

Socio-economic context and role of agriculture

The United Republic of Tanzania is an East African country with rich natural and mineral resources and diverse agro-climatic regions. The economy is primarily agricultural, with the rural sector dominated by smallholder farmers dependent on rain-fed crop production. Even though agricultural value added in total GDP has decreased from 33 percent in 2000 to 28 percent in 2012, about 75 percent of Tanzania's population is still employed in the sector (as of 2012). From 2001 to 2011, agricultural GDP increased by an average of 4.2 percent, moderate compared to 6.9 percent growth in total GDP; a trend mainly driven by private consumption (i.e. growing population), tourism and mining.

Reliance on erratic precipitation, limited use of improved seeds and fertilizers, and the low share of cultivated over arable land have prevented Tanzania from reaching full production potential and have contributed to one of the lowest levels of productivity in sub-Saharan Africa. With the exception of rice, the country has therefore remained a net importer of food staples during the period 2007-2013. The country became a net exporter of small quantities of rice to regional markets in 2010, due to an increase in rice productivity.¹

Over the last two decades, the Tanzania's Human Development Index (HDI) rose from 0.3 in 1991 to almost 0.5 in 2012. Despite this improvement, poverty and under-nutrition remain acute and widespread, particularly in rural areas, where more than 80 percent of the poor are concentrated and under-nutrition is most prevalent. According to 2011/12 Household Budget Survey, 28.2 percent of Tanzanian population fall below the basic needs poverty line.²

Selected indicators		2007	2009	2012	
SOCIO-ECONOMIC	GDP (current billion US\$) *	16.8	21.4	28.2	
	GDP per capita (US\$) *	421	504	609	
	Agricultural value added (% of GDP) *	30	29	28	
	Agricultural value added (annual % growth) *	(average 2007-2012)	3.9		
		(2012)	4.2		
	Total population (thousand)	41 120	43 640	44 928^^	
	Rural population (% of total)	75	74	72.8	
	Agricultural labour force (% of total labour force)	77	76	75	
Human Development Index **	(2012)	0.476 (ranking 152)			
AGRICULTURAL PRODUCTION & TRADE	Per capita cultivated land (ha)	0.28	0.27	0.28	
	Area equipped for irrigation (ha)	184 000 (2011)			
	Value of total agriculture production (constant gross value 2004-2006, billion US\$)	6 637	6 948	8 279	
	Value of cereals production (constant gross value 2004-2006, billion US\$)	1 102	1 030	1 447	
	Yield for cereals (hg/ha)	14 273	11 104	13 141	
	Cereal import dependency ratio (%)	(2007-2009)	13.8		
	Top 3 commodities	Production quantity	Cassava; Maize; Sweet potatoes (2012)		
		Production value	Indigenous meat; Bananas; Beans dry (2012)		
		Import quantity	Wheat; Palm oil; Sugar refined (2011)		
		Import value	Wheat; Palm oil; Sugar refined (2011)		
		Export quantity	Bran of wheat; Cashew nuts with shell; Sesame seed (2011)		
Export value		Green coffee; unmanufactured tobacco; Cashew nuts with shell (2011)			
Top 3 trade partners	Import value	Indonesia; Argentina; USA (2012)			
	Export value	India; China; China Mainland (2012)			
FOOD SECURITY & NUTRITION	Top 3 commodities available for consumption	Maize; Cassava; Rice (milled equivalent) (2009)			
	Per capita food supply (kcal/capita/day)	2 199	2 137	NA	
	General (g) and Food (f) CPI (2000=100)	147.2 (g), 158.8 (f)	182.1 (g), 210.2 (f)	251 (g), 139.9 (f)	
	People undernourished (million)	(2008-2010)	15.9		
		(2011-2013)	15.7		
	Proportion of undernourished (%)	(2008-2010)	35.5		
		(2011-2013)	33.0		
	Prevalence of underweight children under 5 years of age (%)	NA	16.2 (2010)	NA	
	Prevalence of stunting among children under 5 years of age (%)	NA	42.5 (2010)	NA	
	Prevalence of wasting among children under 5 years of age (%)	NA	4.9 (2010)	NA	
Global Hunger Index ^	(2013)	20.6 [Alarming]			
Access to improved water sources (% of population) *	54	54	53		
Sources: FAOSTAT; *WB; **UNDP; ^IFPRI; ^^Tanzania National Bureau of Statistics (accessed on 21 March 2014)		Note : Food CPI 2009, 2011: 2008=100			

1 Barreiro-Hurlé, J., 2012, Analysis of incentives and disincentives for rice in the United Republic of Tanzania. Technical notes series, MAFAP, FAO, Rome

2 United Republic of Tanzania, 2013, Key findings: 2011/12 house budget survey Tanzania Mainland. National Bureau of Statistics. Ministry of Finance, Dar es Salaam.



1. Government objectives in agriculture, food and nutrition security

The main strategy document reviewed for this brief is the **National Development Vision 2025**, which highlights the need to streamline and prioritize the country's development planning, implementation and follow-up mechanisms. This strategy has led to a series of Five Year Development Plans (FYDSPs) the first of which (FYDP 2011/12-2015/16) aims to put in place the basic conditions for high, broad-based and pro-poor growth.

Tanzania's main development objectives are (i) to become a more competitive economy and achieve inclusive growth aimed at poverty reduction, and (ii) to improve the quality of life and social well-being for Tanzanians. These objectives are reflected in several government strategies and policy documents, including the **Second National Strategy for Growth and Reduction of Poverty (NSGRP II or MKUKUTA II) 2010/11–2014/15**, the **Zanzibar Strategy for Growth and Reduction of Poverty (ZSGRP II or MKUZA II) 2010/11–2014/15**,³ the **Agricultural Sector Development Strategy (ASDS)**, and the **National Nutrition Strategy (NNS) 2011–2016**. Annex I presents a comprehensive diagram of policies and strategies since the year 2000.

Robust growth in agriculture is recognized as central in many initiatives and plans to achieve poverty reduction and ensure food

and nutrition security such as the presidential initiative **Kilimo Kwanza 2009** ("Agriculture First"): a strategy for modernizing Tanzanian agriculture through increased crop production, improved livestock husbandry and fish farming; the **Agriculture Sector Development Programme (ASDP) 2006–2012/13**, which operationalizes the ASDS; and the **Tanzania Agriculture and Food Security Investment Plan (TAFSIP) 2011**, which strives to meet the Comprehensive Africa Agriculture Development Programme⁴ (CAADP) target of six percent annual growth in agricultural GDP.

The **Southern Agricultural Growth Corridor of Tanzania (SAGCOT)**, launched in 2010, institutionalizes international public-private partnership to promote commercial agriculture and to stimulate productivity. SAGCOT is expected to deliver major benefits in terms of food security, poverty reduction, resilience to climate change and rural employment.

In 2013, the government launched a new initiative **Big Results Now (BRN)** endorsed by the Cabinet. Modernizing agriculture stands as one of the six National Key Results Areas (NKRAs) within this initiative.

2. Trends in key policy decisions (2007-2013)

2.1 Producer-oriented policy decisions

The ASDP is the leading policy framework, aimed at reaching a sustained agricultural growth rate of six percent per annum by transforming the sector from subsistence to commercial agriculture. This state-centred approach focuses on improving productivity through the provision of public goods. Years after input subsidies had been abandoned, they were reintroduced in 2008. Also, greater attention has been given to agricultural credit and the government is committed to creating more incentives for private sector investments.

Increased attention to agricultural credit

In 2009/2010, the Agricultural Inputs Trust Fund (AGITF) provided loans worth TZS 7.42 billion (around US\$ 4.7 million) at a reduced eight percent interest rate. Savings and Credit Cooperatives (SACCOs) and other public credit institutions have also increased

the supply of small loans for farmers. In 2010, the Government of Tanzania (GoT) opened a window for agricultural lending at the Tanzania Investment Bank, through which TZS 42 billion (US\$ 24 million) was disbursed as of 2012. Tanzania allocated US\$ 500 million to establish the Tanzania Agricultural Development Bank in 2010, which provides short, medium and long-term financing to the agricultural sector.

Input subsidies reintroduced

Established under the ASDP, the Accelerated Food Security Project (AFSP) was launched in 2008 in response to high food and fertilizer prices. Indeed, the price of Diammonium Phosphate (DAP), one of the most utilized fertilizers in the country, increased by 132 percent from 2007/08 to 2008/09.⁵ The project main component, the National Inputs Voucher Scheme (NAIVS), provides access to fertilizer and seeds through subsidized input packages for maize and rice.⁶ The NAIVS reached its peak in both number of

3 The NSGRP II and ZSGRP II are also popularly referred to by their Swahili acronyms as MKUKUTA II (Mkakati wa Kukuza Uchumi na Kupunguza Umasikini) and MKUZA II (Mkakati wa Kukuza Uchumi na Kupunguza Umasikini Zanzibar), respectively.

4 For more information on CAADP, please visit <http://nepad-caadp.net/index.php>

5 Alliance for Green Revolution in Africa (AGRA), 2010, Baseline Report for AGRA's Interventions in Tanzania.

6 In 2010 - the year of the latest elections - NAIVS targeted roughly 2 million beneficiaries, and in the same year, half of the agriculture budget was spent on subsidies. In the first two years NAIVS targeted 56 districts in 11 regions. By 2011/2012 NAIVS was distributed across 104 districts in 23 regions. GoT funded about 50 percent of the cost of inputs for the 2008/10 and the 17 percent for the 2011/12. Targeted beneficiaries reached approximately 1 million smallholder farmers in 2012/2013.

beneficiaries and financing in 2010 (year of elections) and has been gradually declining since then.⁷ NAVIS has official ended this 2013/2014 cropping season.

©FAO/Daniel Hayduk / FAO



Rice farmer examines his rice crops. Tanzania's NAVIS programme provided access to fertilizers and seeds through subsidized input packages for rice. NAVIS programme was implemented from 2008 to 2014.

Increased investments in irrigation systems

Tanzania has managed to irrigate only one percent of its 29.4 million hectares of potential irrigable land area. However, right after drafting the National Irrigation Policy in 2007 (adopted in 2010 and strengthened by the National Irrigation Act 2013), six irrigation schemes were financed to increase the productivity of rice farming.⁸ During 2008/09, the implementation of the Lake Victoria-Shinyanga-Kahama water supply project was completed at a cost of TZS 250 billion (around US\$ 160 million) and between 2007 and 2009, the total area under irrigation expanded from 289 245 to 322 945 ha. To encourage farmers to adopt modern farming technologies, the GoT allocated TZS 42.3 billion (US\$ 26.7 million) to improve irrigation infrastructure in 160 areas of the country in 2011. Finally, in 2013, the government approved a waiver of value-added tax on irrigation equipment.⁹

Promoting access to land by enhancing national land policies

The National Land Policy (1995) requires all village lands to be registered; however, this process has been lagging behind since its enactment and has advanced only in recent years. Following the identification of land acts implementation as a cross-sectoral and cross-cutting issue of ASDP, by the end of 2009, more than

750 villages received land certificates. Aside from domestic land administration, the government is facilitating foreign direct investment (FDI) in the agricultural sector, approving a scheme that promotes investment in land by granting investors a five-year tax exemption, facilitation of residency and working permits for foreign workers, and the right to repatriate funds. Yet, the government also introduced ceilings to the size of new land deals: a maximum of 5 000 ha for rice and 10 000 for sugarcane.¹⁰

2.2 Consumer-oriented policy decisions

Each year, iron, vitamin A and folic acid deficiencies cost the country over US\$ 518 million, around 2.6 percent of the country's total GDP.¹¹ The social, economic and financial challenges posed by malnutrition increased the attention paid to the design of the NNS and its implementation over the period 2011-16.¹² During the food crisis of 2007/08, the government restructured its strategic grain reserves and provided food subsidies and food assistance to poor and vulnerable groups while social protection programmes were intensified.

Restructuring reserves and distributing grain at affordable prices

Due to recurrent food shortages, mainly caused by drought in vulnerable parts of the country, a Strategic Grain Reserve had been in place since 1976. In July 2008, it was replaced by the National Food Reserve System implemented by the National Food Reserve Agency (NFRA), an executive agency of the Ministry of Agriculture, Food Security and Cooperatives (MAFC). According to the MAFC, the NFRA's storage capacity continually increased, reaching 241 000 tonnes in 2012, from 200 000 tonnes in 2011.

The NFRA purchases food crops from farmers and warehouses in surplus areas (mainly in the Southern Highlands) at a minimum support price, about 10 percent higher than market price. During 2007-13, the NFRA regularly distributed grains at subsidized prices to an average of 1.2 million beneficiaries per year in food deficit areas.¹³

Continuing support for social protection programmes

Tanzania relies on international donors to finance social protection programmes, raising the issue of sustainability. During the 2007–2013 period, Tanzania had four main programmes in place, fully or partially supported by various donors:

- With assistance of the World Bank and other development partners, the GoT continued providing support for the third phase of the Tanzania Social Action Fund (TASAF III)

7 IFPRI, 2012, The Supply of Inorganic Fertilizers to Smallholder Farmers in Tanzania - Evidence for Fertilizer Policy Development, IFPRI Discussion Paper 01230. Washington DC

8 In Mombo (Korogwe), Nduguti (Shinyanga Vijijini), Mwamapuli (Igunga), Mwega (Kilosa), Mbuyuni (Mbarali) and Nakahuga (Songea Vijijini)

9 Grow Africa, 2014, Agricultural partnerships take root across Africa. Report produced by the Grow Africa secretariat; available at http://www3.weforum.org/docs/IP/2014/GA/WEF_GrowAfrica_AnnualReport2014.pdf.

10 MAFAP (2013). Review of food and agricultural policies in the United Republic of Tanzania. MAFAP Country Report Series, FAO, Rome, Italy.

11 World Bank, 2011, Tanzania: poverty, growth, and public transfers' options for a national productive safety net program". Washington, DC.

12 Ministry of Health & Social Welfare (MHSW). 2011. National Nutrition Strategy - July 2011/12 – June 2015/16.

13 As of 2011, maize was sold at Tsh. 50/kg compared to the market price of TZS. 350/kg.

- Productive Social Safety Net (PSSN). The new programme is expected to be implemented for a period of ten years starting in 2012. The PSSN mainly facilitates the implementation of public works, also pay livelihood enhancing activities, scale up of cash transfer programmes, as well as institutional capacity building.
- In January 2010, within TASAF a pilot conditional cash transfer programme was launched, providing bi-monthly payments to 40 target villages in three districts. The programme was designed to encourage children's school enrolment as well as regular health and nutrition check-ups for both children and elderly.
- Most Vulnerable Children (MVC) is a pro-poor programme that has provided support to about 586 000 orphans and other vulnerable children since 2010. MVC is largely financed by USAID. It provides assistance for education, health services, food and shelter, in addition to similar services like TASAF.
- The Food for Education programme, supported by WFP, aims at boosting school attendance and improving students' concentration levels through school feeding. Roughly 600 000 students have been targeted.

Reducing taxation and providing VAT exemptions

Citizens of Tanzania have been exempt from Value Added Tax (VAT) on petroleum products since 2006/07 and specifically on fuel since 2011/12. In order to reinvest revenues of taxation in road maintenance, the government raised the fuel levy between 2006/07 and 2008/09. For example, in November 2008, GoT allocated TZS 17.5 billion (around US\$ 13.5 million) to subsidize fuel prices, but this was later reduced in 2011/12. Meanwhile, the exemptions on basic food items already in place were maintained during and after 2007/08 food crisis.

2.3 Trade-oriented policy decisions

Tanzania has placed a great emphasis on market economy reforms since the 1990s by decreasing the role of the public sector in the economy and moving toward a more liberal trade policy. The NSGRP focused on commercialization, competitiveness and an increased role for the private sector in agriculture.

Import tariffs progressively reduced or abolished and import quota maintained

In 2007, the GoT removed import duties on most cereals. Since wheat production could not meet national demand, the import tariff on wheat was reduced from 35 to 10 percent in

June-July 2008; the tariff was eventually removed altogether in 2011, aligning policies with EAC commitments. Tanzania, along with the other members of the East African Community (EAC) launched a custom union in 2009 and since then, members have shared a common external tariff with no internal tariffs applied to maize, rice, sugar and milk powder.¹⁴

Cereal export bans intermittently adopted

Tanzania has imposed periodic export bans on staple commodities since 2000, and this continued throughout 2007–2013, in some cases violating EAC commitments. The export ban on maize in January 2008 was extended to all cereals in May and subsequently lifted after food availability improved. Again in 2009, a cereal export ban was imposed and then lifted after a good harvest. In May 2011, the GoT claimed that unregulated trade had caused food shortages, announcing an export ban on maize and other cereals. The GoT established an export license system (in 2010) to regulate maize exports and ensure adequate domestic supplies, although food shortages in some parts of the country were caused primarily by distribution constraints. Once again in October 2011, the ban on cereals export was lifted due to a bumper harvest. In September 2012, the government committed to discontinue implementing these periodic export bans, as of April 2014 the export bans have been relaxed as domestic supply is increasing.¹⁵

Expanding the Warehouse Receipt System

Since 2001, a Warehouse Receipt System (WRS) has been active for coffee and cotton under a project funded by the Common Fund for Commodities (CFC).¹⁶ Tanzania started regulating this system with the Warehouse Receipt Act (2005) and Regulations (2006), which set up the Tanzanian Warehouse Licensing Board (TWLB). After the successful experience of coffee and cotton, the government decided to expand the WRS coverage in 2007 on pilot basis for cashew nuts and grains such as rice and maize.¹⁷ The system is implemented through farmers' organizations or SACCOs.¹⁸ Government market interventions in 2009/10, primarily grain export bans, resulted in lower prices for domestic farmers. Farmer organizations and financial institutions continued to use WRS system despite the low prices received for their grain.¹⁹

14 EAC countries are Kenya, Uganda, Rwanda, and Burundi.

15 All Africa, 2014, Tanzania: food export ban relaxed as local supply goes up; available on <http://allafrica.com/stories/201402250074.html>

16 For more details <http://projects.nri.org/wrs/tanzania.htm>

17 For more details <http://www.wrs.go.tz/index.php>

18 World Trade Organization (WTO), 2012, Trade policy review: East African Community (EAC), Annex 4 Tanzania, Geneva.

19 Tanzania Graduate Farmers Association, 2013, Good governance for effective regulations, Policy brief; available at <http://www.graduatefarmers.org/Download/Policy%20Brief%20FINAL.pdf>.

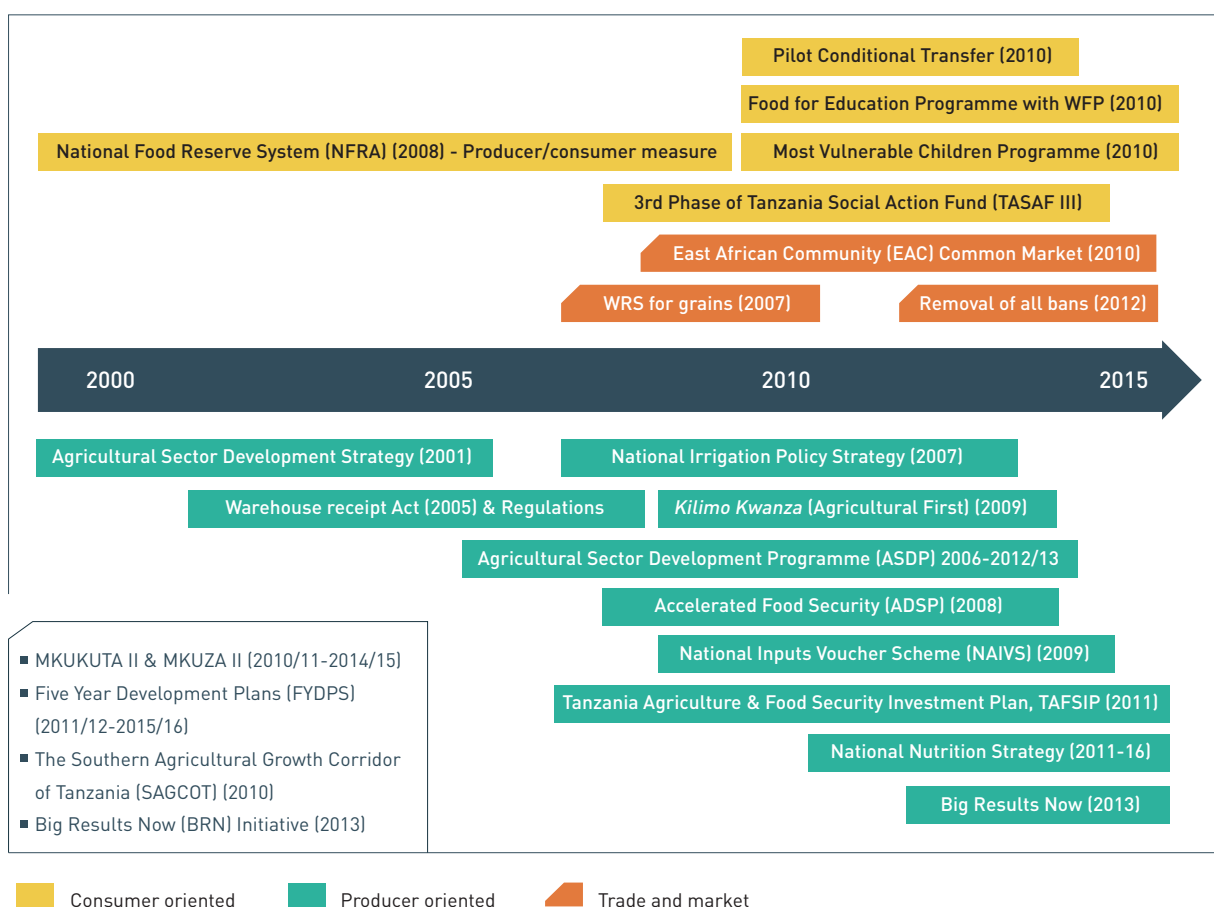
3. Conclusion

In the wake of the 2007/08 global food price crisis, Tanzania reinforced its trade and consumer-oriented policy approach by removing import tariffs on food staples and imposing cereal export bans, increasing food stocks and social protection programmes, and subsidizing staple commodities.

Support to paddy rice producers has proven to be successful. However, production subsidies, largely driven by NAIVS, may have been offset by price control and trade restriction policies, often reducing market incentives for farmers. It is therefore essential to ensure complementarity between producer-oriented policies and market & trade related measures.

The various initiatives launched recently, i.e SAGCOT and BRN, are important to sustain public-private partnerships and to mainstream market-oriented measures like access to credit, market access facilitation and private-public partnerships since these have the potential to increase positive spillover effects, while reducing the financial burden on public finances. However, investments in agriculture are still low; the total approved budget for the agricultural sector declined from almost 13 percent of total public expenditure in 2007 to about 9 percent in 2011.²¹ The government needs to allocate more resources to agriculture, to achieve the minimum 10 percent target established under the Maputo Declaration, and achieve six percent growth in the agricultural sector.

FIGURE 1. MAIN STRATEGIES AND POLICIES RELATED TO FOOD SECURITY AND NUTRITION (SINCE 2000)



20 MAFAP (2013). Review of food and agricultural policies in the United Republic of Tanzania. MAFAP Country Report Series, FAO, Rome, Italy.



The FAPDA initiative promotes evidence-based decision making by collecting and disseminating information on policy decisions through a freely accessible web-based tool. For more information, please visit:

www.fao.org/economic/fapda
www.fao.org/economic/fapda/tool



or contact us at: fapda@fao.org

This brief was prepared by the Food and Agriculture Policy Decision Analysis (FAPDA) team at FAO, with contributions from the Monitoring and Analysing Food and Agricultural Policies (MAFAP) team. Information reported in this brief derives from the FAPDA Tool and the review of primary and secondary data sources.

© FAO, 2014