as a tool to help SMAEs build up their business plan. The advisory service providers were made familiar with use of the software through training sessions. The first of these sessions was sponsored by the FAO Ruralinvest team.

**FIGURE 2.4**

<table>
<thead>
<tr>
<th>TRAINING TOPICS</th>
</tr>
</thead>
<tbody>
<tr>
<td>Applied marketing</td>
</tr>
<tr>
<td>Business and administrative management</td>
</tr>
<tr>
<td>(including human resources, record-keeping and accounting)</td>
</tr>
<tr>
<td>Technical food processing skills</td>
</tr>
<tr>
<td>(including packing and marketing)</td>
</tr>
<tr>
<td>Finance management and access to finance</td>
</tr>
<tr>
<td>(including mobilizing financial and investment resources, appraisal of costs and benefits)</td>
</tr>
<tr>
<td>Contract farming to secure supply of raw materials</td>
</tr>
<tr>
<td>Value chain organization principles and governance</td>
</tr>
</tbody>
</table>

*Source: developed by the authors.*
INFORMATION

Ruralinvest software has been developed by the FAO Investment Centre Division (TCI) over the past 20 years to help social and private entrepreneurs to identify, prepare, validate and follow up their projects, both in the public and private sectors. The software is composed of four modules, each corresponding to the level of development of the project.

Module 1
Participatory identification of local investment needs
Provides guidelines and templates to assist local technicians working with communities and other rural groups to assess the natural resources, economic and social activities, institutions and infrastructures in the area within which the applicants live, and through this process determine their opportunities and constraints, future priorities and resulting investment needs.

Module 2
Preparing and using project profiles
Provides a simplified methodology and approach to facilitate the conversion of general ideas into specific investment profiles. Prepared in the field with the direct participation of the applicants (whether individuals or groups), the module aims to define the key characteristics of the project (such as objectives, primary activities, the estimate of investments costs needed, rapid calculation of gross margin from operations at full production and return on investment). It helps the applicants to understand better the reality of the investment proposed (regarding resources, costs and expected financial impact) and allows both the applicant and the possible funding agency to assess the apparent feasibility of the proposal before committing resources for full project preparation.

Module 3
Detailed project formulation and analysis
This module enables detailed project plans to be formulated, containing all the information needed to make informed decisions about the viability of the proposed investment. It includes the definition of anticipated markets and demand; technologies to be used and training and technical assistance needs; calculation of income, expenses and gross margin by activity within the project; and financial forecasts and ratios (cash flows and profitability report). Many calculations – such as the estimation of employment generated by the investment, working capital requirements and replacement of assets – are carried out automatically. This helps to avoid the mistakes often made by non-financial experts and ensures that all project proposals will be presented similarly, enhancing dialogue with the applicants and appropriation of proposals.

Module 4
Profiles and projects database management and support to monitoring and evaluation
As an integrated function within the software, this module enables aggregation of all Ruralinvest proposals prepared by field technicians into one single database. They are tagged according to their stage in the project cycle (i.e. proposal, approved, investment completed, fully functional) as well as other criteria (project type, beneficiary type, investment costs, financial indicators, etc.). A search function enables data to be used from the database to produce reports that can be exported (as PDF or Excel files) and subsequently used to prepare progress reports for monitoring purposes.

Further information can be found at: www.fao.org/investment/ruralinvest/en
Results of capacity building

Eleven different organizations from both the private and public sectors and 44 frontline trainers participated actively in training events designed to mitigate the risks stemming from the weak managerial and technical capacities of small-scale producers and SMAEs. The organizations included MoALF’s DADOs and the KENFAP Regional and District Coordinators.

Results of strengthening the capacity of advisory service providers

The selected service providers reached out to the targeted stakeholders, SMAEs, farmer groups and MoALF services. The trainees demonstrated an increased capacity to provide training in their respective work areas, such as post-harvest management, value addition and quality assurance.

The reference training material provided by FAO was much appreciated by the SMAEs and extensively applied in practice in its various forms to fit the demands of SMAEs in the regions. A survey on the satisfaction of the quality of the SMAE training indicated a score of 4.2, on a scale of 0 to five.

When asked about the areas they were most interested in, SMAEs’ preferences for training were the following:
- marketing (45 percent of respondents);
- food safety and quality (40 percent of respondents);
- financial management (35 percent of respondents);
- processing and equipment (35 percent of respondents).

The advisory service providers contributed considerably to proper project implementation since they developed a greater understanding of the business approaches and philosophy of the project, as well as its strategy, while also benefiting from the resultant sharing of information, cross-fertilization of ideas and lessons learned. The process enabled the BMLSPs to know each other’s competencies better while appreciating that they were covering complementary training needs and also having the opportunity to evaluate the importance of the demand in this sector. They realized that the comprehensiveness of the AbSS training programme was a key factor in fulfilling the training needs of the SMAEs and providing them with an opportunity to collaborate rather than compete.
Quantitative results of SMAEs

A total of 31 SMAEs were involved in four pilot locations spread across 14 districts, working with an estimated 932 farmers and 48 farmer groups.

The initial assessment evaluated 16 SMAEs at the end of the project, using the initial evaluation as a comparison baseline. The extent of the sales and profitability initiated through SMAE turnover and the overall appraisal was indicatively positive at an average of 20 percent for the 16 SMAEs involved in both appraisals.

Participating SMAEs were asked to self-assess their practices and achievements against a set of indicators provided by the project team. While there are limitations inherent to subjective assessment, there were a number of positive findings, including the following.

- Forty-seven percent of SMAEs claimed to offer technical extension services to their producer suppliers in the areas of production, post-harvest management, access to and improved use of inputs (such as fertilizer and vaccines).
- Eighty-two percent of SMAEs believed that they could access finance, compared with almost none at the beginning of the project.
- Seventy-four percent of SMAEs provided logistical support to smallholder farmers by organizing transport from the farm and/or covering its costs, in some cases providing storage free of charge.
- New mechanisms were introduced to improve buyer-supplier relationships, including prompt payment, quality incentive payments, small loans and in-kind input provision and support for farmer field days.
- Risk-sharing mechanisms were introduced, such as part-payment for raw materials on collection, balance of payment made after weighing and quality checks either with or without farmers, while losses for damaged or downgraded products were shared and reduced payment agreed.
- Good practices for resolution of buyer-supplier conflicts were identified, including open discussion as problems arose, together with dialogue and use of intermediaries such as MoALF.
- Sixty percent of SMAEs claimed to have increased the number of smallholders from whom they sourced products, compared with the number at the outset of the project, with 47 percent increasing their customer base and 35 percent receiving greater access to services.
- Most SMAEs acknowledged the importance of training. For example, one of the SMAEs participating in the project, Stawi Fruits and Foods Ltd, won the prize for the best business plan in the agribusiness category of Kenya’s JITIHADA business plan competition.
Stawi is a success story as an SMAE and has been featured in both local and international media, attributing a large part of its success to the development of capacity that it gained through its participation in the project.

The 31 SMAEs involved in the project upgraded their strategies, strengthening downstream linkages with customers and upstream linkages with smallholder farmers through improved procurement of raw materials, increased productivity and value addition and greater access to higher-value market segments. Nevertheless, owing to their low scale of operation, many of the SMAEs had limited working capital with which to expand operations. Through project support and exposure to financial service providers, some SMAEs sought financial assistance through loans or grants or by working with partners with greater financial resources in an attempt to improve cash flow and sustain commercial viability.
Lessons learned

Learning by doing, an efficient approach for building capacities
One essential concept of the project was the “learning by doing” approach – an integral part of the project. This approach allows trainers to base their training on participants’ actual cases. It needed service providers to prepare their training materials based on their expertise, backed up by FAO’s training resources. They also had to ensure adherence to the trainees’ needs expressed during the identification mission.

Organizing the training sessions within the SMAE regions proved to be an extremely good idea since all training facilities are normally located in Nairobi and hence not easily accessible for small SMAEs in terms of both time and money.

Training topics were established according to the wishes of the SMAEs themselves once the initial appraisal in the field had been carried out. This appraisal should be undertaken in a systematic and professional manner since it will be used later as a baseline survey for the evaluation of the progress made by the SMAEs. It also helps to measure the impact of the training carried out by the BMLSPs and consequently the efficiency of the project management in general.

One important lesson learned from this output was to ensure that the trainee groups are consistent from one session to another. Hence, it was essential to keep good records to ensure that each trainee had followed the full curriculum and could be awarded the appropriate certificate at the end of the session.

Identification and selection of well-adapted local practitioners
In accordance with the requirements of both SMAEs and producer groups, relevant training capacity was identified within the existing BMLSPs (private service companies or NGOs) through a local tendering process. Each BMLSP had a specific and proven expertise.

The learning by doing methodology improved the capacity of BMLSPs to continue to provide effective support services to these target groups in the future, since many had not considered SMAEs or government units as potential clients in the past. The process of learning by doing gave them the confidence they required to address the needs of their potential customer efficiently.

Keeping track of progress and performances of SMAEs
Using training efficiency/adoption indicators was not possible during the AbSS. However, this can be achieved by following up the various indicators adopted in the business plan of
each SMAE or producer group. Results can be seen on the balance sheets at the end of the year or during the following business year. Consequently, it is crucial to carry out a detailed baseline survey of each SMAE and producer group at the onset of the project.

SMAE performance appraisal should be carried out every year or every two years to assess the impact of training on results and measure performance against business plans.

Appraisal findings need to be formalized and followed up by an individual coaching session in order to help SMAEs improve their performance whenever necessary.

At the same time, this would help the project team evaluate the impact of the BMLSPs and adjust the curriculum and related training strategy accordingly.

**Fostering links between SMAEs and producer groups through training**

It was seen as fundamentally important that the original suppliers of SMAEs, the producer groups, be trained concurrently with SMAE employees so they can understand the context in which they are participating, and how they can benefit the most. These groups are obliged to produce the relevant commodity according to the standards and time frame requested by the SMAEs and the demands of the supermarkets, which basically reflect consumer demand.

This exercise should be done during the identification/inception phase. Once the SMAEs have been identified, it is essential to find out their regular suppliers from them in order to invite these to participate in the training sessions.

### 2.3 VALUE CHAIN DEVELOPMENT AND COORDINATION

**Matchmaking platforms to support networking capacity of SMAEs**

A major feature of the strategy was to develop networking capacity among the various stakeholders through professional matchmaking platforms. The method used to organize these platforms was a conference on two key topics of interest for SMAEs: how to access financing and new markets.

The project invited SMAEs, service providers and relevant professionals in the sector. SMAEs and producer groups were able present their products and projects to supermarkets, food processors and financial institutions in order to increase their visibility and market shares. Financial institutions and insurance companies also presented their products and strategies, while potential buyers from both large agro-industries and supermarkets were invited.
Three advisory service providers, Smart Logistic Solutions, TechnoServe and Farm Concern International, organized and facilitated two matchmaking forums. The conference was held in two sessions over two days; a great deal of time was dedicated to meetings among the participants. The selected location ensured comfortable conditions and privacy for these informal meetings. SMAEs displayed their products in another area.

The advisory service providers demonstrated strong abilities in assisting buyers and facilitating the development of business partnerships: fruitful business-to-business interactions were observed. It is hoped that the new market opportunities created will be further developed.

The organization of the matchmaking platforms was an innovative tool to develop market linkages. In the following months, this concept was reproduced by several service providers and NGOs such as TechnoServe, Farm Concern International, the German Agency for International Cooperation (GIZ) and the United States Agency for International Development (USAID).
Building a long-term shared vision

AbSS also aimed to help value chain stakeholders to build up their vision in the long term through exposure visits at national and international level. The objective was for participants from both the public and private sector to appreciate the market potential in the long term and the major constraints to be overcome.

For example, the project organized visits to small, medium and large producers and processors in the mango value chain, which proved to have a great impact on building a value chain vision, seeing what had been achieved and giving participants the impetus to organize themselves into associations (either SMAEs or value chain associations).

**CASE STUDY**

Major findings in mango value chain, from the Mango Value Chain Task Force, a multidisciplinary team aided by AbSS

The mango value chain contributes significantly to the livelihoods of farmers and entrepreneurs along the chain. Many mango varieties are grown, but the Ngowe variety is the preferred type for processing for its superior taste and sugar content. However, because of the seasonality of agricultural products, there is hardly enough produce to utilize the existing processing capacities efficiently in all the enterprises visited. Other notable challenges observed include: scattered production; poor infrastructure; inadequate production and processing skills; insufficient venture capital; the punitive levying system; and stringent market standards.

To address these constraints and chart the way forward, there is a crucial need to aggregate all stakeholders such as mango growers and processors; county governments; government agencies; MoALF and other ministries – MTIM, Public Works, Energy, Labour; Kenya Revenue Authority; microfinance institutions; banks; and plant and equipment suppliers. Once the cross-cutting issues have been addressed, investments could then easily lead to more benefits for farmers and SMAEs from the expanded commercialization involved in the value chain.

The task force noted that the visits gave an insight into barriers that prevent farmers from graduating from producers to value adders on mangoes. Current value addition by the subsector in the areas visited revealed enormous potential that could be replicated in other mango-producing regions of the Rift Valley and western Kenya.

The visit was perceived to be extremely important in further analysis of the subsector value chains and likely impact on improving regional economies. Ranked and prioritized agricultural commodities should enjoy the benefits of modelling, using the mango value chain approach, so as to develop national models that can guide modern and competitive agriculture.
Lessons learned
The value chain analysis identified gaps while showing that it was possible to set up a baseline against which the signs of progress achieved in the sector could be benchmarked. This concept should be developed further with a detailed market study and consumer analysis to set up a market strategy for the relevant SMAE group.

Instead of the value chain study being done by service providers, it should be done by the SMAEs themselves under the guidance of BMLSP trainers in order for them to obtain the maximum benefit.

In addition to the private enterprises involved in the chain, AMD participation helped to create a new awareness of who the actors are and how AMD could play a role in creating an enabling environment.

This proved to be efficient in initiating a dialogue between professionals and the administration since both were in a position to understand the dynamics underlying the development of the value chain and what needed to be done to create the appropriate environment, enabling the chain to prosper and reach international markets under the appropriate conditions.

Strengthening MoALF’s Agribusiness and Marketing Department

The project incorporated MoALF personnel into the SMAE training sessions, which gave them a chance to meet the entrepreneurs and understand their situation.

As a result, AMD benefited from the specific knowledge acquired to follow up on the strategy to support the development of the agro-industry in Kenya. Public personnel were integrated into the discussions, thus breaking the ice between the public and private sector and creating a new dialogue between the sectors.

Furthermore, officers undertook Ruralinvest training together with SMAEs. This proved to be instrumental for them to understand the development of a business plan, trying different scenarios over a medium- to long-term period and, most important, to understand the actual dynamics underlying the operations of healthy SMAEs.

The Agricultural Sector Coordination Unit (ASCU) launched the National Agribusiness Strategy (NAS) in 2012. Its objective was to remove barriers and create incentives for the private sector to invest in agribusiness, invest public resources more strategically, make agribusiness systems more competitive and encourage institutional frameworks enabling players to utilize market opportunities.
Lessons learned
The strengthening of AMD within MoALF was a major success, as was highlighted in the evaluation report, because:
- the project was designed clearly thanks to the strong support of AMD/MoALF;
- the project management team was hosted by AMD;
- mixed training sessions for SMAEs took place with AMD technical staff.

This approach proved to be extremely efficient. New rules and regulations were therefore considered, based on the experience acquired during the entire process. Restructuring of MoALF resulted in maintaining AMD within the Ministry, considered to be in the national interest for creating an enabling environment for business and market access.

Having the project team hosted by AMD within MoALF also proved to be an efficient team building and training factor since the project was involved in the day-to-day life of the department. The various demands of the staff could be considered and adjusted accordingly.

All this contributed to consolidating AMD’s confidence in its capacity to understand the prevailing dynamics at stake in the development of agro-industries in Kenya and deal with them efficiently.
Developing inclusive food systems in Kenya and the United Republic of Tanzania

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Although the United Republic of Tanzania has implemented major policy reforms over the last two decades, the business environment is still not conducive to the development of agrifood systems. It was recognized that the acceleration of progress in food security in the country needed ways to improve efficiency in the production, processing and distribution of the main food crops. There was a further need to strengthen policy, regulatory and investment support for the development of food systems, in particular with regard to strategically important staple foods.

A major challenge was involved in improving efficiency in the supply of the country’s main food products: most of the key agricultural value chains in the Southern Highlands are fragmented, with numerous small-scale suppliers, and they generally work to the disadvantage of small-scale farmers. The limited capacities of these small farmers and processors were one of the most important obstacles to stronger linkages among farmers, firms and final consumers.

The Tanzanian Government has given high priority to modernizing agriculture and has developed the country’s agricultural development policy and strategy accordingly.
3.1 PROJECT OBJECTIVES

The Southern Highlands Food Systems Programme (SHFSP) in the United Republic of Tanzania was composed of two interlinked and complementary projects. Their main objectives were to:
- promote greater attention to policy issues relating to private sector advisory service delivery;
- promote increased attention to smallholder access to market;
- build capacities of smallholder farmers in farming as a business (FAB);
- promote local government planning, monitoring and evaluation of the extension services.

The objective of the first programme component was to enhance the capacity of advisory services providers and farmers in FAB and marketing, as well as agribusiness entrepreneurs in business management skills to enable them to respond better to market opportunities.

The objective of the second component was to promote and support food systems development for strategically important food crops, while ensuring that producers, consumers and agribusiness firms all benefited from the improvements. The component mainly took a subsector development approach.

Moreover, the project was expected to contribute to government efforts to restructure the extension services by orienting extension officers towards a value chain approach and making changes to its content, function and structure.

The project aimed to deliver the following five outputs.
- Subsector-specific strategies and priorities identified, promoted and endorsed.
- Public-private sector coordination capacity strengthened.
- Best practice for new market mechanisms promoted.
- Food chain innovation capacity strengthened.
- Identification and promotion of inclusive business models to improve capacity utilization in agroprocessing facilities.

The targeted subsectors were defined according to their specificity.
- *Maize and rice*. These are the most important food crops in the country but are poorly developed and part of unstructured value chains.
- *Sunflowers, soybeans, red and white meat*. These crops are unique to rural livelihoods and food security.
3.2 **FARMING AS A BUSINESS: EMPOWERING FARMERS, GROUPS AND EXTENSION SERVICES**

A series of project orientation and training needs assessment workshops were conducted in 2010 at the main centres in the Southern Highlands. The knowledge and information gained created a platform on which to develop training programmes and related course contents. In 2011 and 2012, the project designed a training cycle focused on capacitating respective trainee groups in FAB and initiating the process of farmer commercialization. In 2013, an intentional shift towards designing/implementing a training cycle that focused on agrifood value chain development was initiated.

The training methodologies varied, depending on the project target beneficiaries, but were provided under an overall context training methodology that was phased, participatory and experiential adult-focused training intended to reach all levels of the extension service, as well as smallholder farmers and entrepreneurs.

“Farmers are intensifying existing patterns of production and diversifying their farm enterprises in an attempt to improve their livelihoods. Technical expertise is not enough. To be competitive and take advantage of the new opportunities arising, farmers increasingly have to adapt their farm business to market changes and improve efficiency, profitability and income. Farmers’ skills and capacity can only be built through a process of learning and practice” (FAO, Farming as a Business Manual).

FAB can be defined as farming that is self-financing, relying on profits to earn an income. It considers farmers as entrepreneurs who build a farm business by selling quality agricultural products to markets for a profit.

Entrepreneurial and management skills are built via a “learning by doing” approach. The objective is to help farmers with leadership abilities to organize, train and advise other farmers in FAB. Extension officers’ capacities are consolidated to support farmers after the project life. Consequently, extension officers and lead farmers are trained as facilitators and then organize seasonal training courses, where farmers work in small groups at their own pace, using materials that have been specially designed for the context.
The subproject target audience was composed of Ministry personnel, private sector enterprises, farmers and national NGOs. FAO developed various training programmes and adapted them to the specific audience and to the country context.

Extension service staff receive technical training in various subject areas, mainly of an agronomic nature, with the aim of increasing farm yields. However, staff lack exposure to business and economic topics and are ill-equipped to provide answers to some of the key questions posed by farmers, such as the following.
- What should I produce?
- How much should I produce?
- Where can I sell my produce and at what price?
- Where are the most attractive markets?
- What profits can I make?

**FIGURE 3.1**

<table>
<thead>
<tr>
<th>PROJECT OUTPUTS</th>
<th>PROJECT ACTORS</th>
</tr>
</thead>
<tbody>
<tr>
<td>Extension officers trained in FAB, farm management and marketing</td>
<td>Agriculture Training Institution (MATI)</td>
</tr>
<tr>
<td>Capacity building in FAB incorporated into district and ward level agricultural development plans</td>
<td>Extension officers</td>
</tr>
<tr>
<td>Enhancing farmer leaders’ capacity to organize, train and advise other farmers in FAB</td>
<td>Ward Facilitator Team</td>
</tr>
<tr>
<td>Enhancing capacity of non-profit providers to develop product-market linkages</td>
<td>District Facilitator Team</td>
</tr>
<tr>
<td></td>
<td>Progressive Farmers members of NIWATA (Farmers Union of Tanzania)</td>
</tr>
<tr>
<td></td>
<td>NGO alliance</td>
</tr>
</tbody>
</table>

Source: developed by the authors.
The project organized a cascade training model. The curriculum included the following training topics.

1. Farming as a business
2. Farm business management
3. Agrifood value chain development
4. Agrifood value chain finance
5. Small and medium agrifood enterprise development
6. Contract farming: implementing schemes
7. Structured trading systems in rice, maize and soybeans
8. Subsector strategy development programming

Capacity building in farming as a business incorporated into district- and ward-level agricultural development plans

Trainees from the Ministry of Agriculture, Food Security and Cooperatives (MAFC) demonstrated knowledge in both FAB and agrifood value chain development with the creation of an FAB training guide and a series of draft policy briefs designed to institutionalize FAB and agrifood value chain development.

Mainstreaming the FAB and agrifood value chain development approach strengthened the capacities of middle-level management MAFC trainers, at both district and ward level.

- **Ward Facilitation Team** – 30 members were trained in FAB and value chain development.
- **District Facilitation Team (DFT)** – 133 staff were trained. Some became subject-matter specialists and were further trained in farm management, marketing, product quality and safety, contract farming, farmer-market linkages and strengthening producers’ organizations.
- **District Facilitation Team** – 93 trainees, three members of each DFT from 31 districts participated in 19 monthly training modules.

Training was carried out in the three Southern Highlands localities; 57 training workshops were held.

The institutional capacity building provided by the project now allows MAFC to strengthen its core training functions. A critical mass of extension officers was trained and there was sufficient “change of mindset” to implement the government policy of modernizing agriculture in the country.
Progressive farmers have the capacity to organize, train and advise other farmers in FAB

Trainers were officers from the Ministry of Agriculture Training Institute (MATI), the National Farmers’ Union (MVIWATA) and the Tanzania Agricultural Partnership (TAP). Quantitatively, in 2011 and 2012, 671 lead farmers and 704 MAFC extension officers, together with NGO personnel, received three-day basic training in FAB. Thirty of the most progressive farmers and extension officers received in-depth comprehensive, experiential and time-phased training in FAB and value chain development.

Post-training evaluation and feedback indicate that the project successfully initiated a change of mindset among a critical mass of farmers in the Southern Highlands.

To develop a critical mass of trained farmers, the original concept of merely training “farmer leaders” was expanded to incorporate “progressive farmers”, a term used to describe farmers with literacy skills. These progressive farmers now take a more active part in developing their farming enterprises and are actively seeking farmer-producer linkages. However, training will not automatically lead to better farmgate prices, as these are affected by many national, regional and international factors (beyond the control of farmers).

Enhancing capacity of non-profit service providers to develop producer-market linkages

Training of trainers was organized by the project for officers of MATI, NGOs, MVIWATA and TAP.
- During a cycle of ten training modules, 20 NGO, six MVIWATA and 29 TAP coordinators received intensive FAB and agrifood value chain development training.
- MATI trainers participated in 13 training sessions.
- Twenty-four district coordinators were trained in contract farming.

All selected NGO, MVIWATA and TAP staff were trained in FAB, in order to be able to train their extension officers and farmers. The training curricula included modules on recordkeeping; estimating costs of production; simple farm budgeting; marketing and meeting market requirements; contracting; and small group business initiatives. All participants were provided with one training cycle on reinforcing FAB and another on agrifood value chain development. Pictorial training manuals for illiterate and semi-literate farmers covering the above topics were developed and distributed. These manuals motivated FAB approaches among farmers and encouraged attitude change from subsistence farming to FAB. A higher level of
competency in FAB led farmers to act on opportunities to increase farm income and strive towards poverty alleviation. Progressive farmers became “champions” in striving for change.

Lessons learned

Capacity building has been a major output of the project and its actual backbone, in that all training sessions have taken place throughout the year and from the very beginning of the project’s life cycle, thus providing a red line for the project implementation team to follow. As a result, progressive farmers, entrepreneurs and key extension staff participated in the extensive training sessions in business, enterprise and value chain development.

Particular attention was given to:
- supporting MAFC’s efforts to fulfil its core extension function;
- empowering farmer groups;
- improving capacities of farmers and extension staff;
- developing business management skills of emerging entrepreneurs;
- increasing smallholder farmers’ incomes.

The two ministries interacting with the project – MAFC and the Ministry of Trade, Industry and Marketing (MTIM) – are desperately in need of capacity building and institutional reform. To date, SHFS has provided intensive capacity building but further support is still needed, even though the sector is not widely popular among donor interventions.

SUCCESS STRATEGIES
for institutionalization of farming as a business and value chain development at district level and within the Ministry of Agriculture, Food Security and Cooperatives

At district level
Members of DFT now play a pivotal role in the future development of District Agricultural Development Plans (DADPs), ensuring that new plans will have a focus on value chain development and agricultural business orientation. With this approach, FAB and agrifood value chain development concepts have been institutionalized at district level throughout the Southern Highlands.

Within MAFC
Participation of a group of 24 MAFC middle-management staff in 19 monthly training modules. This allowed for experiential, time-phased learning. The training sessions incorporated field visits, the development of case studies and a training handbook. This enabled institutionalization of the concepts at management level within the Ministry.
3.3 DEVELOPING POLICY AND SECTOR STRATEGIES

The Tanzanian Government has been involved in several initiatives aiming at strengthening the private sector. For instance, it launched Kilimo Kwanza (Agriculture First), a private sector-driven programme intended to enhance farm mechanization. TAP had been developing district-specific Commodity Investment Plans (CIPs). The Southern Agricultural Growth Corridor of Tanzania (SAGCOT) programme had just been initiated.

The process of developing a change of mindset towards rural agriculture and food commodity production from small-scale household orientation to a more commercial approach had already begun in the country. It was evident that the project would “enter” this process, intervene in opportune strategic situations and “leave” the process after the project duration. The fostering of a change of mindset became the underlying theme.

SHFS was to “bring together” all current activities and be the platform for joint public and private sector development of the Southern Highlands.

It was decided that the most effective and sustainable intervention strategy would be to support the public and private sector actors involved, in order to establish common platforms for dialogue and initiate a subsector strategy development process.

Building an exchange space would also lend support to the activities carried out by the district authorities, MAFC, TAP, SAGCOT and others.

Strategic steps in project implementation were the following.

- At the beginning of the project, six appraisals (for baseline understanding of agriculture in the Southern Highlands) were conducted. Later, six subsector analyses and a stakeholder mapping exercise (as a basis for subsector development) were undertaken.
- Four thematic and four subsector working groups were established. The working groups consisted of public and private subsector stakeholders. Work carried out in the groups evolved towards developing and initiating Subsector Strategy Development Processes (3SDPs) for the maize, rice, edible oils and red and white meat subsectors.
- Various missions with topical specific issues took place to complement the work of the working groups.

Over 30 food chain actors, more than originally scheduled, were made aware of modern marketing strategies. These concepts then began to be applied as far as possible, given the nature of food commodity trading in the country.
Maize is the staple food for most Tanzanians. In 2011, an estimated 6.59 million tonnes were grown in the Republic. Of these, 6.4 million tonnes were consumed and 114 100 tonnes exported. Approximately 12 000 tonnes were imported and 73 800 tonnes used for the following season’s seed.

Most maize is produced by small-scale farmers and is usually grown under low input, rainfed conditions. It is both a subsistence and a cash crop. The maize value chain is fragmented and poorly coordinated. There are many layers and inefficient connections between producers and consumers. Trust, reliable information systems and the benefits of economies of scale are not well established. The result is considerable uncertainty, which discourages investment by both resource-poor, risk-averse small-scale farmers and commercial investors. There is little market “pull” to stimulate improvement. As a result, up to 80 percent of all maize is consumed within the producing households. Changes are needed to help millions of small-scale farmers — who currently make little or no profit from maize — to become profitable.

Current constraints include uncertain land tenure, little access to affordable finance, poor rural infrastructure, periodic bans on cereal exports, corruption, local taxes on farm production, limited availability of improved seed, weak business skills and inadequate institutional and technical capacity. Many constraints are now being tackled throughout the sector.

Of particular importance to maize will be improving linkages between producers and processors. There are opportunities to help large-scale millers develop better, more equitable commercial links with farmers’ groups, as well as to support the further development of warehouse receipt systems (WRS). Formalization and increased efficiencies of small-scale millers are also needed.

A new, credible and widely accepted National Maize Development Strategy must be created to lay the foundation for future partnerships and well-coordinated progress.

The Government, donors, and international foundations do not stifle private sector initiative in the field. At the same time, national and international private sector actors and their organizations must become better organized and more capable of pushing for change. New domestic and export markets also need to be developed, and environmentally friendly green growth options encouraged.
Subsector Strategy Development Process (3SDP)

The project began to introduce the concept of a Subsector Strategy Development Process (3SDP) since it was recognized that:

- there was a total lack of communication between private and public actors, coupled with a lack of sound agricultural data;
- the situation of the agricultural food sector was well known and future visions, goals and targets were also well documented, yet what was lacking were practical implementation guidelines on how to reach future visions, goals and targets.

With the exception of a National Rice Development Strategy, no development strategies were in place at the outset of the project for the maize, edible oil or red meat subsectors. With the Government focused mainly on increased production, stakeholders had little understanding of how to meet their objectives and operated in isolation.

The project adopted a flexible, holistic approach to 3SDP. It built on the reality of the existing situation (a bottom-up approach) within each agricultural subsector in the United Republic of Tanzania, while also looking ahead to better systems for information flows, closer collaboration and sustainable commercial growth in the target value chains.

The 3SDP framework had two phases: an understanding and thinking phase, and a planning and implementation phase. Each phase was broken down into several steps.

A critical issue in the 3SDP process is how to carry it forward once the project has ended. Since there were no recognized interest groups (associations), the development of national, private sector-led organizations to enter into dialogue with the Government of Tanzania was emphasized. The project initiated national rice, maize and red meat producers’ associations. The country has formalized the Rice Council of Tanzania, made possible through the assistance of the United Nations Agency for International Development (USAID) Tanzania Staples Value Chain (NAFAKA) Project. The Rice Council of Tanzania brings together major private sector value chain stakeholders. It is operative, registered, has developed a unified industry “voice” and enabled active dialogue with the Government of Tanzania.
3. Southern highlands food system programme in the United Republic of Tanzania

### FIGURE 3.2

#### 1 Understanding and thinking phase

<table>
<thead>
<tr>
<th>Step 1.</th>
<th>Examine lessons learned from other countries</th>
</tr>
</thead>
<tbody>
<tr>
<td>Step 2.</td>
<td>Estimate budget and its sustainability over time</td>
</tr>
<tr>
<td>Step 3.</td>
<td>Conduct a rapid agrifood value chain appraisal to identify potential commodities for future investment</td>
</tr>
<tr>
<td>Step 4.</td>
<td>Conduct a subsector study and identify constraining factors and opportunities</td>
</tr>
<tr>
<td>Step 5.</td>
<td>Stakeholder analysis: identify and characterize key stakeholders</td>
</tr>
<tr>
<td>Step 6.</td>
<td>Develop a communication strategy that addresses key stakeholders</td>
</tr>
<tr>
<td>Step 7.</td>
<td>Facilitate consultations among all interested stakeholders</td>
</tr>
<tr>
<td>Step 8.</td>
<td>Create dialogue with private sector and encourage its involvement</td>
</tr>
<tr>
<td>Step 9.</td>
<td>Establish a Subsector Planning Working Group (SPWG)</td>
</tr>
<tr>
<td>Step 10.</td>
<td>Determine draft objectives for subsector development</td>
</tr>
<tr>
<td>Step 11.</td>
<td>Consider policy issues</td>
</tr>
<tr>
<td>Step 12.</td>
<td>Identify possible implementation issues and problems</td>
</tr>
<tr>
<td>Step 13.</td>
<td>Consider issues in setting up a monitoring and evaluation system</td>
</tr>
<tr>
<td>Step 14.</td>
<td>Develop a vision for the subsector</td>
</tr>
<tr>
<td>Step 15.</td>
<td>Write statements of intent</td>
</tr>
<tr>
<td>Step 16.</td>
<td>Develop specific subsector development objectives</td>
</tr>
</tbody>
</table>

**Step 17.** Develop a communication strategy

#### 2 Planning and implementation phase

<table>
<thead>
<tr>
<th>Step 1.</th>
<th>Identify policy instruments to be used</th>
</tr>
</thead>
<tbody>
<tr>
<td>Step 2.</td>
<td>Specify a precise implementation schedule (action plan)</td>
</tr>
<tr>
<td>Step 3.</td>
<td>Estimate budget and its sustainability over time</td>
</tr>
<tr>
<td>Step 4.</td>
<td>Set up a monitoring and evaluation system</td>
</tr>
<tr>
<td>Step 5.</td>
<td>Distribute plan for comments and feedback and amend as necessary</td>
</tr>
</tbody>
</table>

**Step 6.** Communicate and distribute final plan to all stakeholders

Source: developed by the authors.
Lessons learned

3SDP implementation

Implementation of 3SDP involved collaboration with many institutions and organizations. It took into account both private and public sector concerns, but had to be a market-driven, private sector-led process. This represented a substantial shift away from the way things had been done in the past.

There were complex issues that needed discussion and consensus if they were to be effectively resolved. For example, the focus on rice and maize had to address the apparently contradictory interests of (i) cheap food for the urban population and (ii) profitable production by Tanzanian farmers.

Five priority areas expected to contribute to subsector development strategies were identified. First, successful subsector strategies need to ensure a better link between national or sectoral policies and value chains. This means more efficient linkages between farmers and consumers and recognition of the fact that certain national policies are in need of updating.

Second, it is essential to work with active, capable and like-minded partners if a flexible approach to developing each 3SDP is to be pursued. This means acknowledging the realities and differences in each situation and looking ahead to establishing better systems in the future.

The third priority area involves trust and effective two-way communication, which are closely connected. With inadequate communication restraining market pull and impeding value chain integration, improvement depends principally on changes in behaviour, which are notoriously difficult to influence. The vision to appreciate long-term advantages and the willingness and courage to effect change are also needed.

Fourth, a value chain approach is at the heart of 3SDP. If the United Republic of Tanzania is to realize its productive potential and respond to market opportunities, almost all value chains must improve. This requires the cooperation of a range of value chain actors willing to encourage change for growth.

Finally, although there are many producers’ associations, they are small, scattered and ineffectual. The project has encouraged the formation of private sector-led national producers’ associations as an industry voice to engage with the Government.

Given the knowledge accumulated during the lifespan of SHFSP, it would have been fortuitous to continue to reinforce the extended training and continue to “drive” the 3SDP process. Any potential new project design can, however, pick up on this topic.
Public-private sector coordination capacity strengthened

A significant contribution was made to public-private sector coordination and the process of better communication initiated. This led the Government to seek private sector opinion through ongoing dialogue on the formulation of agricultural development policies.

The Tanzanian Food and Drug Authority (TFDA), Tanzanian Bureau of Standards (TBS) and Tanzanian Warehouse Licensing Board (TWLB) received guidance and roadmaps to improve the effectiveness of their operations impacting on the target subsectors.

Best practices for new market mechanisms promoted

At the outset of project implementation, market mechanisms in the United Republic of Tanzania were poorly developed, while warehouse receipts systems (WRS) were poorly implemented and contract farming barely implemented. Public and private organizations improved their understanding of experiences and best practices for WRS and value chain financing, with the most innovative organizations beginning to adopt new market mechanisms.

With financial institutions cautious over the lack of “bankable collateral” among farmers and rural enterprises, an innovative training programme was undertaken in the field of value chain financing, leading to a proposal for a partnership between the Rabobank Foundation and FAO. Once implemented, the aim of the partnership was to strengthen farmers’ financial
and cooperative management skills, contributing to improved relations between farmers and financial institutes and assisting farmers in the implementation of the farming as a business (FAB) concept, which would ultimately require financial support.

Interest in contract farming and outgrowing schemes was developed among private sector operators, who had previously preferred to rely on their own models developed in neighbouring countries. Training in contract farming was carried out, while the exchange of lessons learned from other parts of the world was facilitated by experts. The training served to support the development of contract farming schemes between small- and large-scale farmers and processors and ensured a better understanding of the issues. Awareness of the concepts of branding, labelling and certification was also raised among stakeholders.

Identification and promotion of inclusive business models to improve capacity utilization in agroprocessing facilities

The development of inclusive business models, whereby small-scale farmers are linked to large commercial farming operations, as well as the complementary farmer and processor capacity building, ensured that support for the development of food systems brought benefits, rather than marginalization, for small-scale farmers and processors. This output focused on the characterization of business models and the identification of strategies for improving the capacity utilization and competitiveness of agroprocessing enterprises operating in the rice, edible oil, maize, animal feed and red meat processing subsectors.

In addition, entrepreneurs are now able to identify the areas in which improvements can be made to make their businesses more competitive or efficient. The portfolio of micro, small and medium-sized agro-enterprises (MSMAEs) involved in the project was as follows:

- four maize millers (maize flour production and fee-for-service processing);
- six rice millers (processed rice, fee-for-service processing and warehousing);
- four edible oil processors (sunflower oil production and fee-for-service processing);
- two red meat processors (consumer meat products).

Entrepreneurs were provided with access to proven business models, while good practices were reviewed and encouraged. A set of key areas for technical support was identified. The most common weaknesses considered to have an impact on SMAE profitability and sustainability were targeted in the rice, maize, edible oil and red meat subsectors. These key areas were financial management, marketing, food safety and quality assurance, technical processing skills and new mechanisms to improve producer-buyer linkages and increase the consistency of raw material supply.
Lessons learned on policies in implementation

Developing programme ownership
It appeared that SHFSP had been conceived in collaboration with only high-level MAFC staff. Mid-level (implementation level) MAFC staff and MTIM were not aware of the programme and initially showed little programme ownership. Throughout SHFSP implementation, emphasis was placed on the all-inclusiveness of all stakeholders. The programme was introduced at national, regional and district level through a series of awareness workshops. Two national programme coordinators were assigned from MAFC and MTIM.

Embedding the programme within Government of Tanzania structures
An initial idea to locate SHFSP within the Agricultural Council of Tanzania (ACT) was abandoned. ACT was considered not strong enough and too isolated from the ministries to be an ideal partner. Consequently, although not the ideal solution, SHFSP was embedded within MTIM (first component) and MAFC (second component). The Director of Policy and Planning (MAFC) held overall stewardship of the programme, physically housed within MAFC.

National commodity associations
Subsector national associations representing the private sector need to be institutionalized and strengthened. Only then will a meaningful dialogue between the public and private sector be possible, the private sector will be in a position to participate in government policy development and the country will be able to move away from making ad hoc decisions to making decisions that reflect reality and serve all interested parties.

Structuring marketing channels
Marketing channels (especially for food commodities) in the United Republic of Tanzania remain unreliable. Ad hoc government intervention continues to force ad hoc behaviour among value chain stakeholders. Structured marketing channels are slowly beginning to develop, but remain weak vis à vis historically evolved concepts. Concepts of WRS and contract farming are at an embryonic stage of development. A transition to structured market systems is a process that will require more time, particularly since the major players (who benefit from unstructured marketing systems) are not open to change but more interested in maintaining the status quo.
Developing inclusive food systems in Kenya and the United Republic of Tanzania

Linking policy development and strengthening MAFC capacities
The second cycle of capacity building focusing on value chain development provided the opportunity to bring the concept of food systems closer. The project policy team designed in-depth modules so that progressive farmers and extension officers participating in the 2013 training were able to develop a more profound understanding of the “bigger picture” of value chain development.

Public/private dialogue
The challenge for the future is whether, and how, the United Republic of Tanzania can achieve an appropriate and efficient balance between the roles of the public and private sector in agricultural marketing. This requires partnerships and levels of trust and communication that have not yet been achieved in the country. FAO can make a substantial strategic contribution to the process by stimulating interest and awareness of issues and possible improvements.
Recommendations

The main innovative nature of the programme was a refreshing approach to the twin aspects of institutional reformation and development and to wider issues such as policy requirements and their organizational and individual capacity building. The integration of the various aspects of SHFSP was in their being parts of a unit, with the two aspects of change being treated complementarily – development of systems and frameworks; and strengthening of capacity to handle the changes required, at both institutional and individual level. The encouraging level of stakeholder support was a result of the success of this integrated approach. The twinning of the two projects created a direct link between theoretical and practical training and the reality of government systems and development of the agricultural environment.

Four possible actions in a phased plan for future strengthening of government structures can be recommended.

1. Review the impact of past SHFSP government strengthening activities, leading to a new phase in the basic programme.
2. Develop plans related to future component actions to specific investments, such as the Southern Agricultural Growth Corridor of Tanzania (SAGCOT), Feed the Future, Agricultural Sector Development Programme Phase 2 (ASDP2) and Big Results Now.
3. Develop a targeted training plan for key senior government officials to support market-based private sector-led agricultural development.
4. Target institutional strengthening for the Tanzania Warehouse Licensing Board (TWLB) and Cereals and Other Produce Board (COPB).

Project design

Any future project designs should limit the area of intervention. A focus on one subsector would be better, rather than looking at interventions in three to four subsectors. Given the attempted extent of the work, the project’s human resources (three to five professional staff) and project budget of close to US$5 million over three years, the project’s intervention impacts were spread too thinly.

Future projects should first evaluate the “situation on the ground” and then develop a final project design together with Tanzanian professionals. At least six months would be needed for a thorough understanding of the strengths and weaknesses of Government of Tanzania institutions, local associations and NGOs.
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The objective of the two projects described in this publication was to develop inclusive agrifood subsectors and value chains in Kenya and the United Republic of Tanzania. A major aim of the projects was capacity building through a “learning by doing” approach. Training topics were defined according to the wishes of the value chain actors themselves, once the first field appraisals had been carried out. As a result, progressive farmers, SMAEs, entrepreneurs and key extension staff participated in the extensive training sessions in business, enterprise and value chain development.

In Kenya specifically, the AbSS project was designed to identify and address gaps and opportunities to improve the productivity of various agrifood value chains and access to markets for actors in the sector. The focus was mainly on the development of SMAEs while ensuring the inclusion of smallholder farmers, suppliers of raw materials to SMAEs.

The majority of SMAEs improved their way of doing business as well as their technical capacities while fostering links with producer groups. The original SMAE suppliers, the producer groups, were trained concurrently with SMAE employees. This was important since the employees were able to understand the context in which they were participating and how they could benefit the most.

The organization of the matchmaking platforms including all value chain actors proved to be an innovative tool to develop market linkages and networking capacities.
MoALF marketing department officers were involved in all the project activities, with the aim of understanding entrepreneurs’ situations and breaking down opposition between the public and private sector by creating a space for dialogue. Moreover, the marketing department acquired specific expertise to follow up on the strategy to support the development of agro-industry in Kenya.

The overall outcome of the AbSS project was to contribute to developing a new culture within the agroprocessing sector to build confidence and trust, which are key to the successful development of the sector. Furthermore, the project demonstrated that it achieved an excellent leverage effect with a relatively low investment, reaching out to a large number of SMAEs and producer groups, which could in turn efficiently boost the development of agro-industries in Africa at a reasonable cost.
In the United Republic of Tanzania, the concepts and ideas underlying the SHFSP, such as improving farmgate profitability, increasing trading transparency, increasing processing efficiencies and improving government policies to create a better business environment have shown the beginning of a change in mindset among private sector stakeholders and government institutions, moving towards demand-oriented agriculture. Such a transition has many facets, is complex and must be seen as an ongoing process that requires long-term action.

Success strategies in the institutionalization of FAB and value chain development have been at both districts through the future development of district agricultural development plans and at Ministry of Agriculture level.

The most effective and sustainable intervention strategy was to support public and private sector actors to establish common platforms of dialogues and initiate a subsector strategy development process. The Subsector Strategy Development Process (3SDP) meant collaborating with various institutions and organizations. However, while taking into account both private and public sector concerns, it had to be a market-driven, private sector-led process. A different set of circumstances and incorporating the particular strengths and weaknesses of each value chain are key to developing and implementing a successful programme such as the SHFSP. It is considered a “road map” to guide sustainable development.

As a result, achieving a critical mass of competent commercial agriculture linked to modern agro-industry and processing remained a distant goal for many food commodities highlighted by the project. It was understood that a locally led, and widely understood and accepted series of 3SDPs would make a significant contribution to growth.

The leading innovative nature of the programme was a refreshing approach to the twin aspects of institutional reforms and development and wider issues such as policy requirements and their organizational and individual capacity building. The integration of the various dimensions of the programme lay in being parts of a unit, with the two aspects of change being treated complementarily – development of systems and frameworks; and strengthening of capacity to handle the changes required, at both institutional and individual level.
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