



**USAID** | **TANZANIA**  
FROM THE AMERICAN PEOPLE

Tanzania SERA:  
Enabling Policy Environment for Agriculture Sector Growth  
Contract No. 621-C-00-11-00003-00

Quarterly Report  
April – June 2011

## TABLE OF CONTENTS

---

TABLE OF CONTENTS.....	ii
QUARTERLY REPORT .....	1
Introduction.....	1
Quarterly Highlights .....	1
Activities.....	1
Monitoring and Evaluation .....	4
Work Plan for Second Quarter .....	6
ANNEXES .....	7
Annex 1: FEED THE FUTURE USAID 1st Semi-Annual FTF Partners Meeting, Back-to-Office Report.....	7
Annex 2: Seed Industry Stakeholders' Workshop Arusha June 3, 2011, Back-to-Office Report.....	10

## QUARTERLY REPORT

---

### Introduction

The Tanzania SERA Project will assist both the Government of the Republic of Tanzania (GoT) and the private sector in enabling a broad-based, sustainable transformation of the agricultural sector through policy reform. The project will focus on current policy and the regulatory environment for agriculture— from the transactional “hot” topics to the needed strategic foundational changes— building capacity of local institutions to lead informed dialogue on policy and regulatory issues in the agriculture sector and advocate for the necessary changes.

The vision for this project is twofold: to improve the policy and regulatory environment for agriculture growth and to build a group of public sector institutions, advocacy organizations, and individuals capable of performing rigorous policy analysis in support of evidence-based advocacy and policy reform. At the conclusion of the project, we expect USAID will leave behind sustainable capacity within the GoT to initiate, develop, and utilize evidence-based research in policy decisions and implementation, empowering local research and private sector advocacy groups to more effectively use analysis and strategic communications to lobby for change, and building national partnerships that create consensus around agriculture policy and monitor the impacts of policy.

The SERA project will focus all activities around priorities identified in collaboration with the Southern Agriculture Growth Corridor of Tanzania (SAGCOT) initiative.

#### Tanzania SERA: Enabling Policy Environment for Agriculture Sector Growth

We refer to this project as the SERA project, meaning *policy* in Swahili. Given that USAID/Tanzania's Feed the Future staple foods value chain project will be called NAFKA or *grain* in Swahili, we thought it fitting to give this project a similarly meaningful Swahili name. This name will be vetted and approved upon award and before we begin any project branding activities.

### Quarterly Highlights

- The SERA project was awarded to Booz Allen Hamilton in April 2011 and Donald Mitchell was selected as the Chief-of-Party (COP).
- The first Partners Meeting was held from May 23-27 in Kilombero.
- The COP attended a Seed Industry Stakeholders Meeting in Arusha on June 3<sup>rd</sup> and prepared a BTO and draft Case for Value Chain Analysis.
- The COP attended a Cereals Working Group meeting on June 10 where the activities and mandates of the Cereals and Other Produce Board were discussed.
- The First Year Work Planning Workshop for SERA was held on June 27.

### Activities

The SERA project was awarded by USAID and the contract was signed in April, 2011 with Booz Allen Hamilton (BAH) as the implementing partner and Donald Mitchell as the Chief-of-Party. Diligent Plc is a subcontractor on the project. Partial SERA project mobilization began in May, with full mobilization planned to occur in December 2011. However, a supplemental budget allocation was provided by USAID to provide a first year budget of \$1.1 million for (April-March), and this supplemental budget allowed the schedule for full mobilization to be accelerated to begin in September 2011. SERA is working to fully mobilize by September.

**Partners' Meeting.** A field trip and Partners Meeting for USAID's Feed the Future Initiative was held in Kilombero from May 23-27, 2011, and that provided an opportunity to discuss important policy issues with Partners, Government Officials, and other Stakeholders. Nate Kline, Project Manager from BAH in

Washington, attended the week-long meeting. Feed the Future's support for the SAGCOT initiative was stressed at the Partners Meeting and the mandate to work closely on policy changes to support the success of this effort and the maize and rice value chains was clearly received by the SERA project. COPDonald Mitchell held a meeting with Felix Moshia, an Executive Director SAGCOT, on June 7th to begin discussions on the policy priorities for SAGCOT.

**Seed Industry Stakeholders Meeting.** A Seed Industry Stakeholders meeting was held in Arusha on June 3rd and attended by Donald Mitchell. The Minister of Agriculture, Food Security and Cooperatives (MAFC) chaired this Stakeholders' Meeting and stressed his commitment to developing a local seed industry capable of producing 60,000 tons of improved seeds by 2015 compared with less than 10,000 tons being produced in recent years. The Minister pledged to work to remove constraints to the expansion of the local seed industry and many of those constraints were discussed by stakeholders at the workshop. However, the Minister's commitment to developing a local seed industry raises concerns that imported seeds from neighboring countries will continue to face bureaucratic constraints that will hamper the supply of quality seeds in Tanzania. While the SERA project will support policy changes that increase the production of high quality seeds, it will not support restricting imports of quality seeds from neighboring countries. Follow up meetings were held with key partners working on seed policy reform, especially in the World Bank, and the possibility of funding a value chain analysis on the maize seed industry was discussed.

**Cereals Sector Working Group Meeting.** A working group meeting of stakeholders involved in the cereals sector was held on June 10th at the Protea Hotel in Dar and attended by Donald Mitchell. The meeting heard of ongoing work on the value chain for maize and rice from consulting firm, Match Maker, and of the activities of the Cereals and Other Produce Board (COPB). The COPB was established by Cabinet Paper No. 40 of 2008 and authorized to engage in commercial activities. This raised concerns of the stakeholders present that it would compete with the private sector marketing, processing and trading activities. The FAO Southern Highlands Food Security project leader, Michael Winklmaier, agreed to work with interested stakeholders to prepare a response to the Policy Working Group to raise concerns and suggest other activities that would address the concerns of government that smallholders located in remote areas are unable to sell their cereals because traders were not available in their area. A follow up meeting was held with the East Africa Grains Council to learn of their activities and capacity to address such concerns.

**SERA Work Planning Workshop.** The SERA First Year Work Planning Workshop was held on June 27th at the Sea Cliff Hotel. The day-long workshop allowed team members to meet and begin the first year work program planning. Kevin McCown, USAID COTR for the SERA project, attended the workshop. Emily Friedberg of BAH's Washington office travelled from Washington to participate in the meeting and contribute to the development of the work plan. The meeting participants included: Andrew Temu, Jack Meena, Daniel Mehwira and Rose Mushi of Diligent Plc, and SERA consultants Alex Mkindi, Mary Kabatange, and Donald Mitchell. The team identified policy research priorities, which include: nutrition policy, trade policy, inputs policy, the role of the Cereals and Other Produce Board, credit to smallholders and SMEs, land policy, improving markets, and tax policy. The obligations of the project to consider the impacts of climate change were discussed, but a final decision on the need to undertake this work awaits a decision by USAID. The work planning session also included meetings with strategic partner ACT, the World Bank, and important government counterparts including MAFC and Rufiji Basin Development Authority (RUBADA) to discuss working relationships, ongoing activities, and policy priorities. Institutional assessments and needs for capacity building were considered, but no commitments were made. Developing agricultural policy research capacity through a quarterly or thrice yearly seminar series at Sokoine University were discussed with David Kraybill, the COP of the Research and Education project of Feed the Future. The communications strategy was discussed with USAID Feed

Tanzania SERA: Enabling Policy Environment for Agricultural Sector Growth

Contract No. 621-C-00-11-00003-00

Quarterly Report: April – June 2011

the Future local communications consultants (Charlotte Cerf) and Washington based staff (Kimberly Flowers) prior to the work planning meeting.

**List of Meetings:**

May 22-28, USAID Partners Meeting in Kilombero

May 30, Kevin McCown, USAID COTR

June 2, David Rohrbach, Senior Agricultural Economist, The World Bank

June 3, Seed Industry Stakeholders Meeting in Arusha

June 7, Lunch with Felix Mosha, Executive Director of SAGCOT

June 10, Cereals Stakeholders Meeting, Protea Hotel

June 13, Kimberly Flowers and Charlotte Cerf, Communication Officers of USAID Feed the Future

June 14, George Mboje and NSanya Ndanshau, East Africa Grains Council

June 15, David Rohrbach, Senior Agricultural Economist, The World Bank

June 16 NAFKA, SERA Meeting with COTRs

June 20, Janneke Jorgensen, Nutrition Specialist, The World Bank

June 24, Geoffrey Kirenga and Audax Rutabanzibwe, MAFC

June 24, Rose Mushi, Diligent

June 27, Work Planning Workshop, Sea Cliff Hotel

June 28, Saidi Saidi, Mark Magila, Cleophas Rwenchungura, ACT

June 28, Mary Kabatange, Consultant

June 29, Aloyce Masanja, Rufiji Basin Development Authority

June 30, John Mcintire, Country Director, The World Bank

## **Monitoring and Evaluation**

The Tanzania SERA project will provide quarterly updates on performance based upon metrics that are ultimately approved by USAID/Tanzania with data supported by other Feed the Future data-gathering activities. At present, it is anticipated that the Tanzania SERA project draft performance management plan will provide updates on the following sets of indicators, pending final approval:

### **A. Feed the Future Indicators**

Primarily we have selected indicators from the Feed the Future results framework and indicator set for which we know the SERA project can reasonably be held accountable. These indicators also match up carefully with the F Framework Program Elements. The following FtF Sub-IRs are represented by FtF indicators we will track:

- Sub-IR 1.1 Enhanced human and institutional capacity development for agribusiness growth
- Sub-IR 1.3 Improved Agricultural Policy Environment
- Sub IR 2.1 Enhanced Agriculture Trade
- Sub-IR 2.3 Improved Market Efficiency
- Sub-IR 3.1 Increased Public Sector Investment

The SERA project will be responsible for reporting on the following Feed the Future Program Indicators:

- Ease of Doing Business Rank (FTF IR 1/Sub IR 1.3)
- Percent Change Agriculture Sector GDP (Context Indicator)
- Market discount of targeted agriculture commodities (FTF – IR 2/Sub-IR 2.3)
- Percentage of national budget invested in agriculture (FTF – IR 3/Sub IR 3.1)
- Number of institutions/organizations that, as a result of USG assistance, are in one of five stages of improved institutional capacity (FTF – IR 1/Sub IR 1.1)
- Number of policies, regulations, administrative procedures in each of the 5 stages of development as a result of USG assistance (FTF – IR 1/Sub IR 1.3)
- Number of public-private partnerships formed as a result of FTF assistance (FTF – IR 3)
- Percent change in value of intra-regional trade in targeted commodities (FTF – IR 2)

### **B. Activity Level Indicators**

We have also developed customized indicators for the project. Each indicator is clear, measurable over the life of the project, quantifiable and attributable to the SERA project. Specific custom activity level indicators include:

- Price differential between Tanzania and neighboring countries for targeted commodities
- Volume of improved seed in the domestic market (via imports or domestic production)
- Number of individuals participating in agriculture policy research seminar series
- Percentage of advocacy platforms developed that result in policy changes

- Number institutions supported with capacity building activities

### **C. Context and Macroeconomic Indicators**

In addition to project level indicators that SERA can be held accountable for, we will also track high level context and macroeconomic indicators that will allow us to understand how the economics of the agriculture sector are changing as a result of FtF initiatives. We will collect data on these indicators from secondary public sources. We will also coordinate with other FtF projects that more closely align with some of the high level FtF indicators to gather and publish the data. These statistics will be published on our website/IT platform on a regular basis so we can track any changes.

## **Work Plan for Second Quarter**

The work plan for the second quarter is based on the first year work plan for the SERA project, which provides a solid foundation for project activities in the months to come. Project activities for the second quarter will also be grounded in the PMP and M&E indicators..

A second important objective is to begin to establish the office for full mobilization as soon as possible. During the second quarter the project will work to complete the necessary steps to establish the office in Tanzania, including registration, locating office space, establishing a bank account, selecting a lawyer, establishing requirements for office equipment and computers and obtaining competitive bids, exploring options for selecting a vehicle.

A third objective is to continue to meet government officials and other stakeholders to familiarize ourselves with the policy and economic environment in Tanzania.

## ANNEXES

---

### **Annex 1: FEED THE FUTURE USAID 1st Semi-Annual FTF Partners Meeting, Back-to-Office Report**

**May 22-28, 2011, Kilombero, Tanzania**

USAID launched its Feed the Future agricultural development strategy to reduce poverty and improve nutrition in Tanzania with a week-long partners meeting in Kilombero and field visits in the area. Participants departed Dar on Sunday afternoon for Morogoro with a stop to visit the Upendo Womens Group's vegetable farm in Mlandizi. On Monday, participants visited the Dakawa Irrigation Scheme that will be rehabilitated and expanded under FTF with capacity to irrigate 1,900 hectares of rice grown by 829 farmers. This was followed by a visit to the Tan Rice mill where the manager told of the negative impact of rice export bans. The group visited Sokoine University of Agriculture in the afternoon and this was followed by the drive to the Udzungwa Falls Resort in Kilombero where the meetings were held for the remainder of the week.

The partners meetings began on Tuesday with opening remarks from Tom Hobgood, the USAID Team Leader for Feed the Future, and David Nyange of USAID, one of the principle developers of the program. Opening remarks from Emmanuel Achayo of the Government of Tanzania followed. The COPs of the six components of the Feed the Future program followed with brief descriptions of their projects, including:

**Policy Reforms** – Don Mitchell and Nate Kline of Booz Allen Hamilton

**Research and Training** – David Kraybill of Ohio State University

**Maize and Rice Value Chain** – Lee Rosner of ACDI/VOCA

**Irrigation and Rural Infrastructure** – Keith Williams CDM

**Food Processing** – Remer Lane, Abt Associates

**Horticulture Value Chain** – Richard Pluke of Fintrac, Alexandra Mandelbaum of TechnoServe, and Christi Huizenga of Floresta

Two additional presentations on Tuesday included:

**Monitoring and Evaluation** – Emily Hogue, USAID Washington

**Kilimanjaro International** – engaged to provide support services to the Feed the Future program and represented by Greyson Kiondo and Augustine Lamosai.

Wednesday included presentations from other donors and the private sector:

**Leader Training Program** – Kimberly Smith

**COMPETE** – Steve Humphreys

**SAGCOT** – Felix Moshia

**JICA** – Minoru Homma

**IFAD/AfDB** – Walter Swai

**FAO Southern Highlands Food Systems** – Michael Winklmaier

**AGRA/CNFA** – Josephine Kaize

**AGRA Southern Highlands Breadbasket Project** – Richard Mwanza

**CAADP/TAFSIP** – Akil Juma

Following presentations and discussions, the participants visited the Mang'ola Warehouse Receipts System implemented by RUDI, the Mkula Irrigation Scheme supported by JICA/World Bank, and the planned Sanjo Irrigation Scheme under FTF. The USAID Mission Director, Robert Cunnane, joined the meeting on Wednesday evening and told the group of the high expectations for and visibility of the Feed

the Future program. He also said that a high-level visitor was expected on about June 10-12 and we might be asked to participate in a greeting ceremony or briefing.

**Thursday** was focused on presentations of capacity building, nutrition, safety-nets, finance and gender, including presentations on;

- CNFA Farmer-to-Farmer** – Bahati Nzunda
- WFP Safety Net Program** – Juvenal Kisanga
- Dairy Program USDA Land O'Lakes** – Zakaria Faustin
- Partners for Development** – Eva Kassara
- Economic Strengthening IMARISHA** – Colleen Green DAI
- Helen Keller Nutrition Indicators** – Margaret Benjamin
- Nutrition in Children** – Maurice Bennink MSU
- Africa Rice Center**
- AfDB/USAID Ag Credit Scheme** – Obed Paul
- Micro Finance Pride Tanzania** – Richard Malina
- PASS Trust Credit Guarantee**
- Gender Mainstreaming** – Janet Said
- Environment** – Chrispin Mwashala

**Friday** was reserved for implementing partners and included;

- Target Setting and Quarterly Reports**
- Programmatic Issues PFG/Operation Plan**
- Contractual Issues**
- Financial Management and Reporting**
- Unified Baseline Survey**
- Cross Cultural Session**

The day concluded with a hike to Udzungwa Falls

### **Important Conclusions and Issues Emerging from the Partners Meeting**

USAID reiterated that the focus of the SERA project is to be on policy reforms in support of production and marketing of the main food crops, maize and rice. These are the most important food security crops and they will be the focus of production in SAGCOT. Policy issues in other crops may emerge, but they will need to be dealt with as time permits. Since Zanzibar does not produce significant quantities of either crop, it will not be a policy priority for SERA. Nevertheless, there will be other FTF activities in Zanzibar and policy issues may be identified as important for SERA such as the differential import tariffs on rice in Zanzibar and the mainland, which encourages smuggling of rice to the mainland. Zanzibar does not ban maize exports, but GoT officials said that maize was not smuggled to Zanzibar to evade the export ban. Horticulture is included in the FTF program and several important policy issues were discussed and may merit research and analysis, including; control of fruit fly, difficulty of exporting from the port of Dar, and labor restrictions that prevent hiring of Kenyans with skills important to horticulture.

Export bans on maize and rice were highlighted as one of the most important policy issues, and are a priority for SERA. Data on the impact of these export bans on trade, producer prices, and consumer prices will need to be obtained from MofA, NBS, and available surveys to make a fact-based case against

such bans. The USAID's COMPETE and RATES projects in Kenya and Uganda have examined export bans and may be able to provide evidence on their impacts. As food crop production levels increase through the SAGCOT initiative, liberal markets will serve an important function helping to provide price stability for smallholder farmers. Hence, the effects of export bans could possibly lead to greater price volatility and a drop in smallholder income with greater yields yet flat-level consumption.

Poor policy implementation and lack of understanding of existing policies at the local government and private sector level emerged as an important policy issue and could provide opportunities for quick wins for the SERA project. This is especially important for policies such as export bans that are implemented for a short period and then revoked without fully advising local governments or the private sector. Other examples include a lack of understanding of Tanzania's Duty-Drawback System by horticultural exporters, and confusion about seed policies. The Duty-Drawback System is not being used by horticultural exporters who import materials from Kenya, and it is important to determine whether they are eligible. Seed policy may also provide a quick win opportunity, because Tanzania has reportedly entered into a regional agreement to allow seeds approved for use in the region to be imported and sold without the lengthy testing period required of seeds imported from outside the region. This seems to have been confirmed by the imports of more than 300 vegetable varieties, while other agricultural sub-sectors have not been allowed to import seeds. Further examination of such policy will be needed and then a strategy to improve implementation of existing policies and dissemination of information to local governments and the private sector will be necessary.

Policy research capacity building will need to be reconsidered following the loss of the grant fund component of SERA, and one possible activity is to introduce a research seminar series at Sokoine University. David Kraybill of Ohio State University is responsible for the Research and Education component of FTF, and he expressed interest and willingness to support such an activity. This might take the form of a quarterly seminar series with faculty from the University and students developing research on agricultural policy issues. A small grant could be used to encourage faculty to undertake such research, and topics could be suggested that are important to the SERA project.

High interest rates and reluctance of commercial banks to lend to agriculture is a well-known problem, but implementation of the collateral registry system developed with support from BAH was identified as a possible quick win for SERA. The collateral registry could improve credit to the private sector by allowing moveable assets to be used as loan collateral. The legal framework will need to be finalized and a unified system that includes both the mainland and Zanzibar should be developed.

Other important topics discussed included the establishment of an Advisory Board for the SERA project and the importance of meeting with farmers to listen to their policy concerns. It will also be important to meet with donors and organizations involved in food security and agriculture in Tanzania to become aware of and benefit from ongoing and earlier work. A revised Work Plan will need to be agreed upon and preparation will be needed to meet Performance Planning and Reporting requirements. The 2nd Semi-Annual Partners Meeting will be hosted by the horticultural component of FTF in October.

## **Annex 2: Seed Industry Stakeholders' Workshop<sup>1</sup> Arusha June 3, 2011, Back-to-Office Report**

A workshop of approximately 50 private sector seed industry stakeholders and a large representation from the Ministry of Agriculture and Cooperatives (MoA) was held in Arusha on June 3rd. The workshop was opened by Minister Jumanne Mugebe and participants from the Ministry included the Permanent Secretary, Mohamed Muya, the Director of Crop Development, Geoffrey Kirenga, and the head of the Seed Unit, Munga Lumbadia. The private sector was well represented, including by Bob Shuma, the Executive Director of the Tanzania Seed Trade Association (TASTA), and by the Managing Directors of two of the largest seed companies in Tanzania, SEEDCO and PANNAR. Other organizations and companies represented included: AGRA, AVRDC, ASA, ICRISAT, NMB, and WFP, as well as a number of plant breeders and traders.

The Minister opened the workshop by discussing the importance of the seed industry and his commitment to removing obstacles to its development. He said that he wants to complete executive orders to “liberalize production and marketing of seeds,” and he came to listen to the important issues from the industry stakeholders. He stated that the objective of the workshop was to determine how, in the next five years, to get more seeds into the market and how they can be produced in Tanzania. While he is committed to increasing domestic seed production, he did not suggest that imports would be restricted as a way of supporting the domestic industry. By 2015, he said he hopes to encourage the private sector to produce 60,000 tons of quality seeds per year compared with the 2,000-6,000 tons per year currently being produced. The current legislation, the Seed Act of 2003 and the Seed Regulations of 2006, will be amended by executive order rather than replaced by new legislation in order to quickly implement policy changes.

Prospects for seed policy reforms appear good because of the commitment of the Minister to reforms and the recognized importance of high quality seeds to the entire Kilimo Kwanza effort. Based on the workshop, the main obstacles to expansion of the seed industry in Tanzania could be removed or greatly reduced by the four potential policy reforms presented in the remainder of this note. Other policy issues important to the long-term growth of the industry were not the focus of the workshop and will need to be addressed at a later time. These include: i) how to produce better seed varieties through increased funding for research or reform of existing research institutions, and ii) the need to strengthen plant protection laws and intellectual property rights in order to encourage greater involvement of international firms. Nevertheless, many important issues were discussed and they provide a very useful starting point for seed policy reforms, including:

**1. Shortage of breeder and foundation seeds.** The government parastatal, the Agricultural Seed Agency (ASA), is solely responsible for producing breeder seeds and foundation seeds. Breeder seeds are produced from seed varieties approved for use in Tanzania and are used to produce foundation seeds for sale to private seed companies who multiply them for sale to farmers as certified seeds. The ASA is not able to produce sufficient quantities of breeder or foundation seeds, and this limits the supply of seeds that can be produced by the private seed companies. This bottleneck also limits the entrance of new seed companies into the industry because existing companies are given priority for receiving the limited quantities of foundation seeds available.

---

<sup>1</sup> Prepared by Don Mitchell, Booz Allen Hamilton, Chief-of-Party SERA project of USAID's Feed the Future program.

Potential policy reform: The government could license qualified private seed companies to produce foundation seeds for sale to commercial seed companies. This would allow ASA to focus on production of breeder seeds and increase their supplies. The ASA or other appropriate authorities in the Ministry of Agriculture could approve qualified firms to produce foundation seeds and inspect production procedures and produced seeds before sale to private seed companies.

**2. Lack of certification of seeds for exports.** The export of seeds to neighboring countries usually requires testing and certification of seeds by an accredited organization, such as the International Seed Testing Association (ISTA). Tanzania is not current with its dues to that organization and, therefore, it is unable to certify seeds for export. Without such certification, seed companies cannot export to most countries in the region, and that limits incentives for investment in production facilities. While such exports may not currently be an important market for Tanzanian seed companies, they could become important in the future, and that could influence current investment decisions. The private sector has offered to pay the ISTA dues, but this is not allowed under current regulations. The Minister told participants at the workshop that he is committed to paying the \$15,000 per year dues and any arrears. The testing equipment and laboratories required for seed certification are reported to be available in Tanzania.

Potential policy reform: The government should pay its dues and arrears to the ISTA from its budget or modify regulations to allow the private sector seed companies to collect monies from its members to pay ISTA dues. The costs of obtaining any required additional testing equipment and operating the testing lab should be determined, and paid by fees collected from individual seed companies applying for certification of seeds for export.

**3. Lengthy procedures for releasing new varieties.** Approval for releasing a new seed variety can take as long as 10 years according to plant breeders attending the workshop. This follows lengthy research to develop a new variety which means that 20 plus years can be required to develop and release a new seed variety. The procedure for releasing a new seed variety once it has been developed by a plant breeder requires 2-3 years for multi-location trials in Tanzania, 2 years of on-farm trials in Tanzania, 2 seasons of testing in national performance trials by the Tanzania Official Seed Certification Institute (TOSCI), testing of the new variety for Distinctiveness, Uniformity and Stability (DUS), and approval by the National Performance Trials Committee (NPT) and the Variety Release Committee. Once these tests are completed and approval given, the approved seed is provided to the ASA for production of breeder and foundation seeds. Neighboring countries, such as Kenya and South Africa, have a more streamlined process and only require that a seed be approved for Distinctiveness, Uniformity and Stability, and plant breeders attending the workshop argued that the same requirement should be used for releasing new varieties in Tanzania. This streamlined procedure would have the added advantage of allowing quicker release of varieties already involved in the approval process and thereby quickly improve the quality of seeds available in Tanzania.

Potential policy reform: Allow new seed varieties to be approved based only on DUS approval.

**4. High taxes and fees on seed production and sales.** The seed companies and traders complain of high taxes and fees that limit profitability and incentives for seed production and sales. A complete list of such taxes and fees was not available, but the partial list presented at the workshop was sufficient to make a strong case that taxes and fees are reducing incentives for seed production and need to be reduced. These fees include: district crop cesses of 3-5% charged at each district border, 18% VAT on seed sales despite VAT exemption on other agricultural goods, 18% VAT on imported packaging

materials, and high inspection fees. Local crop cesses of 3-5% are collected on the value of transported seeds at road blocks in each district. Seeds transported through several districts may be charged the fee several times. Seed sales to farmers are charged 18% VAT by the Tanzania Revenue Authority (TRA) despite agricultural goods being exempted from VAT. TRA has ruled that seeds are not agricultural goods for consumption and, therefore, do not qualify for the exemption on agricultural goods. Imported packaging materials for seeds are charged the 18% VAT and the industry feels that is unfair. Inspections are required before seeds can be sold and the fees for such inspections are reported by the industry to be excessive and beyond those required to perform the inspection services.

Potential policy reform: Local crop cesses should only be paid once and in the district where seeds are produced. When paid, the district government should be required to provide documentation that the crop cess has been paid and other districts should be required to respect the document and not charge an additional crop cess. The 18% VAT charged on seed sales is due to TRA's interpretation of Ministry of Finance (MoF) regulations and either TRA should be advised not to charge the VAT or the MoF regulations should be amended to clarify that the tax does not apply to seed sales. The 18% VAT on imported packaging material could be waived as an incentive to the seed industry at the discretion of the MoF and MoA. Inspection fees should be only those necessary to cover the government's cost of providing the service and should not be used as a revenue collection scheme.

**Other Issues.** In addition to the priority policy issues and potential reforms noted, there were other important issues discussed at the workshop. Among these, the current farm input voucher scheme operated by the government and funded by the World Bank and GoT has depleted its funds and is no longer redeeming vouchers. This has caused banks to stop paying input suppliers for vouchers and agro-dealers to stop accepting vouchers from farmers as partial payment for seed and fertilizers. According to the Executive Director of TASTA, this has broken trust in the input voucher scheme. The Minister said he was working to resolve the issue and hoped to have it resolved in 10 days. TASTA raised other important issues, including: limited land available for expanding seed production, deteriorating quality of breeder seeds because they are not being purified, physical dangers for seed industry workers in some areas due to local unrest and inadequate military and police protection, and the need for subsidies for seed companies to encourage production. These issues were not directly addressed at the workshop, but resolution of these issues could be important to removing constraints to expanding seed production in Tanzania.

**Strengthening the case for policy reforms.** With the prospects of policy reforms appearing to be good, it is important to quickly strengthen the case for reforms with strong analytics. This can be done in several ways depending on budgets available.

Value Chain Analysis of the seed industry would be very useful to better understand the incentive structure and costs of seed production and sales. If high taxes and fees are reducing incentives for seed production as the industry argues, then that would strengthen the case for reducing such taxes and fees and ensuring that seed companies are not being charged excessive district cesses. Conversely, if profit margins are high, then other factors could be constraining the growth of seed production such as shortages of foundation seeds or low demand.

Demand Analysis for Seeds would allow the impact of reduced seed prices on farmer seed purchases to be quantified. If the price elasticity of demand for seeds is high, then a strong case can be made that seed prices should be reduced through government policy action because that would significantly

increase the demand for seed. Conversely, if demand is very inelastic then other policy measures will need to be used to increase seed demand.

Fast-tracking the Release of New Varieties has been proposed by the plant breeders, and a review of such systems reported to be used in Kenya and South Africa need to be examined and determination made on its suitability for Tanzania. If such procedures have been used successfully in neighboring countries, then they should be considered in Tanzania as a way of clearing the pipeline of new varieties and strengthening both domestic agriculture and seed export potential.

Smallholder Profitability of Using Quality Seeds needs to be quantified to guide extension advise to farmers and policy decisions of government. This could be done by survey of producers in the main maize and rice growing areas, and possibly by examination of research station trials of quality seeds grown under smallholder conditions.

### **Case for a Value Chain Analysis**

Increasing the availability and use of improved seeds is essential to the success of Kilimo Kwanza and a high priority of the Ministry of Agriculture Food Security and Cooperatives (MAFC). It is estimated that only 15 percent of national areas planted to major food crops are sown with improved seeds while the remaining 85 percent are sown with farmer saved or recycled seeds. Maize accounts for 80 percent of the improved seeds sown in Tanzania, with about one-third being improved open pollinated maize varieties (OPVs) which yield about 5 percent more than areas sown to farmer held or recycled seeds and two-thirds being hybrid varieties that increase yields by approximately 30 percent compared to farmer held or recycled seeds. Since maize is the basic staple food crop of Tanzania and accounts for more than half of areas planted to cereal crops, increasing yields through increased use of improved seeds as well as other high-valued inputs could make a substantial contribution to increasing maize production and domestic food supplies.

The demand for improved maize seeds in Tanzania has increased because of the Government's National Agricultural Input Voucher Scheme (NAIVS) which provides a voucher-based subsidy to increase fertilizer and improved seeds use. The Voucher Scheme is expected to have increased farmer's awareness and adoption of improved seeds and lead to future increases in maize seed demand. Most of the demand for improved maize seeds under the Voucher Scheme was supplied from imported seeds, despite rapid growth of the seed industry in Tanzania since it was liberalized in 1999. There are currently 45 seed companies registered in Tanzania with 24 of those operating in the cereals sector, and their low production relative to demand raises questions about the incentives facing seed production and marketing in Tanzania. If the incentives for local production and marketing are not adequate to encourage the private sector to expand, then it will be difficult for Kilimo Kwanza to succeed and the objectives of the MAFC to be met.

According to private sector seed companies participating in a recent Seed Industry Stakeholders Workshop, the incentives facing seed companies are poor. They cite high taxes and inspection fees as discouraging domestic production and sales of improved seeds, and they argue that the taxes are not being levied in accordance with current laws. Other factors, such as shortages of breed and foundation seed and lack of accreditation for exports to neighboring countries, were also identified as constraints to the expansion of seed industry by the seed companies. A recent survey of bottlenecks affecting maize production and deployment in eastern and southern Africa (Langyintuo, et. Al, 2008), identified other constraints to maize seed production and marketing in Tanzania including: high costs of credit, limited

access to germplasm, and technical constraints to production. It is essential to understand the incentives to seed production and marketing in Tanzania. If incentives are low due to high taxes and inspection fees, the government can direct its policy efforts to reducing these taxes and inspection fees. However, if incentives are adequate, then other factors such as shortages of breeder and foundation seeds may be the constraints to expansion of the seed industry in Tanzania.

A value chain analysis should be done for maize seed production and marketing in Tanzania to better understand the incentives facing seed companies and direct government's policy reform efforts to develop a vibrant and responsive maize seed industry. In addition to the increased understanding of the incentives facing maize seed companies, the results of the value chain analysis will also be useful in understanding the incentives facing seed companies producing improved seeds for other crops. This value chain analysis will build upon data and analysis undertaken for the USAID/Tanzania MicroCLIR analysis of constraints facing the maize and rice sectors.

**Reference:**

Langyintuo, A. S., W. Mwangi, A.O. Diallo, J. MacRoberts, J. Dixon, and M. Banziger, 2008. An Analysis of the bottlenecks affecting the production and deployment of maize seed in eastern and southern Africa. Harare, Zimbabwe, CIMMYT.

Seed Sector Development Support (Confidential), Consultancy Report April 2009. Accelerated Food Security Programme (AFSP-ERL), United Republic of Tanzania.