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## *Articulating and Mainstreaming Agricultural Trade Policy and Support Measures*

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An FAO study based on analyses for Bangladesh, Ghana, Nepal, Sri Lanka and Tanzania

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### **Policy Brief 8 – Highlights of the country case study – Tanzania. May 2011**

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#### **Introduction**

This brief presents key highlights of the Tanzania case study under the FAO Project *Articulating and Mainstreaming Agricultural Trade Policy and Support Measures*. The objectives of the Project were to contribute to improving the process of: i) articulating trade policies consistent with overall development objectives; ii) articulating appropriate trade support measures; and iii) mainstreaming these policies and support measures into development frameworks such as the Poverty Reduction Strategy Paper (PRSP). Each country case study consisted of background works on these three topics.

Mainstreaming of trade policies is defined as a process whereby trade policies are drawn from, and are consistent with, development strategies articulated in the apex policy framework such as the PRSP. In a mainstreamed process, policies, programmes and support measures are mutually consistent across key policy frameworks, create synergies and avoid inconsistencies. This is the sense in which mainstreaming has been analysed in the country case studies. Several policy frameworks were reviewed: 2005 PRSP (National Strategy for Growth and Reduction of Poverty or *MKUKUTA* in Kiswahili), 2003 National Trade Policy, 2005 Diagnostics Trade Integration Study, two agricultural policy and programme documents (ASDS and ASDP), the *Kilimo Kwanza* (“Agriculture First”), and regional (EAC) policy papers on trade and food security strategy.

#### **Key highlights**

*Tanzania’s PRSP is both innovative and balanced in covering the main agricultural sub-sectors* – The 2005 PRSP differs from many other PRSPs in that it takes an “outcome-based” approach, where

desired core outcomes are specified first, followed by policies and programmes. Being focussed on a limited number of key outcomes, subsidiary policies tend to be more coherent. A second interesting feature of the PRSP is the view taken that external trade is not just an end in itself but also a means to stimulate the domestic productive capacities. As a result, not only the competitiveness and domestic economic linkages received prominence, but also both the non-food (mainly export) and food (mainly domestic economy) sub-sectors receive importance.

*But the PRSP is fairly weak on the trade content* – Despite these fresh features, it is fairly thin on trade issues. Some notable weaknesses include not having a stand-alone chapter on trade; no guidelines on key trade policy issues such as import protection, export taxation and incentives; no trade policy issues differentiated by sub-sectors; no analysis of trade-poverty linkages; and little guidance on the issue of membership in multiple regional trade bodies. The PRSP does refer to the national trade policy for details, but this is often found not to work well because the subsidiary policies (agriculture, agro-industry) look to the PRSP for guidance on divisive trade issues.

*On targeting selected “strategic” products for special attention* – As in many other countries, Tanzania’s policy frameworks also express an intent to promote targeted strategic products. The PRSP indicates this strategy but without details (saying, “to be identified based on competitive and comparative advantages”). It also speaks of special treatment for “selected food crops” and “crops with high returns”, but without further detail. This strategy is not carried over into other policy frameworks, e.g. in agriculture and trade policies. On the other hand, the *Kilimo Kwanza* supports this approach, but it lists numerous

products, thus undermining the notion of priority. The regional (EAC) trade and food security policy also supports such an approach, with its 31 sensitive agricultural tariff lines and proposals for developing regional food value chains. In future revisions to these national policy frameworks, these issues need to be addressed to make various policy papers consistent with one another.

*Export taxation and export incentives* – Export taxation is a frequently debated issue. The PRSP is quiet on taxation but outlines some export incentive schemes. The trade policy recognizes the value of taxing unprocessed exports for encouraging local value addition and for revenue. The trade diagnostics study is against export taxation for any reason, while agricultural policies are quiet on this issue. The *Kilimo Kwanza* implicitly supports taxation for discouraging primary exports. Overall, there is a need for more clear guidance in the policy frameworks on export taxation and incentives.

*Food products need to be recognized as export commodities and should benefit from the Aid for Trade resources* – There is some apprehension that Aid for Trade (AfT) resources might be limited to export products in view of the global discourses on AfT mostly referring to export promotion. While this tendency to equate “trade” to “export” is misleading, for Tanzania it is important that the food sub-sector is recognized as an export sector in view of its comparative advantage in producing surplus food for exports, at least to the region. This relative advantage has been boosted further with the EAC trade initiatives not only to prohibit export bans within the region but also to encourage, through appropriate policies, regulatory reforms and investment programmes, the development of regional value chains in food products.

*A value chain framework is recognized for*

*articulating trade policy and support measures* – Tanzania’s policy frameworks recognize that the needs and interests of the entire value chain should be addressed in formulating agricultural policies and allocating public investment and incentive measures. Over-concentration of the public efforts at the farm end of the chain is recognized, calling for spreading support to other parts of the chain. Policy documents call for measures that attract the private sector into at least the middle phases of the chain (marketing, processing, transport). But it remains a challenge as to how to determine appropriate policies, public investment and incentives. With the regional (EAC) food security strategy of putting in place food value chains, this articulation has to cover value chains across the borders too. To make progress in this area will require considerable experimentation and learning, including through stakeholder consultations.

*Responding to food price volatility: the role and size of the Strategic Food Reserve (SGR)* - SGR has been a long-standing and prominent divisive issue in many policy discourses, and has come to prominence again following the 2007-08 global food crisis. The two issues are the size of the reserve and its role. Do national policy frameworks provide a coherent view on these issues? On the role (emergency or buffer stocks or both?), all policy frameworks are mostly quiet. On the size, there are different views and proposals: at least *four* months of national food (maize) requirements in the PRSP; *at least six* months in the *Kilimo Kwanza*; and *six* months in the EAC regional food security strategy. Both the agriculture and trade policies are however quiet on this. Recently, talks have also taken place on regionally coordinated national stocks, adding further to the complexity. Thus, overall, clear position is yet to be articulated.