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Tanzania - Mainstreaming trade policy

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1. Introduction

As with other papers on trade mainstreaming in this volume, the term mainstreaming is understood as a process of ensuring that trade policies are supportive of the core national development goals such as growth and poverty reduction, and are consistent with all major national policy frameworks.

In order to analyse trade mainstreaming defined in this way, a two-step approach is followed. First, in Section 2, a reading is done of selected key national policy frameworks, starting with the PRSP, with a view to examining where and how trade and agricultural policy issues are mentioned and articulated. This is a substantive section because of the number of policy frameworks reviewed. This is followed in Section 3 by an analysis of the policy frameworks from the standpoint of mainstreaming. Specifically, 5-6 policy issues of a more divisive nature are selected and are analysed to determine whether and how the various policy frameworks have addressed them. This should reveal consistency/synergy, or contradictions, across the frameworks. This and some additional commentary in that section are meant to provide tips on how trade mainstreaming could be improved.

The background work contributing to this paper was undertaken, as part of the FAO trade policy articulation project, by a team of analysts in Tanzania through the Economic Research Bureau at the University of Dar es Salam (Osoro *et al.* 2010). The team held numerous brainstorming sessions and stakeholder consultations for soliciting fresh views on the issues.

Note that trade has become a very broad agenda in scope, as seen in the many areas that the WTO Uruguay Round Agreement covers. Even within agriculture, the scope is broad, from traditional tariffs and quotas to food aid

and standards. Some of these topics are of a relatively divisive nature, e.g. tariffs and subsidies while others are not so, e.g. infrastructures or SPS measures. In reviewing national policy frameworks, the focus of this paper is on trade and pricing policy issues, the relatively divisive ones, rather than the less divisive development measures.

2. Trade-related issues addressed in key policy frameworks

With a view to examining where and how trade and related policy issues in the context of agriculture and food security are mentioned and articulated, the following seven policy documents are reviewed, five of them national and the other two regional. The first five are: 1) the PRSP; 2) National Trade Policy 2003; 3) Diagnostics Trade Integration Study 2005; 4) Agricultural Strategy and Programme (ASDS and ASDP); and 5) *Kilimo Kwanza* ("Agriculture First"). The two regional policy papers are: 1) EAC Trade Policy; and 2) EAC Regional Food Security Strategy.

2.1 The PRSP

Tanzania's current PRSP is titled *The National Strategy for Growth and Reduction of Poverty* (NSGRP) or MKUKUTA in Kiswahili. It was launched in 2005 and follows up on the earlier PRSP (2000/01–02/03). It refers to Tanzania's Vision 2025, the main long-term development framework. The NSGRP growth targets are set high: 6-8 percent per annum for real GDP and 10 percent per annum for agriculture. These are to be attained through agricultural transformation (significant rise in productivity, modernization and commercialization), accelerated private-sector led growth, a competitive economy, efficient governance, and so on.

The NSGRP adopts an "outcome-based" approach where desired outcomes are specified first and followed by strategies, interventions, actors, etc. There are three clusters of broad outcomes:

1. Growth and reduction of income poverty.
2. Improved quality of life and social well-being.
3. Good governance and accountability.

For each *cluster*, a number of *goals* are specified (e.g. cluster 1 has six goals) which are defined with an associated set of specific *operational targets*. For each target, specific interventions/activities are identified, along with responsible units (e.g. ministries). An annex presents the details in a matrix form, covering the broad outcomes, goals, operational targets, priority cluster strategies, as well as intervention package, areas of collaboration and key actors.

Trade and agricultural issues are discussed under Cluster 1 only. A total of 10 factors are identified as *sources of growth*, of which three are trade-related: i) domestic trade; ii) trade development; and iii) trade-related assistance. Liberalization of domestic trade is stressed under point (i), importance of the link between external trade and domestic productive capacity and competitiveness under (ii), and mobilization of external and domestic private sector resources for production, processing and trade under (iii). The NSGRP fully acknowledges implementing National Trade Policy (GoT 2003, NTP03 in short).

Trade-related topics are covered in the text and annex matrix within four of the following six goals under Cluster 1¹: 1) ensuring sound economic management; 2) promoting sustainable and broad-based growth; 3) improving food availability and accessibility; 4) reducing income poverty of both men and women in rural areas; 5) reducing income poverty of both men and women in urban areas; and 6) provision of reliable and affordable energy to consumers.

Under goal (1), trade is mentioned in 3-4 places but not as an issue or position but on its general role in "ensuring sound economic management", e.g. trade should lead to improving trade balance. There are hardly any policy issues here, and the write-up is also poor in some places making it difficult to clearly understand what is being said. Additional trade topics are covered under Goal 2 of the same cluster. Table 1 shows some relevant strategies and actions.

Agriculture and food security issues in the NSGRP are addressed in Chapter 4 and in action matrix in the annex. The broad objectives set are two-fold: i) to promote the production of food crops to improve food availability and accessibility; and ii) to facilitate investments to modernize small, medium and large-scale agriculture. Other relevant statements include strengthening links between agriculture and industry and encouraging agro-processing.

The operational target 4 in the annex (within goal 2 of Cluster 1) is to double agricultural growth rates and has eight cluster strategies. All the strategies are about development measures such as irrigation, productivity and technology, training and extension, and services delivery. Similar strategies are provisioned for livestock development, under operational target 5. All in all, there are very few policy issues of a divisive nature.

Food security is given prominence under goal 3 (Cluster 1): *Improved food availability and accessibility at household level in urban and rural areas*. The two operational targets are increased food crops production from 9 million tonnes in 2003/04 to 12 million tonnes in 2010, and maintained Strategic Grain Reserve (SGR) of at least four

¹ The broad outcome of Cluster 1 is "Broad based and equitable growth is achieved and sustained."

TABLE 1:
Selected trade policy/issues mentioned under Goal 2, Cluster I of NSGRP

Cluster strategies	Intervention package
2.1.1 Develop detailed growth strategy that focuses on specific products/services where Tanzania has and can create competitive advantages.	Dialogue on specific projects e.g. leather, food processing, textile, nomy, etc; studies on production processes, quality standards and markets
2.1.2 Address linkages and synergies at sub-sectoral level across sectors to add value to the specific identified products.	as above
2.1.3 Identify and promote investment in productive and service sectors.	Policy review & investment stimulation
2.1.5 Maintain predictable business environment through BEST programme. Expedite implementation of BEST action plan.	Policy review and raise awareness; Legal and institutional reforms; and Labour and employment reforms.
2.2.1 Strengthen SMEs Credit guarantee facilities; SMEs development policy and plan, Export Credit Guarantee Fund for Cooperatives and other organizations handling farmers' produce, Cooperative Development Policy 2003, microfinance, promote/ establish incubator systems to help sustainable management of SMEs.	SMEs development and management; Micro credit; SMEs policy and plan; Business regulations

Source: NSGRP, Annex.

months of national food requirement. As for interventions for the first target, besides those listed above (irrigation, research etc), the notable ones are improving access to inputs by subsistence farmers through targeted subsidized inputs to selected food crops and expanding accessibility to micro finance. Interventions for the second target (the SGR) include research on areas like food storage technologies and agro-processing, monitoring of food situation and improved management of food reserves.

Some trade/pricing-related interventions are also proposed under the next sub-section of the NSGRP called *reducing income poverty of both men and women in rural areas*. With a target of reducing the proportion of the rural population below the basic needs poverty line from 38.6 percent in 2000/01 to 24 percent by 2010, and food poverty line from 27 percent in 2000/01 to 14 percent by 2010, the interventions include diversification of sources of income, strengthening of Export Credit Guarantee Fund for cooperatives and farmers' organizations, supporting production of high return crops, and promoting value-addition schemes and agro-processing.

2.2 National trade policy 2003

Tanzania's TNTP03, sub-titled *Trade Policy for a Competitive Economy and Export-led Growth*, is a 82 page document with five chapters: background and rationale;

economic overview; vision, mission and objectives; constraints and challenges; policy instruments; and implementation framework and action plan.

Introducing TNTP03's vision, mission and objectives, it is said that in order to address the problem of poverty, it is necessary to attain and sustain a minimum GDP growth rate of 7 percent which in turn requires a minimum rate of 14 percent for trade growth. The trade policy vision is expressed as follows: "... to transform the economy from a supply constrained one into a competitive export-led entity responsive to enhanced domestic integration and wider participation in the global economy through national trade liberalization". The mission is: "...to stimulate the development and growth of trade through enhancing competitiveness aiming at rapid socio-economic development." The third element, objectives, is stated in terms of five specific objectives emanating from the vision and mission. Very briefly, these are to: i) develop trade as a means for triggering higher performance and competitiveness in the domestic market; ii) transform economy towards an integrated, diversified and competitive economy for effective participation in global trading system; iii) stimulate value-adding activities on primary exports; iv) stimulate investment flow into export-oriented areas; and v) attain and maintain long-term current account balance through effective participation in export trade and efficiency on imports.

As a commentary, these objectives are well stated, although it might be added that these are fairly common goals found in national trade policies of other developing countries also. Indeed, an expression of the objectives that are much clear can be found in Chapter 5 - *Trade Policy Instruments and Priority Sectors* – where policy instruments are detailed. It is worth going through these as they indicate specific positions on many potentially divisive issues.

A total of 23 specific instruments are presented under five categories. Policy positions are expressed fairly clearly without mincing words – which is a big plus for the private sector. For each instrument, a paragraph or so presents the issue followed by a paragraph or so of policy position. It is said at the outset that the application of these instruments will be guided by the following four goals: need to stimulate domestic production, promote exports, safeguard domestic industry against dumping practices, and protect consumers. The five broad categories are as follows:

1. Tariff-based instruments (e.g. tariffs, taxation).
2. Non-Tariff Measures (e.g. quotas; licensing and role of parastatals or STEs etc).
3. Trade Defence Mechanisms (various safeguards).
4. Trade Development Policy Instruments (e.g. investment code, EPZ etc).
5. International Trade Policy Instruments (e.g. trade agreements).

For space reason, the presentation below on instruments is succinct and selective, covering only those that are of a relatively divisive nature.

1. Tariffs and taxes

a) Tariffs

- Tariffs will continue to be the major instrument for trade policy implementation.
- Main role - instrument of protection and revenue.
- But with transparent application and predictability and further liberalization and rationalization of tariff structure.
- Goal is to increase competitiveness and raise consumer welfare.
- Will build analytical capacity for tariff policy analysis including economic impact assessment based on effective rates of protection (ERP).

b) Domestic taxation

- Tax regime is complicated, multiple, overall higher rates, high administration costs.
- To ensure that tax regime is supportive of increased exports.
- Rationalization, reduction, consolidation, transparency etc.
- Overall objective is also to facilitate the use of tariffs as a trade policy instrument, including an instrument to protect domestic industry within WTO rules.²

c) Duty Draw-Back (DDB) Scheme

- Currently, suffers from the usual problems (verification and timely duty refunds).
- Lower tariffs better for stimulating exports than DDB scheme.
- So significance of DDB scheme to decline as import tariffs are lowered.
- In the mean time, DDB scheme to be made more efficient.

d) Export Taxes

- Government recognizes the role of export taxes to discourage export of unprocessed products and so is useful for value added exports.
- Will also allow, on selective basis, levying export taxes for raising funds for R&D, training, services etc.

2. Non Tariff Barriers (NTBs)

Statements are made for a total of eight NTBs - import licensing and registration; customs valuation; local content requirements (WTO TRIMS Agreement); standards; STEs; government procurement procedures; and administrative procedures. It is said

² Making this statement under "taxation" rather than under "tariffs" looks odd. This point merely repeats bullet #2 under tariff earlier.

that the ultimate objective is to phase out NTBs through tariffication, and that much progress has been made. What follows summarizes positions for three selected NTBs where positions have been particularly divisive.

a) TRIMs (Local Content Requirement)

- Local content rules will be used... so as to facilitate use of this instrument to enable local industry to gain the necessary edge in developing its competitiveness.
- In future TRIMs negotiations, the GoT will take a position whereby LDCs are exempted, for their development, from some of the TRIMs rules.

b) State Trading Enterprises (STEs)

- STEs continue to play an important role in managing trade, notably food products
- Past and current policy has been reduced role for STEs.
- But a STE plays an important role in managing trade of selective products is recognized, notably food and food products, and in times of crises.
- Where such a need arises, STEs may be given exclusive right to provide requisite services for a specified duration.

3. Trade defence instruments

Government will put in place legislation and capability to use these instruments (namely, safeguard, subsidies and countervailing duties, anti-dumping and rules of origin), with an overall aim of ensuring fair competition by availing infant industries time to grow and become competitive without inhibiting trade.³

4. Trade development instruments

Four instruments are discussed under this heading: EPZs, Investment Code and Rules, export development/promotion and export facilitation. The aim of these instruments is to address supply side constraints and thus stimulate exports by focusing on all levels of production and trade.

- EPZ will be promoted, rationalized and expanded.
- Will take measures to enhance the inflow of FDI, including FDI in such critical sectors as agriculture and industry.

³ A policy statement under the section *Subsidies and Countervailing Duties* speaks of export subsidy by Tanzania itself, something that should have been made in a section on export policy and not here. It is said that the government recognizes the role of subsidies in the stimulation of exports within allowable WTO limits, and so the government will take measures to utilize subsidies as an instrument for export trade stimulation.

- For export facilitation, besides simplifying trade procedures and reducing high costs, government will re-introduce export credit guarantee schemes.

5. International policy instruments

In recognition of the benefits from regional and global trade agreements, the government will:

- Implement measures emphasising more effective participation in bilateral, regional and multilateral trade schemes.
- Work towards strengthening trade negotiating capacity of various institutions.

Some commentaries on these policy instruments relevant for this paper are made in the next section.

2.3 Diagnostics Trade Integration Study (DTIS)

The 2005 Tanzania DTIS comes in two volumes – volume 1 (180 pages) as the main report and volume 2 (153 pages) presenting commodity and sub-sector studies. An Action Matrix of 23 pages provides details on what needs to be done, where etc. All in all, this is a comprehensive work and an important reference on Tanzania's trade policy and support measures.

As with most other DTIS, the focus is exclusively on exports. This is expressed as follows: "The DTIS is aimed towards supporting the Government of Tanzania (GOT) in the realization of its National Trade Policy, the objective of which is to develop an export orientation for the country to enhance income and reduce poverty". The study is also said to be a contribution to a well-articulated export strategy. In view of this, and in common with other DTIS, it covers both: i) economy-wide issues and constraints; and ii) sector-specific (export sectors) supply-side issues and constraints.

On economy-wide issues, the DTIS addresses the following eight topics in eight chapters in Volume 1, which are said to be the trade-related subset of the larger development agenda: macroeconomic environment and competitiveness, trade policy, market access and trade preferences, institutions for trade policy and export development, export processing zones, SPS standards, transport, and customs. Most of the recommendations made are fairly standard, with hardly any divisive issue, e.g. the need for maintaining macroeconomic stability, improving customs administration, linking markets with infrastructures, and so on. On the import side of the trade policy, the main recommendation is to reduce import tariffs over time (namely the EAC CET) to *inter alia* avoid the risk of trade diversion, rationalize tariff dispersions, rationalize the current highly dispersed and varied effective protection across products and sub-sectors, and sort out contradictions due to membership in multiple regional trade bodies.

Volume 2 provides detailed analyses for a number of export products and services. These include four agricultural exports (cashews, cotton, coffee and tea), horticulture and floriculture, spices, fish, and tourism. The four key cross-cutting constraints on the supply-side (i.e. affecting all crops) are: i) the role of crop boards; ii) excessive taxation; iii) weak agricultural support services; and iv) price volatility. The recommendations are fairly standard, e.g. eliminate market intervening role of the boards, eliminate excessive tax burdens (export and domestic taxes), privatize services delivery, and use market-based systems for managing risks.

Some analyses in the DTIS also provide useful insights for policy. One is an analysis of the level and dispersion of the Effective Rates of Protection (ERPs).⁴ It shows that there was a large dispersion of the ERPs, from negative 16 percent to positive 216 percent. The study also notes that tariff changes to the post-CET structure were modest but ERP dispersion might have widened further. Such a large range of tariff dispersion obviously magnifies the risk of resource misallocation. Most governments do apply different nominal tariffs and provide domestic supports to different products, which result into different ERPs. There has to be a clear rationale for the effective protection provided, and the effects need to be monitored and made transparent. The study shows in a graph that the relationship between the ERPs and value addition rates is negative, implying that low value-adding sub-sectors are more protected than high value-adding ones, typically the opposite of what should have been targeted in the first place.

Thus, one important recommendation was for a rebalancing of trade incentives with a view to initiating efficiency-enhancing restructuring process in low value-added manufacturing branches to reduce the risk of policy-induced resource misallocation. Of course, if this is not done for some reason, the rationale for maintaining such a structure of protection needs to be explained (e.g. food security, environment protection etc).

2.4 Policy frameworks for agriculture

The 2001 Agricultural Sector Development Strategy (ASDS) is the main policy framework for agriculture. It is a typical strategy with a vision, analysis of constraints, strategies and policies. Its objective is to achieve a sustained agricultural growth rate of 5 percent per annum. The ASDS provides a number of strategies, claimed as signalling a break from the past. The key ones are as follows:

1. Transformation from subsistence to commercial agriculture.
2. Private-sector led with government providing enabling environment.
3. Decentralization through District Agricultural Development Plans.

⁴ The reference period was around 2003-2004, just before the adoption of the EAC CET.

4. Deregulation of the delivery of support services with a delineation of public/private roles.
5. Improved functioning of output and input markets.
6. Strengthened institutional framework governing the sector.

To operationalize the ASDS, an Agricultural Sector Development Programme (ASDP) was formulated in 2006, as well as National Livestock Policy in 2006 and Agricultural Marketing Policy in 2007. The ASDP has a 15-year programme horizon and is being implemented as a seven-year plan initially (2006/7–2012/13), and provides detailed costs also.

An ASDP basket fund has been created with resources from the government and development partners. The ASDP activities are divided into national and local levels, with the national activities focussed on strategic plans of the line ministries and activities at local level based on District Agricultural Development Plans (DADPs) and implemented by the Local Government Authorities (LGAs). The local level support uses 75 percent of the total resources from the basket with 25 percent used by the national level component. The core activities are as follows (GoT 2008):

National Level Support Component: i) agricultural services; ii) national irrigation development; iii) marketing and private sector development; iv) food security; and v) coordination, monitoring and evaluation. *Local Level Support Component:* i) local agricultural investment; ii) local agricultural services; and iii) local agricultural capacity building and reform.

The ASDP document claims that it is consistent with both the NSGRP and ASDS, although at one place it notes that the NSGRP's 10 percent growth target for agriculture and 9 percent for livestock are twice the more realistic rates targeted in the ASDS.

2.5 Kilimo Kwanza (Agriculture First)

When launched in 2009, Kilimo Kwanza (KK) was presented as a blueprint for Tanzania's Green Revolution and claimed that it will add a new vigour to the ASDS implementation by bringing more players, robust involvement of private sector and national coordination of planning and resource allocation (Kilimo Kwanza 2009). This programme is important because it originated from the Tanzania National Business Council, the highest consultative organ between the private sector and government, with the President of the United Republic of Tanzania as the Chairman.

There are ten actionable pillars at the core of the declaration on the KK.⁵ The proposals in some of the pillars are related to trade/pricing policy issues and so of

⁵ Available at: <http://www.tnbctz.com/index.php/KILIMO-KWANZA/View-category.html>

TABLE 2:**Proposals in Kilimo Kwanza on focus commodities and products**

Activity	Task
4.1 Identify priority areas for strategic food commodities for the country's food self-sufficiency	Put in place arrangements for production of strategic commodities such as maize, cassava, rice, legumes, fish, meat and dairy products, wheat, bananas, potatoes, sorghum, millet. Introduce cassava blending in both maize and wheat milling
4.2 Identify priority areas and modalities for production of crops that can transform agriculture quickly with minimal financial and technological requirements, growing domestic/ external market demand and employment creation potential.	Put in place arrangements to finance the production of cotton, sunflower, safflower, sesame, palm oil.
4.3 Identify priority areas and modalities for production of horticultural crops	Put in place arrangements for the prod. of high labour intensive crops requiring limited investment with potential for significant foreign exchange earnings and contribution to national economic growth such as onions, mangoes, bananas, grapes, avocados, pineapples, tomatoes, vegetables and spices.
4.4 Identify priority areas and modalities for production of crops with high value-addition potential such as fibers, bio-energy etc	Put in place arrangements for increased production of sisal, sugarcane, oilseeds and sweet sorghum for energy and other value added products.

Source: From Kilimo Kwanza Pillar number 4, *Paradigm Shift to Strategic Framework of Kilimo Kwanza*.

relevance to this paper. One such pillar is number 4, *Paradigm Shift to Strategic Framework of Kilimo Kwanza*. Table 2 shows key proposals in this pillar relevant to this paper.

Furthermore, Pillar 6, *Incentives for Kilimo Kwanza*, has some proposals related to farm price stabilization and SGR. Its activity 6.3 is about price stabilization. But the way it is worded, there is a contradiction. The activity itself is called “remove market barriers to agricultural commodities” while four of the following five actions suggested (exception is 3rd) are about increasing government intervention in food markets:

1. Allocate more resources to the National Food Reserve Agency (NFRA) to regulate the prices of food crops and make the Government the buyer of last resort.
2. Expand the capacity of NFRA for larger scale procurement and storage.
3. Encourage increased private sector participation in buying and stocking of food crops.

4. Maintain stock of food supply for six months to one year to ensure conditions of market stability.
5. Regularize border trade on food items.

Activity 6.6 also prescribed establishing price stabilization mechanism for agricultural commodities. There are also some interesting trade-related proposals in Pillar 7 - *Industrialization for Kilimo Kwanza*. Activities are divided into two groups. Under "backward linkages", there are proposals for fertilizers, seeds, livestock services, fish industry, agro chemicals and machinery. Under "forward linkages", the first activity is "Expansion of Agro-Processing Industries", with the following seven actions, many of which touch on issues on trade/pricing policy:

1. Enforce measures to discourage export of raw primary products and increase tariffs on imported competing products and conduct regular reviews.
2. Institute strict measures to curb the dumping of low quality processed agro-products.
3. Conduct a "Buy Tanzanian" campaign starting with government procurement.
4. Re-posses and revive privatized agro-processing factories which have not been operational to date (cashew nuts, tanneries, textiles etc).
5. Support local agro-processors by provision of incentives and other support measures.
6. Support SIDO to promote and expand small scale agro-processing operations.
7. Establish high quality packaging industries to cater for increased packaging of agro-processed products.

2.6 EAC trade and food security policy

The coming into force of the EAC customs union in January 2010 will have some significant implications for Tanzania's trade policy options. The EAC also adopted a regional strategy for food security in February 2010 and an action plan in May 2010 for the period 2010 to 2015 (EAC 2010). Tanzania's trade policy being done in 2003 could not have filtered in these recent developments.

First, the CET will now determine Tanzania's policy space related to imports in particular. One implication is that Tanzania's 120 percent WTO bound tariffs are now essentially redundant. This does not seem to be an issue because Tanzania's applied tariffs have been fairly low in recent years, around the levels of the EAC CET rates. Moreover, there is a provision for higher tariffs for sensitive products, a total of 31 agricultural tariff lines (at HS8 level) with tariffs substantially higher than the 25 percent maximum rate in the third ECA band (on average about 55 percent *ad valorem* rate with mixed specific duty of USD 200/tonne for 11 tariff lines). One issue that seems to be recurring is that these sensitive tariff rates have not settled as members have found constant difficulties to live with these on account of their

differing trade status and sensitivity.⁶ As with all customs unions, EAC trade policy also has safeguards against import surges and depressed import prices, but these are not well developed and there is a conspicuous absence of discussions on this matter.

By freeing intra-EAC trade, the customs union will also raise some new challenges and offer opportunities for intra-EAC trade. On the challenge side, Tanzania will have difficulties implementing its own food price stabilization and supplies policies through the SGR or other means without taking into consideration the free intra-EAC trade. It will be very difficult for the SGR to influence domestic prices, a wish or policy position advocated in some policy national frameworks. Additional complications, including reduced policy space, will come from Tanzania's membership in another regional body, the SADC. Issues arising out of these and other multiple membership in regional bodies are yet to be understood well, and are conspicuously absent in national policy frameworks.

Second, some comments on the EAC regional food security strategy and action plan are useful here. The former provides strategy/policy and the latter is a 49 page document with 29 pages devoted to detailed action plans. A total of 17 areas of interventions are proposed for three broad priority areas: i) enhancing free movement of food in the region; ii) increasing production by enhancing productivity; and iii) improving and accelerating the implementation of policies, strategies and programmes. Five interventions are of particular relevance for the theme of this paper:

- EAC Common Market Protocol to give priority to trade in food products.
- NTBs that hinder transfer of food from surplus to deficit areas in the region to be eliminated.
- No export bans on food products intended for consumption within the EAC region.
- Emergency food aid to aim at long term development of food supply systems through regional procurement and accompanied by investment measures.
- EAC to enact Regional Framework for providing a legal basis for ensuring coordinated regional approach to issues on Food Security and Climate Change.

Two outputs in the action plan are notable. One calls for taking full measures to facilitate trade with a target of raising intra-EAC trade in food to 30 percent by 2015 from less than 10 percent currently. The second action calls for instituting food and financial reserves, with the target for each member of maintaining by 2015 food and feed reserves for at least six months' needs (from current level of at least three months), and establishing by each member a contingency fund for six months' food reserves by 2015. These targets are different from those in national policy frameworks (discussed below).

⁶ These issues are discussed in the previous chapter on trade policy.

3. How mainstreamed are trade policies?

This section presents a commentary on 5-6 prominent policy issues with a view to analyse the extent to which the issues are addressed consistently across national policy frameworks. As said at the outset, one defining character of the mainstreamed policies is consistency across all frameworks. Several of these issues were also raised in the previous chapter and also came up in the previous section.

On the targeting of selected products as “strategic” for special attention

As is the case for many developing countries, Tanzania’s policy frameworks also speak of strategies to promote special or strategic products.⁷ The NSGRP indicated this strategy but not as explicitly. Under Goal 2 in Cluster 1, the strategy is to “develop a detailed growth strategy that focuses on specific products/services where Tanzania has and can create competitive advantages”. Further down in Goal 3 of this cluster, there is a call for providing inputs and subsidies to “selected food crops”. Goal 4 speaks of “crops with high returns”. Thus, while pointing to that direction, the NSGRP is not specific enough on products. Concepts like products with competitive advantages and crops with high returns have little meaning in concrete terms. This strategy is neither evident nor elaborated in the ASDS and ASDP. As for trade policy, there is no mention of special tariff or other treatments to such “special” products, although it is said that tariff has a role to play as an instrument of protection. The DTIS by design has nothing to say about food crops, and in any case the overall implicit policy framework is not to favour one or the other export crops.

The Kilimo Kwanza, on the other hand, supports prioritization, calling in Pillar 4 for identifying priority areas and modalities for production for four categories of products. But the problem is that it lists almost all crops and products for priority attention – a total of 31 products (and many more if meat and dairy products are disaggregated). Thus while the approach is consistent with NSGRP, prioritizing so many products is hardly useful in practice.

In the case of the EAC trade policy, the decision to list 31 sensitive agricultural tariff lines could be said to be consistent with the approach of the NSGRP. Most of these products are basic foods, similar to the list of strategic products identified by the 2006 Abuja Food Security Summit, and so at least there is some support here to the NSGRP approach and the Abuja Summit resolution.

⁷ There are many examples of such an approach in other fora also, e.g. negotiations for designating selected products as special or sensitive in the Doha Round, the targeting of about a dozen food products for increased intra-African trade by the 2006 Abuja Summit on Food Security.

In conclusion, while the NSGRP itself did not articulate the strategy clearly, the ASDP (that was formulated after the NSGRP) could have elaborated the idea further as well as action plans. This is especially important because it is ultimately the agricultural programmes that have to implement the NSGRP strategy for agriculture.

On protection/safeguard for import-competing products/sub-sectors

The NSGRP does not say anything explicitly on this. It speaks of competitiveness in many places, and this could be interpreted as a position that supports fair import competition, without, or with some, protection. But then it refers to the TNTP03 for most trade policies. The primary focus of the TNTP03, with its sub-title *trade policy for a competitive economy and export-led growth*, is obviously on exports,⁸ but there are some views on importables also. Thus, the fifth critical issue addressed is safeguarding, for the interim, of domestic industry and economic activity threatened by liberalization, including identification of sectors to be protected, the rationale and costs of protection, and the maximum duration for protection. It is also said that tariffs will continue to be the major instrument for trade policy with the main role being protection and revenue. There is also the intention to use trade defence instruments to "ensure fair competition by availing infant industries time to grow and become competitive without inhibiting trade".

The DTIS is all about exports and so this issue is not even addressed. Likewise, both the ASDS and ASDP are quiet on this issue. On the other hand, the Kilimo Kwanza calls in Pillar 7 for instituting strict measures to curb dumping, as well as for supporting local agro-processors by provision of incentives and other support measures. For tariff protection, the maximum rates for Tanzania will be those set by the EAC CET, namely 25 percent in the top band, which is considered to be on the lower side by some and just right or high by others. But for 31 sensitive agricultural tariff lines, the CET is high enough for providing protection. Likewise, there will EAC-wide safeguard for surges and depressed import prices. Eventually, as a member of a customs union, it will be the EAC CETs and safeguards that will be the effective instrument. So even if the NSGRP is quiet on this (presumably because it was written earlier), these instruments are available.

The size of the SGR and its role

SGR may be a small matter in the overall trade and agriculture complex but it has been a divisive issue in policy discourses. The issues are its size and role. Do national policy frameworks provide a coherent view on these?

⁸ Thus the first of the six critical issues addressed by the NTP03 is expressed thus: "Consolidating consensus on trade measures that will entrench the continuing policy shift from a protected and controlled economy towards a competitive market economy".

The NSGRP is quiet on the role but calls for maintaining stocks for at least *four* months of national food requirement (presumably maize). The trade policy does not explicitly mention SGR but it approves a role for STE in managing food trade, including exclusive right. The ASDS and ASDP are quiet on the SGR. Given the emphasis placed on private sector role in markets, a price stabilizing role for the SGR would most likely not be supported. The Kilimo Kwanza presents a highly interventionist position: maintain food stocks for six months to one year; ensure conditions of market stability; regulate the prices of food crops; and make the government the buyer of last resort. Lastly, the EAC food security strategy calls for six months' of reserves to be kept by each member, the same as the Kilimo Kwanza but higher than in the NSGRP.

Thus, on the size and role of the SGR, there is obviously no clear view in the policy frameworks. Most analysts on this subject appear to support a SGR that is small, e.g. no more than three months of stocks, and solely for emergency needs. In their view, SGR operations to manipulate prices are neither feasible nor desirable, and the way forward is to encourage private sector operations and rely more on trade for price stabilization.

Export taxation and export incentives

The NSGRP says nothing on export taxation but in strategy 2.2.1 it mentions Export Credit Guarantee Fund for Cooperatives and other organizations handling farmers' produce. The TNTP03 recognizes the role of export taxes, specifically for encouraging local value addition by discouraging the export of unprocessed products, as well as for levying export tax on selective basis for raising funds for R&D, training, services etc. Also, a duty draw back scheme is supported until import tariffs fall to low levels. It is also said that export credit guarantee schemes will be reintroduced, in addition to export promotion zones. The DTIS is essentially against export taxes, whether for value addition, revenue or fund for R&D, as well as against export subsidies of any sort. Both the ASDS and ASDP do not say anything about these instruments. The Kilimo Kwanza does not specifically mention instruments like export taxes or subsidies, but, as with the TNTP03, calls for measures that discourage the export of raw primary products. Finally, these issues are not covered in the EAC policy frameworks. Thus, overall, looking backward through these statements, what is conspicuous is the absence of some useful guideline on these matters in the NSGRP although it says that export-led growth is a key strategy.

Domestic subsidies and incentives

With the WTO Agreement on Agriculture (AoA), this has also become a trade issue. For Tanzania, the total amount of subsidy is unlikely to come anywhere closer to the AoA limit, and so this is mainly an economic issue. Very briefly, subsidy measures are mentioned in the NSGRP in food security-related strategies in Cluster 1.

While setting the goal of increasing food production from 9 to 12 million tonnes, one strategy is to provide subsidy to selected food crops, especially targeted to small farmers. Also mentioned are incentives for attracting private investment in agriculture. Incentives also feature in the objectives of the TNTP03, notably in objective 4 calling for stimulating investment flows into export-oriented areas of comparative advantage.

The DTIS does not say anything explicitly on domestic subsidy, but most likely would not support such measures. In the ASDS and ASDP, although there are no clear policy statements on subsidies, several programmes advocate the use of incentives (essentially, subsidies of some form) to provide inputs, services and for private sector involvement in the agricultural sector. Tanzania currently grants substantive subsidies on fertilizers. Almost all policy frameworks stress on sharply expanding the flow of credit to agriculture, with some subsidy and incentives for banks. Finally, the Kilimo Kwanza is also supportive (in Pillar 7) of providing subsidy and incentives to domestic production, including through trade protection. For example, it calls for supporting local agro-processors by provision of incentives and other support measures, although the specifics - what incentives, to whom, based on what criteria and how much – are not specified, and thus what is said does not provide useful guidance.

Towards a better mainstreamed PRSP

As a final remark, the question asked is how a PRSP can be improved from the standpoint of mainstreaming trade and agricultural policy issues. The above commentary was meant to illustrate an approach towards this process – by ensuring that a PRSP provides messages or guidelines that are consistently followed through in subsidiary policy documents.

How should a trade-mainstreamed PRSP look like? A number of evaluation studies provide some clues through an analysis of a sample of national PRSPs (Hewitt and Gillson 2003, and Ladd 2003). The following were key points made in these earlier works: trade policy issues are sparsely covered in the PRSPs; more so for agricultural trade, despite the sector's importance for poverty and growth; alternative policy options and views are rarely explored; "trade" is mostly equated with "export", i.e. issues on importables are largely missing; little consideration is given to links between trade and poverty in advocating policies; and the weak process of stakeholder consultations, which is a reason for lack of alternative views on trade policy.

A recent ODI study (Driscoll *et al* 2007) revisits these questions for a sample of newer, second generation PRSPs (six reviewed including Tanzania). They ask 16 questions on trade content. Overall, Tanzania PRSP ranks much lower than others. For 9 of the 16 questions, the answer was a straight "no", i.e. Tanzania did not have

those queried trade-related features. Examples are: no stand-alone chapter/section on trade; no trade policy issues differentiated by sub-sectors and by vulnerable household groups; no analysis or consideration of trade-poverty linkage; no WTO issues; and also “no” to the issue of membership in multiple regional bodies. For the other six where the answer was “yes”, it was mostly a weak yes, i.e. yes there was some mention, but not with sufficient analysis and elaboration.

What can be done? To be fair to the PRSPs, it is not practical to address all trade issues in a PRSP. But then it is also not enough that a PRSP does a poor job on trade and “delegates” the trade part to national trade policy. The TNTP03 being a trade policy obviously provides the details needed. So what is desirable is that a PRSP has to have adequate strategies and offers clear guidance to subsidiary policies so that the messages come out clearly and consistently with other frameworks. Ideally, a PRSP should be seen like a constitution and subsidiary policy frameworks the laws.

In closing, there is much scope to improve the next version of the NSGRP. This would require: i) taking notes of the common criticisms of the PRSPs in the wider literature; ii) ensuring that what is said in the PRSP is consistently followed by other policy documents, especially agriculture and industry policies; iii) taking account of new policy frameworks on RTAs and customs unions; and iv) giving adequate consideration to importables, especially foods and food security. Finally, more efforts are needed on stakeholder consultations by making these meetings effective by offering evidence-based analyses of the consequences of competing policy options, so that stakeholders participate effectively and offer fresh insights.

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