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SERA POLICY PROJECT YEAR 3 QUARTER 3 REPORT

TANZANIA ENABLING POLICY ENVIRONMENT FOR AGRICULTURAL SECTOR GROWTH

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SERA POLICY PROJECT

YEAR 3 QUARTER 3 REPORT

Contract No. 621-C-00-11-00003-00
USAID Feed the Future SERA Policy Project
Tanzania Enabling Policy Environment for Agricultural Sector Growth

Implemented by Booz Allen Hamilton

DISCLAIMER

The author's views expressed in this publication do not necessarily reflect the views of the United States Agency for International Development or the United States Government.

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ABBREVIATIONS AND ACRONYMS

AIRD	Associates for International Resources and Development
BMGF	Bill & Melinda Gates Foundation
BoT	Bank of Tanzania
BRN	Big Results Now
CI	Custom Indicator
CIMMYT	International Maize and Wheat Improvement Center
COP	Chief of Party
DFS	Department of Food Security of MAFC
DMD	Disaster Management Department
DPP	Department of Policy and Planning
ERS	Economic Research Service
FAO	Food and Agriculture Organization
FBC	Food Basket Costs
FBM	Food Basket Methodology
FEWSNET	Famine Early Warning Systems Network
FtF	Feed the Future
GoT	Government of the United Republic of Tanzania
HODECT	Horticultural Development Council of Tanzania
iAGRI	USAID Feed the Future Research and Education Project
IPC	Integrated Food Security Phase Classification
IR	Intermediate Result
LGAs	Local Government Authorities
LOE	Level of Effort
MAFC	Ministry of Agriculture, Food Security and Cooperatives
MCDGC	Ministry of Community Development, Gender and Children
MIT	Ministry of Industry and Trade
MLFD	Ministry of Livestock and Fisheries Development
MLHSD	Ministry of Lands, Housing and Human Settlements Development
MoF	Ministry of Finance
MUCHALI	Tanzanian Food Security and Nutrition Analysis System
NAFAKA	USAID Feed the Future Staples Value Chain Project
NBR	Net Benefit Ratio
NFRA	National Food Reserve Agency
NMB	National Merchants Bank
OPVs	Open pollinated varieties
PMO	Prime Minister's Office
PMP	Performance Management Plan

QR	Quarterly Report
RGoZ	Revolutionary Government of Zanzibar
SAGCOT	Southern Agriculture Growth Corridor of Tanzania
SERA	USAID Feed the Future Policy Project
SMEs	Small- and Medium-Scale Enterprises
SOW	Statement of Work
SPP	Strategic Prioritization Plan
STTA	short term technical assistance
SUA	Sokoine University
TAHA	Tanzanina Horticultural Association
TANDREC	Tanzania Disaster Relief Committee
TAPP	Tanzania Agricultural Productivity Program
TASTA	Tanzania Seed Traders Association
TMA	Tanzania Meteorological Agency
USAID	United States Agency for International Development
USDA	United States Department of Agriculture
USG	United State Government
WFP	World Food Program
ZDFSN	Zanzibar Department of Food Security and Nutrition Department

EXECUTIVE SUMMARY

The Tanzania SERA Policy Project (SERA) of the United States Agency for International Development (USAID) Feed the Future (FtF) Initiative is implemented by Booz Allen Hamilton. The SERA Project is focused on improving the policy environment for agriculture, and developing individual and institutional capacity to undertake policy analysis and advocate effectively for policy reforms. SERA began in April 2011, and completed the second full year of operation on September 30, 2013. This Quarterly Report, Quarter 3 (Q3) of SERA Project Year 3, covers the period from April 1, 2014 to June 30, 2014.

Q3 saw the achievement of an important milestone for SERA, with the approval of a contract modification on May 7, 2014, that substantially increased resources available for the remaining years of the Project. In addition to this milestone, the SERA team was very busy in Q3 with three teams of consultants conducting research, assessments, and training as well as SERA staff participating in a number of activities. The extremely busy schedule meant that some activities were delayed, and others delays were unavoidable because of the slow delivery of agreed activities by both government and private sector counterparts.

Improving the tax treatment of seed and seed packaging materials has been a priority for SERA since project inception and that effort culminated in a presentation by the SERA team to the Ministry of Finance (MoF) committee on taxation on April 15, 2014. SERA partnered with the Ministry of Agriculture, Food Security and Cooperatives (MAFC) and the Tanzania Seed Traders Association (TASTA) to present the case for tax exemption of seed packaging materials and improved tax treatment of seeds (Annex 1). No decision has been announced, but it was unfortunate that the petition for reduced taxes came during a year when the focus of the Ministry of Finance's budget presentations was on reducing tax exemptions. If the improved tax treatment is not achieved this year, SERA will continue to strengthen the case and re-submit next year.

A team of consultants from Associates for International Resources and Development (AIRD) visited Tanzania from May 12 – 23, 2014 to collaborate with SERA team to research policy issues for the Food Security Policy Options Paper being prepared for the Government of the United Republic of Tanzania (GoT). The activity is supported by the NAFKA Staples Value Chain Project, in close collaboration with the MAFC. Three junior staff members from MAFC were invited to participate as a learning and capacity building activity, and the policy advisor of the MAFC Department of Policy and Planning (DPP) was included as a collaborator. The preliminary findings for that activity are attached as Annex 2 and AIRD will deliver a final report of findings and recommendations in Q4. The Policy Options Paper is scheduled to be presented to GoT in Q4.

The Economic Research Service (ERS) of the U.S. Department of Agriculture (USDA) and SERA team conducted a training session on the Food Basket Methodology (FBM) from June 9 – 20, 2014, for 12 staff from MAFC and two faculties from Sokoine University (SUA). The training focused on the estimation and use of the typical food basket costs for each of 19 regions in

Tanzania mainland (see the training schedule in Annex 3). The training achieved its objectives and MAFC staff members are now better prepared to estimate and interpret food basket costs for individual regions. The SERA team will conduct follow-up training in Q4 and the ERS team will return in Year 4 to assess results and begin training staff of the Zanzibar Department of Food Security and Nutrition (ZDFSN).

An assessment of data needs and availability for the Food Security Early Warning System (MUCHALI) was begun by a team of consultants and SERA staff on June 23, 2014, and will conclude in Q4. The MUCHALI Framework is the GoT's early warning and disaster response activity, jointly directed by the Prime Minister's Office (PMO) Disaster Management Department (DMD) and the Department of Food Security (DFS) of MAFC. The assessment will also review the objectives of MUCHALI and recommend changes as appropriate. The statement of work (SOW) for the activity is attached as Annex 4.

The draft Land Compensation and Benefits Sharing study undertaken by Landesa, with support and collaboration from SERA, was completed in April 2014 and will be presented at a national workshop with the Ministry of Lands, Housing and Human Settlements Development (MLHSD). However, the activity has been delayed due to other work priorities at MLHSD, and the referral of key findings of the study to expert legal review. The legal review was received on June 24, 2014, and will be finalized prior to discussions with MLHSD. The workshop is targeted to take place in Q4. The executive summary of the report is attached as Annex 5.

The report on the Determinants of Tanzanian Maize Prices was completed and submitted on June 30, 2014. The research, econometrically estimated the contribution of regional and global maize prices, export bans, weather shocks, seasonality, fuel prices, and inflation on maize prices in 18 regions of mainland Tanzania using monthly data from 2004 to 2013. The results quantified the impact of the export ban on Tanzanian maize prices and also provided new insights into trade patterns and the impact of weather shocks and seasonality on maize prices. Estimation results showed that export bans increase the price impacts of weather shocks and seasonal price changes. A summary of the research is provided in Annex 6.

In addition to these activities, SERA team was involved in a number of workshops, meetings, and policy discussions. SERA staff participated in the monthly Policy Analysis Group meetings organized by the MAFC. The SERA Chief of Party (COP) met the Bill and Melinda Gates Foundation (BMGF) on April 28, 2014 to discuss policy, met with USAID in June to discuss land policy, met with a commodity advisor from National Merchants Bank (NMB) Bank on June 3 to discuss rice policy issues and their impact on sector lending. Capacity building activities with the ZDFSN continued, with SERA staff traveling to Zanzibar for meetings. The SERA Project received a request to organize a Data Harmonization workshop to bring together GoT, private sector and other stakeholders to discuss better coordination and sharing of data on key commodities. This follows the successful work completed by SERA on duty-free rice imports and the workshop has received strong support from USAID, DFS of MAFC, and the private sector. The activity is planned for Q4. On June 23, 2014, the SERA COP participated in Policy Discussions organized by

the Agriculture Advisor of Big Results Now (BRN) and will follow up with analysis of imports on key food commodities. The SERA COP was invited to a Southern Agriculture Growth corridor of Tanzania (SAGCOT) Roundtable held on June 26, 2014, where he presented a review of policy constraints to the rice value chain.

Escalating requests for policy analysis and SERA participation in policy discussions slowed accomplishments of the work plan, but also reflect that SERA's contribution and analysis is gaining high regards from the GoT and other stakeholders. They also highlight the changing role of SERA from primarily undertaking research on policy issue to participation in policy discussions at an early stage. This change is welcome, despite challenges presented to completing the established work plan. Working relationships with the Prime Minister's Office, Big Results Now, and SAGCOT are especially strong, while relationships with the Ministry of Agriculture, Food Security and Cooperatives are more difficult due to lack of support of the Ministry on agreed work activities. This was evident with the Food Basket Training for Ministry staff which did not receive sufficient priority from the Ministry. The launch of the SERA website was delayed due to slow progress in completing the final preparations of the site.

INTRODUCTION

The Tanzania SERA Policy Project assists both the Government of the United Republic of Tanzania and the private sector to enable a broad-based, sustainable transformation of the agricultural sector through policy reform. 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 and advocating for policy reform. Improving agricultural policies will be accomplished by working with the GoT and other stakeholders to identify important policy constraints to growth in the agricultural sector and by helping to alleviate these constraints through policy and regulatory reforms.

The SERA Project conducts and commissions evidence-based policy research to inform the GoT and other stakeholders of the impacts of existing policies and the potential benefits of improved policies. In addition, the SERA Project develops the capacity of individuals, institutions, and organizations to engage in policy analysis and advocate for policy change. At the conclusion of the project, we expect USAID will leave behind an improved policy environment and a legacy of enabling the GoT and other stakeholders to initiate, develop, and utilize evidence-based research in policy decisions and implementation. The SERA Project focuses its activities around priorities identified in collaboration with the Southern Agriculture Growth Corridor of Tanzania initiative.

OVERVIEW

The SERA Policy Project has three primary components: Policy Research and Reform, Capacity Building, and Advocacy and Communications. Other important activity areas include collaboration and leadership, and monitoring and evaluation.

Policy Research and Reform

The SERA Project's approach to policy reform is to provide evidence-based research on important policy issues to inform GoT and other stakeholders on policy impacts and options. This has proven to be an effective method of encouraging policy debate and achieving policy reform.

Capacity Building

The SERA Project is engaged in both institutional and individual capacity building in support of policy reform. This includes institutional evaluations and support for strategic planning as well as formal training for GoT staff. Support to individuals includes financial assistance for research on important policy issues and training for selected individuals.

Advocacy and Communications

The approach to advocacy and communication is to provide information and disseminate research findings rather than to publicly advocate for policy reform. This is consistent with our approach to policy reform which is focused on government counterparts for policy reform rather than using grass roots organizations to advocate for policy reform.

IMPLEMENTATION PROGRESS

COMPONENT I: POLICY RESEARCH AND REFORM

The SERA Project undertakes analysis and research on important policy issues in an effort to provide evidence-based analysis of policy impacts and provide policy options to government. Some of this research is conducted by SERA staff, and some is contracted to consultants. In all cases, high standards are maintained. Increasingly, the SERA team is invited to join policy discussions at an early stage to provide input on important policy issues.

1. Intermediate Result 1: Improved Agriculture Productivity

A. Seed Policy

Access to high quality seeds is essential to raising agricultural productivity and improving the competitiveness of the agricultural sector. However, improved seeds in Tanzania comprise less than 15 percent of total seeds sown, which is among the lowest in the region. This situation is due, at least in part, to weak enforcement of existing regulations and strong GoT controls on certain aspects of the seed industry which limits private sector involvement. The SERA Project seeks to improve access to high quality seeds at internationally competitive prices, and to stimulate investment in the seed sector by creating an enabling economic environment for the private sector. In Year 3, SERA planned to review the seed sector and meet with local experts and MAFC officials in order to identify priority policy reforms needed to create an enabling environment. SERA would then focus research on these issues in an effort to inform policy makers of policy alternatives that could improve the sector's performance. Unfortunately, this activity was delayed due to other work priorities and will be taken up in Year 4.

Tasks Planned and Completed in Q3:

- Review existing policy studies, and identify priority policy issues with seed experts and MAFC officials.

Tasks Planned for Y4:

- Prepare Concept Note for policy analysis.

Milestones:

- Priority policy issues identified. (Y3)
- Concept Note completed. (Y4)

Resources:

- SERA Staff.

Key Partners:

- Tanzania Seed Traders Association, SAGCOT, MAFC

Contribute to:

- Intermediate Result (IR) 4.5.1-24. Number of policies/regulations/administrative procedures in each of the following stages: Stage 1, Analysed; Stage 2, Drafted and presented for public/stakeholder consultation; Stage 3, Presented for legislative decree; Stage 4, Passed/approved; or Stage 5, Implementation begun.
- Custom Indicator (CI) 1.1.1 Volume of improved seed available in domestic market.
- CI 4.1.1 Number of research outputs.

B. Taxes on Seeds and Seed Packaging Materials

High taxes on seed packaging materials have been identified as one of the constraints to expanding local production and sale of seeds, and the SERA Project is working with the Tanzania Seed Traders Association and the MAFC to improve the tax treatment of seeds and seed packaging materials. The case for reducing taxes on seeds and seed packaging materials was prepared by SERA in collaboration with TASTA and MAFC in Year 2 and submitted to MAFC for submission to the Ministry of Finance. However no policy action was taken and SERA worked with TASTA and MAFC to strengthen the case for reduced taxes on seed packaging materials and resubmitted the proposal to the MAFC in Q2. The material was presented to the Ministry of Finance in Q3 as planned, but no action has yet been taken by the Ministry of Finance.

Tasks Planned and Completed in Q3:

- Present the request for improved treatment of seeds and seed packaging materials to Ministry of Finance's Committee on Taxes.

Tasks Planned for Q4:

- None

Milestones:

- Supporting material to reduce taxes on seeds packaging material completed. (Q3)
- Taxes on seed packaging materials reduced. (Q4)

Resources:

- SERA Staff

Key Partners:

- TASTA, SAGCOT, MAFC

Contribute to:

- IR 4.5.1-24. Number of policies/regulations/administrative procedures in each of the following stages: Stage 1, Analysed; Stage 2, Drafted and presented for public/stakeholder consultation; Stage 3, Presented for legislative decree; Stage 4, Passed/approved; or Stage 5, Implementation begun.
- CI 1.1.1 Volume of improved seed available in domestic market.

2. Intermediate Result 2: Expanding Markets and Trade

SERA Project is working to expand markets through improved trade policies, improved market performance, and increased access to credit. Trade policy is an important component of economic policy and an enabling economic environment. The SERA Project has focused on two important trade policy issues. The first is to remove the requirement that traders obtain export and import permits from GoT before importing or exporting food crops. The second is to introduce a rules-based transparent policy for emergency food imports to replace the ad hoc approach of GoT to emergency food imports which can disrupt markets and is vulnerable to rent seeking. Improved credit also contributes to expanding markets and trade and is addressed by the collateral registry system being developed with the Bank of Tanzania. SERA has also begun efforts to improve the performance of food crop markets through a study of price transmissions between regions and the causes of delayed and incomplete transmissions.

A. Export Permits

Permits are required from the MAFC Department of Food Security to import or export food crops to or from Tanzania. The confusing, lengthy, and costly procedure for obtaining permits has led to widespread efforts to circumvent the system. Research conducted by the SERA Project in Years 1 and 2 showed that export permits do not provide accurate information on export levels nor do they control the flow of exports. Imports are similarly controlled by permits and traders report that food crops are often imported without appropriate permits. The SERA Project is working with the MAFC and the PMO to remove unnecessary permits and provide a better method of recording trade.

Tasks Planned and Completed in Q3:

- Review current legislation and Acts regarding trade of agricultural products.

Tasks Planned for Q4:

- Present review of current legislation and Acts to stakeholders at Food Security Workshop.

Milestones:

- Current Legislation and Acts reviewed. (Q3)
- Present review of current legislation and Acts to stakeholders at Food Security Workshop. (Q4)

Resources:

- SERA Staff.

Key Partners:

- NAFKA, Associates for International Resources and Development.

Contribute to:

- IR 4.5.1-24. Number of policies/regulations/administrative procedures in each of the following stages: Stage 1, Analysed; Stage 2, Drafted and presented for public/stakeholder consultation; Stage 3, Presented for legislative decree; Stage 4, Passed/approved; or Stage 5, Implementation begun.
- CI 4.1.1 Number of research outputs.

B. Transparent and Rules-Based Import Policy

The GoT allowed duty-free rice imports from January to March of 2013 that lead to market disruptions and protests by the private sector. A more transparent policy would be for the GoT to enforce existing tariffs and allow the private sector to import and export freely based on market conditions. The SERA Project will assist the GoT in designing and implementing a rules-based and transparent mechanism to allow emergency food imports. The stakeholder's workshop planned for Q3 was not completed and will now be combined with other food security activities and presented in Q4.

Tasks Planned but Not Completed in Q3:

- Stakeholders' workshop on rules-based system.

Tasks Planned for Q4:

- Rules-based emergency imports system presented to stakeholder at Food Security Workshop.

Milestones:

- Transparent and rules-based mechanism for emergency food imports implemented. (Q4)

Resources:

- SERA Staff.

Key Partners:

- NAFKA, AIRD, SAGCOT, MAFC

Contribute to:

- IR 4.5.1-24. Number of policies/regulations/administrative procedures in each of the following stages: Stage 1, Analysed; Stage 2, Drafted and presented for public/stakeholder consultation; Stage 3, Presented for legislative decree; Stage 4, Passed/approved; or Stage 5, Implementation begun.
- CI 4.1.1 Number of research outputs.

C. Credit to Smallholders and Small- and Medium-Scale Enterprises (SMEs)

The SERA Project encouraged the GoT to establish a modern collateral registry as part of its efforts to improve the financial system. This two year-long effort resulted in the Bank of Tanzania (BoT) releasing its National Financial Inclusion Framework in December 2013 which included the development of the collateral registry as one of its priority activities. A Concept Note is being prepared by the BoT with SERA support and will be submitted to GoT for approval and a mandate to develop the project. The SERA Project will provide financial support for local and international experts to contribute to the BoT effort as requested. A modern collateral

registry would provide the legal framework and computer registry that would improve access to credit by allowing lenders to more easily use collateral for lending. Support was made available to BoT in Q3, but delays in their activities prevented full utilization.

Tasks Planned and Completed in Q3:

- Provide support to the development of the legislation pending approval of the concept note.

Tasks Planned for Q4:

- Prepare SOW for consultant to work with BoT.
- Engage consultant to support the BoT in writing the concept and evaluating status of collateral registry activities.

Milestones:

- Concept Note approved. (Q4)
- Draft legislation completed. (Q4)

Resources:

- SERA Staff.

Key Partners:

- BoT, Ministry of Finance

Contribute to:

- IR 4.5.1-24. Number of policies/regulations/administrative procedures in each of the following stages: Stage 1, Analysed; Stage 2, Drafted and presented for public/stakeholder consultation; Stage 3, Presented for legislative decree; Stage 4, Passed/approved; or Stage 5, Implementation begun.
- IR 4.5.2-7 Number of individuals who have received United States Government (USG) supported short-term agricultural sector productivity or food security training.

D. Improving Markets

Research has shown that food markets in Tanzania are not as efficient as those in neighboring countries with slower and less complete price adjustments to changes in market fundamentals. The SERA Project has begun to design research to determine the causes for these inefficiencies and recommend policy changes that will improve market performance and the SOW is attached as Annex 7.

Tasks Planned and Completed in Q3:

- SOW for research on food crops market performance.

Tasks Planned for Q4:

- Complete Research on Improving Markets.

Milestones:

- SOW completed. (Q3)
- Research completed. (Q4)

Resources:

- Expat consultant for 45 days.
- SERA staff.

Key Partners:

- World Bank

Contribute to:

- IR 4.5.1-24. Number of policies/regulations/administrative procedures in each of the following stages: Stage 1, Analysed; Stage 2, Drafted and presented for public/stakeholder consultation; Stage 3, Presented for legislative decree; Stage 4, Passed/approved; or Stage 5, Implementation begun.
- CI 4.1.1 Number of research outputs.

3. Intermediate Result 4: Improved Enabling Policy Environment for both Agriculture and Nutrition**A. Food Security**

The SERA Project's research on the impacts of the maize export ban continues to influence GoT policy as shown by a recent interview in the Daily News with the Minister of Agriculture, Food Security and Cooperatives (October 2, 2013). In that interview, the Minister said that research by the SERA Project of USAID Feed the Future Initiative has shown that the export bans were not effective at ensuring food security, controlling food prices or preventing exports and the idea of banning food exports was a failure. In an effort to reinforce this message, additional research on the impacts of the 2011/2012 maize export ban was undertaken. A Policy Options paper will also be prepared for the mainland GoT bringing together research from Years 1 and 2 on important issues such as trade policy, social safety nets, and food reserves. This paper will be presented to GoT in Q4, and will conclude SERA research efforts to provide Tanzania with a more comprehensive food security program except for new challenges that may develop and require analysis.

Tasks Planned and Partially Completed in Q3:

- Prepare a Policy Options Paper on Food Security for GoT.

Tasks Planned for Q4:

- Complete Policy Options Paper.
- Present Policy Options Paper to GoT and Stakeholders.

Milestones:

- Policy Options paper presented to GoT and stakeholders at national workshop. (Q4)
- New Food Security Program adopted. (Q4)

Resources:

- SERA Staff.

Key Partners:

- NAFKA, AIRD.

Contribute to:

- IR 4.5.1-24. Number of policies/regulations/administrative procedures in each of the following stages: Stage 1, Analysed; Stage 2, Drafted and presented for public/stakeholder consultation; Stage 3, Presented for legislative decree; Stage 4, Passed/approved; or Stage 5, Implementation begun.
- CI 4.1.1 Number of research outputs.

B. National Food Reserve Agency

An assessment of the policies, procedures, and priorities of the National Food Reserve Agency (NFRA) was initiated in Year 2 and will be completed in Year 3. That will provide an improved understanding of Tanzania's emergency food requirements and implementation capabilities. NFRA's policies and procedures will also be examined in order to create a more efficient and effective Agency. Data and information requested of NFRA has not been received and the assessment could not be completed in Q3 and will be completed in Q4.

Tasks Planned but Not Completed in Q3:

- Complete the NFRA assessment.

Tasks Planned for Q4:

- Complete the NFRA assessment.

Milestones:

- Assessment report completed and presented to GoT. (Q4)

Resources:

- Alex Mkindi, Aneth Kayombo

Key Partners:

- NAFKA, AIRD

Contribute to:

- IR 4.5.1-24. Number of policies/regulations/administrative procedures in each of the following stages: Stage 1, Analysed; Stage 2, Drafted and presented for public/stakeholder consultation; Stage 3, Presented for legislative decree; Stage 4, Passed/approved; or Stage 5, Implementation begun.

C. Land Policy

Only one-quarter of the land suitable for cropping in Tanzania is actually used to grow crops, which suggests that there is substantial land available to expand agricultural production. However, much of this land is used for other livelihood activities by people with informal use rights. These people are often displaced when land is allocated to investors, and that has made land use and land policies very controversial. The SERA Project was invited to undertake a study on compensation and benefits sharing approaches in the region. The draft report was completed in Q1, and provided substantial new findings that local communities can engage directly with investors while still retaining the rights to their land. This research found both legal authority and precedence for local communities to directly enter into agreements with domestic or foreign investors without transferring their land to the national government. This finding has the potential to increase the willingness of local communities to provide land to investors since they would be able to retain the rights to the land. The approach currently advocated by the MLHSD is for local communities to transfer their land to the national government before land is leased to investors. However, local communities are reluctant to follow this approach since they are unlikely to have the land returned at the conclusion of the lease or to share adequately in the lease fees or other revenues generated by the project. The findings were presented to USAID management in Q1 and the Ministry of Lands in Q2. A

national workshop was planned to disseminate the findings of the land study in Q3, but the consultants preparing the review of policy options did not complete his assignment in a timely manner and the workshop is now planned for Q4.

Tasks Planned but Not Completed in Q3:

- Workshop with stakeholder.

Tasks Planned for Q4:

- Workshop with stakeholders.

Milestones:

- Land Compensation and Benefits Sharing report completed and presented at national workshop. (Q4)

Resources:

- SERA Staff, Landesa Consulting, Local Consultant

Key Partners:

- Ministry of Land, Housing and Human Settlements Development, Landesa Consulting

Contribute to:

- IR 4.5.1-24. Number of policies/regulations/administrative procedures in each of the following stages: Stage 1, Analysed; Stage 2, Drafted and presented for public/stakeholder consultation; Stage 3, Presented for legislative decree; Stage 4, Passed/approved; or Stage 5, Implementation begun.
- CI 4.1.1 Number of research outputs.

D. Business Environment

Existing studies of competitiveness and the regulatory environment by the World Economic Forum and the World Bank do not compare the economic environment for investors in individual sectors such as agriculture. The SERA Project plans to undertake a study to compare the input and output prices, taxes and fees, and government incentives available to large-scale agricultural investors in Tanzania with those of neighboring countries. This activity will help to inform the GoT on how their agricultural sector compares with others in the region and provide a basis to adjust current investment incentives as necessary to be more competitive. Due to the heavy work load and priorities of other activities, the activity will be undertaken in Year 4.

Tasks Planned and Partially Completed in Q3:

- Prepare a concept note and SOW for a report comparing the incentives available to large-scale agricultural investors in Tanzania and neighboring countries.

Tasks Planned for Q4:

- None

Tasks Planned for Year 4

- Engage a consultant to undertake the study.

Milestones:

- Concept note and SOW completed. (Y4)
- Consultant engaged. (Y4)
- Report completed. (Y4)

Resources:

- Don Mitchell, Alex Mkindi, Aneth Kayombo, and short term technical assistance (STTA)

Key Partners:

- SAGCOT

Contribute to:

- IR 4.5.1-24. Number of policies/regulations/administrative procedures in each of the following stages: Stage 1, Analysed; Stage 2, Drafted and presented for public/stakeholder consultation; Stage 3, Presented for legislative decree; Stage 4, Passed/approved; or Stage 5, Implementation begun.
- CI 4.1.1 Number of research outputs.

COMPONENT II: INDIVIDUAL AND INSTITUTIONAL CAPACITY BUILDING

The SERA Project's approach to capacity building is twofold. The first approach focuses on institutional capacity building activities for selected organizations that can provide the greatest support to the development of an enabling policy environment. The second addresses increasing capacity for research and evidenced-based policy analysis of individuals through training and support for research and policy analysis.

The SERA Project focuses primarily on public sector institutions, and individual capacity building to support the implementation of policy reforms. The majority of activities focus on GoT and Revolutionary Government of Zanzibar (RGoZ) agriculture line ministries and institutions. The SERA Project will continue the individual capacity building efforts already underway and will initiate new ones based on interest and opportunity. In some cases, individual capacity building will be part of larger institutional capacity building plan. In Q3, the SERA Project undertook two major activities: the second phase of the Food Basket Methodology training with the Department of Food Security in the Ministry of Agriculture, Food Security and Cooperatives; and the Assessment of the Tanzania Food Security Early Warning System.

1. Intermediate Result 4: Improved Enabling Policy Environment for both Agriculture and Nutrition**A. MUCHALI - Institutional Assessments and Capacity Building Action Plan**

MUCHALI is the Tanzanian Food Security and Nutrition Analysis System. The System includes two core institutions, the national MUCHALI team and secretariat, and local government authorities (Council) MUCHALI teams. The national team is composed of public, private, and donor stakeholders, with the secretariat and day-to-day management as part of the MAFC Department of Food Security Crops and Early Warning Unit. Council MUCHALI teams participate at the regional and local levels, by identification of vulnerable groups and data collection. MUCHALI is jointly managed by the PMO Disaster Management Department (PMO-DMD) and the MAFC which provides the final assessment of food security needs to the GoT and recommendations on the locations and levels of food assistance required from the National Food Reserve Agency.

The SERA Project began an Assessment of the Tanzania Food Security Early Warning System (MUCHALI) in Q3. The Assessment will review the information management system, the feasibility of integrating the Food Basket Methodology into the early warning system, and prepare a capacity needs assessment. The activity began in late June and will be completed in Q4. A “kick-off” meeting introducing the activity and team members to the various stakeholders of MUCHALI was held on June 23, 2014. The meeting was chaired by the PMO-DMD and attended by 21 representatives from 11 stakeholders (please see list of meeting participants in Annex 8). The in-country work is scheduled to conclude on July 23, 2014, with a presentation of the preliminary findings and stakeholder discussion. The final report will be completed in August 2014.

Tasks Planned and Completed in Q3:

- Begin Assessment of the Food Security Early Warning System.

Tasks Planned for Q4:

- Complete MUCHALI Assessment and Final Report.
- Present Final Report to Stakeholders.

Milestones:

- Final report that includes an assessment of field tools and reporting templates, information management systems inventory, mapping and recommendations for improvements.(Q4)
- Feasibility report on the adoption of FBM into the early warning system.(Q4)
- Training Needs Assessment with an Illustrative Training Plan. (Q4)

Resources:

- One expatriate consultant for 36 days of level of effort (LOE).
- Local consultants for 22 days of LOE.
- One international trip to Tanzania for a total of 22 days.

Key Partners:

- MAFC Department of Food Security, Crops and Early Warning Unit, PMO Disaster Management Department, MUCHALI Secretariat.

Contribute to:

- IR 4.5.2-7 Number of individuals who have received USG support short-term agricultural sector productivity of food security training.
- CI 4.1.1. Number of institutions receiving USG assistance.

B. Ministry of Agriculture, Food Security and Cooperatives, Department of Food Security

The Economic Research Service of the U.S. Department of Agriculture, the MAFC Department of Food Security, and the SERA Project developed a capacity building program based on the Food Basket Methodology developed and piloted in Y1 and Y2. In Q2, 29 individuals from four different GoT institutions received training on the FBM. Following a review of the training process the following changes were made in the approach: 1) show applications of the FBM to strengthen student understanding, 2) spend more classroom time with individuals working in smaller groups, and 3) eliminate the field training.

In June 2014 the SERA Project completed the training of a core group from DFS. The two-week classroom based training focused on skills and implementation. The core participants were selected from the first training group. In addition, the USAID iAGRI Project was invited to send participants from Sokoine University.

The objectives of the workshop were for trainees to:

- understand basic principles of the FMB and its application for early warning system,
- understand required data and data source for the calculation,
- construct the food basket,
- estimate food basket cost and scale up to derive total food basket,
- measure food access by income quintile,
- compare across regions and time series.

The workshop objective was the presentation of a complete analysis of 19 regional food baskets by the participants. Sixteen participants were invited, and nine completed the course. Participant attendance was inconsistent due to outside demands and illness, and weak support from the MAFC. For a list of the attendees, please see Annex 9. The low level of participation had a direct impact on meeting the workshop objectives. Due to the low number of participants, only 12 of the 19 regions were completed. A summary of the training and follow-up recommendations will be prepared in Q4. This will include continued support to the DFS Food Security Early Warning Unit on the regional analysis and completion of the analysis of the remaining regions.

Tasks Planned and Completed for Q 3:

- Complete phase two of the training planned for June 2014.

Tasks Planned for Q4.

- Training Summary and Recommendations completed.

Milestones:

- Trainings completed. (Q3)

Resources:

- SERA Staff, USDA ERS.

Key Partners:

- USDA ERS, MAFC Department of Food Security.

Contribute to:

- IR 4.5.2-7 Number of individuals who have received USG support short-term agricultural sector productivity of food security training.
- CI 4.1.1. Number of institutions receiving USG assistance.

C. Retail Price Data

This activity has been incorporated into the Assessment of the Early Warning System under the MUCHALI Capacity Building Action Plan.

D. Economic Modeling - Ministry of Agriculture, Food Security and Cooperatives, Department of Policy and Planning

The SERA Project has explored the need for greater analytical capacity for policy research with the FtF iAGRI Project and agreed to support efforts of iAGRI to develop an economic modeling activity at Sokoine University. Discussions continue, but a plan has not yet been finalized.

Tasks Planned but Not Completed in Q3:

- Complete concept note and commit resources to develop an economic modeling capability at SUA.

Tasks Planned for Q4:

- Continue discussions with iAGRI.

Resources:

- SERA Staff.

Key Partners:

- iAGRI.

Contribute to:

- IR 4.5.2-7 Number of individuals who have received USG support short-term agricultural sector productivity of food security training.
- CI 4.2.1 Number of institutions receiving USG assistance.

E. Strategic Support

Private sector organizations that are key stakeholders in policy reform activities are being considered for strategic capacity building support. As part of this activity, the SERA team met with the Executive Director of the Horticultural Development Council of Tanzania (HODECT) in Q3 to discuss capacity building opportunities. HODECT is a public private sector partnership structured as an apex organization to facilitate dialogue between the horticulture private sector and the GoT. HODECT requested SERA to consider capacity building support activities in Year 4. As a result of the meeting, the SERA team will conduct a rapid institutional assessment of HODECT sector in Q4.

Tasks Planned and Completed in Q3:

- Evaluate private sector organizations for capacity building.
- Support for stakeholder events as needed.
- Support policy research as needed.

Tasks Planned for Q4:

- Conduct a rapid assessment of HODECT.

Milestones:

- Rapid institutional Assessment completed. (Q4)

Resources: TBD

Key Partners:

- Tanzania Horticultural Association (TAHA)

Contribute to:

- IR 4.5.2-7 Number of individuals who have received USG support short-term agricultural sector productivity of food security training.
- CI 4.2.1 Number of institutions receiving USG assistance.

F. MAFC ICT Systems

This activity has been incorporated into the Assessment of the Early Warning System under the MUCHALI Capacity Building Action Plan.

G. Policy Seminar Series at Sokoine University

The SERA Project and iAGRI have jointly sponsored a Policy Seminar Series for faculty and student at Sokoine University to encourage policy research and develop individual capacity. Four research teams received support to prepare research papers for presentation at the Policy Seminar Series and the papers were presented in Year 2 and completed in Q3 of Year 3. The activity will continue in Year 3, but discussions are ongoing on how to increase effectiveness of the activity.

Tasks Planned but Not Completed in Q3:

- Policy Seminar Conference for the first round of papers.
- Select teams to undertake the second round of policy research for the Policy Seminar Series and support them to undertake research.

Tasks Planned for Q4:

- Meet iAGRI staff to discuss how to restructure the activity for greater effectiveness.

Milestones:

- First Policy Seminar research papers and seminars completed. (Q4)
- Second Policy Seminar series groups selected (Q4)

Resources:

- SERA Staff, Diligent

Key Partners:

- iAGRI, SUA

Contribute to:

- IR 4.5.2-7 Number of individuals who have received USG support short-term agricultural sector productivity of food security training.
- CI 4.2.1 Number of institutions receiving USG assistance.

H. Policy Analysis Training Course

The most requested capacity building activity of SERA has been for training in policy analysis. In response, the SERA Chief of Party designed and jointly taught with the SERA junior policy analyst, an eight-week course on policy analysis to 20 students from various Ministries in Zanzibar. The course was very well received and consideration was given to teaching the course on mainland Tanzania. However, the lack of institutional support, especially from key GoT Ministries, has raised concerns about the receptiveness to such a course and no further action is planned.

Tasks Planned and Completed for Q3:

- Explore interest in the policy analysis course.

Tasks Planned for Q4:

- None

Resources:

- SERA Staff

Key Partners:

- TBD

Contribute to:

- IR 4.5.2-7 Number of individuals who have received USG support short-term agricultural sector productivity of food security training.
- CI 4.2.1 Number of institutions receiving USG assistance.

COMPONENT III: ADVOCACY AND COMMUNICATIONS

The Communications and Capacity Building Specialist started in Q2. This staff person is responsible for the implementation of the revised Communications and Advocacy Strategy, website management, and will support to capacity building activities.

1. Intermediate Result 4: Improved Enabling Policy Environment for both Agriculture and Nutrition**A. SERA Website**

The SERA website launch planned for Q3 was delayed due to technical difficulties in the design of a website media component, specifically the presentation of videos and pictures, which delayed the completion of the content. In addition, leave and work schedules of the subcontractor have delayed the transfer of the website to the hosting site. SERA project is working with the subcontractor to complete services required as soon as possible.

Tasks Completed in Q3:

- Multi-media content completed.

Tasks Planned for Q4:

- Launch website.

Milestones:

- Website launched (Q4)

Resources:

- OMIS.

Key Partners:

- OMIS

Contribute to:

- CI 4.1.3 Number of hits/visits to the SERA website.

B. Policy and Research Briefs

SERA will continue to draft Research and Policy briefs on a case-by-case basis as part of our revised Communication and Advocacy Strategy.

Tasks Planned for Q4:

- Publication of the SERA Research Brief on Determinants of Maize Prices.

Milestones:

- SERA Research Brief on Determinants of Maize Prices published. (Q4)

Resources:

- Communications and Capacity Building Specialist

Key Partners: TBD

Contribute to:

- CI 4.1.2 Total number of SERA mentions in the press and social media.

C. Revised Communications and Advocacy Strategy

The revised Communications and Advocacy Strategy designed in Year 2 is being implemented.

Tasks Planned and Completed in Q3:

- Website content developed.

Milestones:

- Communications and Advocacy Strategy Revised. (Q1)

Contribute to:

- CI 4.1.2 Total number of SERA mentions in the press and social media.

ACTIVITIES IMPLEMENTED IN ZANZIBAR

1. Intermediate Result 2: Expanding Markets and Trade

A. Rice Import Policy

Rice is the main staple food crop in Zanzibar and about 75 percent of consumption is imported. That makes Zanzibar very dependent on the world market. There are also close linkages with the mainland rice market as rice is imported from the mainland and exported to the mainland to take advantage of the differential tariff rates between Zanzibar and the mainland. The SERA Project worked closely with the ZDFSN to better understand the rice market in Zanzibar and to advise the RGoZ on the strategic rice reserve. A study of the economic feasibility of increasing domestic rice production to reduce dependence on imported rice was completed in Q4 and will be presented in Q4 due to delay requested by RGoZ.

Tasks Planned but Not Completed for Q3:

- Present results of profitability study of rice irrigation.

Tasks Planned for Q4:

- Present results of profitability study of rice irrigation.

Resources:

- SERA Staff

Key Partners:

- NAFKA, Tanzania Agricultural Productivity Program (TAPP)

Contribute to:

- IR 4.5.1-24. Number of policies/regulations/administrative procedures in each of the following stages: Stage 1, Analysed; Stage 2, Drafted and presented for public/stakeholder consultation; Stage 3, Presented for legislative decree; Stage 4, Passed/approved; or Stage 5, Implementation begun.
- CI 4.1.1 Number of research outputs.

2. Intermediate Result 4: Improved Enabling Policy Environment for both Agriculture and Nutrition

A. Zanzibar Department of Food Security and Nutrition

The SERA Project continued its organizational capacity building program with the Zanzibar Department of Food Security and Nutrition. The final drafts of the Performance Monitoring Plan (PMP) training and the Strategic Prioritization Plan (SPP) have been submitted for ZDFSN review and adoption. In Q3 SERA met with ZDFSN to discuss priority activities based on the recommendations of the final training completed in Q2. ZDFSN requested specific support in the development of communication tools and the adoption of the Food Basket Methodology.

A scope of work and workplan for communication support was created (Annex 10). Resource limitations and competing priority have delayed this activity.

In Q3, the SERA Project and USDA planned to provide strategic support in the establishment and adoption of a food basket approach as part of the Early Warning Information System. This activity was delay to Q4 due to schedule conflict.

Tasks Planned but Not Completed in Q3:

- Adoption of the SPP and PMP.
- Food Basket Methodology developed.
- Food Basket Methodology training started.

Tasks Completed in Q3:

- SOW and workplan for communications support adopted and work initiated.

Task Planned for Q4:

- Food Basket Methodology for Zanzibar developed.
- Training on FBM for Zanzibar started.
- Communications Strategy deliverables finalized (newsletter).

Milestones:

- SOW for the development and adoption of the food basket approach. (Q4)
- FSND communications products distributed. (Q4)

Resources:

- SERA Communications and Capacity Building Specialist.

- USDA ERS, local in-country travel in Zanzibar for 3 days.

Key Partners:

- ZDFSN, USDA ERS

Contribute to:

- IR 4.5.2-7 Number of individuals who have received USG supported short-term agricultural sector productivity or food security training.
- CI 4.2.1 Number of institutions receiving USG assistance.

PROJECT MANAGEMENT AND PERFORMANCE

In May 2014, a Contact Addendum was signed and incorporated in the overall contract, thereby increasing the contract ceiling from USD 5.65 million to USD 8.5 million.

PROBLEMS / CHALLENGES

Challenges faced by the SERA Project include the limited capacity of counterparts, weak systems for collecting and disseminating data, and delays in counterparts completing agreed tasks in a timely manner. These impact the entire range of SERA activities from policy analysis to capacity building. For example, the lack of consistency and rigor in collecting data reduce the accuracy of data and limits the effectiveness of the systems that rely on this data such as the Food Basket Methodology. The lack of detail on crop quantities and grades limits the value of crop price data and makes analysis of policy impacts less precise and more difficult. Delays in disseminating data from key ministries increases the resources required to obtain and maintain databases used for research. Many of these challenges are due to inadequate training and the heavy work load of many GoT officials and staff. The SERA Project makes every effort to overcome these challenges without placing undue burden on counterparts or engaging in unnecessary activities that do not have clear and expected beneficial outcomes.

CROSS-CUTTING ISSUES

1. Gender

Gender is an important cross cutting issue and the SERA Project has begun to explore ways of identifying the gender impacts of its policy reform activities.

Women are actively encouraged to participate in training and capacity building activities. In Q3 women represented 66.67% of individuals receiving training.

2. Poverty

Poverty is an important cross cutting issue and SERA policy reform activities are expected to be pro-poor because they deal with food crops produced by most rural households. Important policy research is needed to determine whether higher maize prices benefit the poorest rural households as previous research has shown, and if so, by how much. Such research will be undertaken by SERA as resources become available.

3. Climate Change

Climate change is an important cross-cutting issue and the research conducted by SERA Project on the Determinants of Maize Prices in Tanzania provided some useful insights into policies that can mitigate climate change impacts. The findings of the study were that export bans intensify the impacts of weather shocks and seasonal price fluctuations, and open trade policies can mitigate the impacts of such factors. That implies that policies that restrict trade in food crops will result in greater price variability and delayed transmission of prices to market forces.

FINANCIAL SUMMARY

QUARTERLY REPORT	SERA YEAR 3 - QTR 3				
	Apr-14	May-14	Jun-14	Quarter Total	Project Cumulative
Reimbursable Costs	\$92,462	\$160,479	\$223,250	\$476,190	\$4,210,708
Fee	\$7,394	\$12,837	\$13,770	\$34,001	\$331,790
Reimbursable Costs plus Fixed Fee	\$99,856	\$173,316	\$237,019	\$510,191	\$4,531,436
Contract Cumulative	\$4,121,100	\$4,294,416	\$4,531,436		

PERFORMANCE MANAGEMENT PLAN

Table 1. USAID Standard Indicator and Required if Applicable Indicator Targets for Life of Contract

Indicator		Baseline	Y3 Target	Q1 Actual	Q2 Actual	Q3 Actual	Q4 Actual	Y3 Total	LIFE OF CONTRACT TARGET
IR 4.5.2-7. Number of individuals who have participated in USG support training activities (RiA)	New	0	159	0	2	5			1,700
	Continue	0	80	17	27	10			
	Male	0	159	11	16	9			
	Female	0	80	6	13	6			
IR 4.5.2-36 Value of exports of targeted agricultural commodities as a result of USG assistance (RiA)	Maize	\$20,820,000	\$31,910,000	NA	NA	NA			
	Rice	\$37,050,000		NA	NA	NA			
IR 4.5.2-30 Number of MSMEs businesses, including farmers, receiving USG assistance to access loans (S)	Medium	0	800	0	0	0			2,400
	Small	0	125	0	0	0			350
	Micro	0	75	0	0	0			250
IR 4.5.1-24 Number of policies / regulations / administrative procedures in each of the following stages of development (S)	NA								16
	• Stage 1: Analyzed	0	0	0	0	0		0	2
	• Stage 2: Drafted and presented for public / stakeholder consultation	0	2	0	0	0		0	3
	• Stage 3: Presented for legislation decree	0	1	0	0	0		0	0
	• Stage 4: Passed / approved	0	3	0	0	0		0	0
	• Stage 5: Passes for which implementation has begun	0	3	1	0	0		1	11

Table 2. Project/Custom Level Indicator Targets for Life of Contract

Indicator	Baseline	Y3 Target	Q1 Actual	Q2 Actual	Q3 Actual	Q4 Actual	Y3 Total	LIFE OF CONTRACT TARGET
IR 4.2.2 Number of institutions receiving USG assistance	0	4	1	4	2		1	15
IR 4.2.5 Number of hits/visits to the SERA website	0	2,500	NA	NA	NA		NA	9,000
IR 4.2.6 Total number of SERA mentions in the press and social media	0	10	1	0	0		1	40
IR 4.1.1.1 Number of research output	0	2	0	0	0		0	7
IR 4.1.3.2 Volume of improved seed available in domestic market	26,545 tons	5,000 tons	NA	NA	NA		NA	36,000 tons

Annex 1. Exempt Taxes on Seeds and Seed Packaging Materials in Tanzania¹

CASE PRESENTATION

Request of Ministry of Finance

Item 1: Exempt Seed Packaging Materials from VAT, Import Duties and Excise Taxes for the following H.S. Codes: 3923.29.00, 4819.40.00, 6304.91.90, 6305.10.00, 6305.20.00, 6305.33.00, 7310.29.90, 7607.19.90, 3920.10.90, 4819.20.90, 7310.10.00.

Item 2: Exempt Seeds from Local Crop Produce Cess.

Item 3: Designate Seeds as Exempt from VAT as an Agricultural Input.

Justification

The low use of improved seeds in Tanzania is partly due to high taxes and duties on packaging materials which raises seed prices and discourages investment in seed production. These taxes and duties on packaging materials include a 25 percent import duty and an 18 percent VAT on most packaging material and an additional 50 percent excise duty on jute bags used for seed packaging and handling. Locally produced seeds also incur the municipal crop produce cess of 3-5 percent when they are transported from growing areas to central locations for certification, preparation, and packaging even though they are agricultural inputs rather than produce and should be exempt from the crop produce cess. Imported seeds transported from the port to seed company facilities are also often required to pay local crop produce cess even though they are not locally produced. The VAT treatment of seeds should also be clarified.

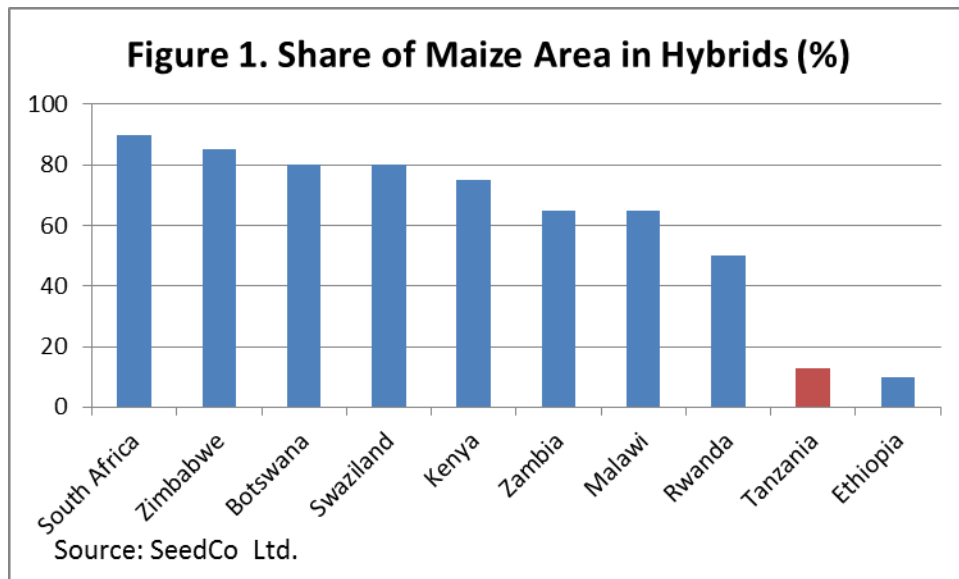
Eliminating duties and taxes on seed packaging material, exempting seed from the crop produce cess, and clarifying regulations on the VAT on seeds would encourage local production and greater use of improved seeds. That would also allow Tanzania to meet its commitment made at the G8 meeting in Washington in 2011 to reduce or lift taxes on seeds and seed packaging materials. Three changes to existing regulations would be required. First, seed packaging materials for domestic use or export should be imported duty-free, VAT exempt, and free of any excise duty. Second, seeds should be exempt from the crop produce cess when accompanied by the seed movement permit (as specified in the Seed Act of 2003) and the Local Government Finance Act, 1982 as amended in 2003. The Local Government Finance Act should specifically state that seeds for sowing are exempt from the local crop produce cess. Third, the VAT treatment of seeds should be clarified by exempting seeds specifically prepared for sowing from VAT because they are an agricultural input instead of because they are agricultural produce as in current legislation. The dairy industry has already received favorable tax treatment on packaging imported for dairy products and the essential nature of improved seeds to all crop production makes similar favorable treatment justified.

¹ Prepared by The Tanzania Seed Traders Association (TASTA), with support from the Ministry of Agriculture, Food Security and Co-operatives (MAFC), and the USAID Feed the Future SERA Policy Project (SERA). March 12, 2014.

Supporting Material

The Government of Tanzania and the G8 member countries committed to the “New Alliance for Food Security and Nutrition” in Washington in May 2011,² and agreed to work together to generate greater private investments in Tanzanian agriculture. The G8 members committed to providing support within the agricultural sector on high-priority investments to address the underlying causes of food insecurity, and the Government of Tanzania committed to key policy changes including reducing or lifting taxes on seeds and seed packaging material by July, 2013. This commitment is also reflected in the National Agricultural Policy of 2013 which identifies low use of quality seeds as one of the main challenges facing the development of agriculture and calls for reforms of taxation in order to increase profitability and investment in the sector.³ President Kikwete affirmed his commitment to the sector at the G8 meetings, by saying that he wanted to modernize Tanzania’s agricultural sector to lift millions of his countrymen out of poverty.⁴ Improved seeds are a vital part of that modernization.

Only 16.8 percent of cropland in Tanzania is planted to improved seeds according to the 2010/11 National Panel Survey⁵ while the rest is planted to seeds retained by farmers from their previous harvest. This percentage of improved seeds is among the lowest in the region (Figure 1) and partly accounts for Tanzania’s low yields. For example, maize yields averaged 1.2 tons per hectare during 2005-2010 compared to 2.2 tons per hectare in Zambia and 4.0 tons in South Africa according to the Food and Agricultural Organization (FAO) (2013)⁶. When improved seeds are not available or affordable, farmers plant seeds from their previous harvest. But such seeds have lower germination rates and lower genetic potential than seeds of improved varieties produced in accordance with best seed production practices.



² G8 Cooperation Framework to Support The “New Alliance for Food Security and Nutrition” in Tanzania.

³ United Republic of Tanzania, Ministry of Agriculture Food Security and Cooperatives, National Agricultural Policy, Draft, February, 2013.

⁴ The Citizen on Sunday, *JK: Assist Africa’s agro-transformation*, 3 June 2012.

⁵ World Bank, Agribusiness Indicators, Tanzania, November 2012.

⁶ FAOSTAT online database, accessed on May 3, 2013 at www.fao.org

Reducing taxes on seeds and seed packaging materials will reduce the cost of producing and delivering quality seeds to Tanzanian farmers. That will contribute to the modernization of agriculture and support the Government's objectives of Kilimo Kwanza and encouraging investments in the Southern Agricultural Growth Corridor (SAGCOT). Tanzania has an ideal climate for seed production in the Kilimanjaro area due to the high mountain altitude, cool nights, and warm sunny days and that has attracted world-class companies such as Rijk Zwaan, Kibo Seeds, Rotian, Pannar and others. Yet, half of the improved seeds in Tanzania are imported. More favorable tax treatment of seeds and seed packaging materials will encourage more rapid development of a local seed industry to meet national demand and exports to the region. The dairy industry has already received such favorable tax treatment on packaging materials imported for dairy products and the essential nature of improved seeds to all crop production makes similar favorable treatment justified. Many other countries in the region have more favorable tax treatment of seeds and agriculture and that has been reflected in more rapid production increases and expanded use of improved seeds. For example, Zambia, which has more than 60 percent of maize cropland planted to hybrids, has exempted seeds from VAT under the First Schedule under Food and Agriculture and there is no local crop produce cess. The corporate income tax for agriculture is 10 percent compared to 30 percent in Tanzania.

Maize is the basic staple food crop in Tanzania, and it accounts for 40 percent of calories in the typical diet. Higher maize yields would raise farmers' incomes and increase marketed surpluses for both the domestic and export market. Evidence of the yield gains from improved seeds are readily available from local farmers and local and international researchers. According to farmers in Arusha, a hybrid maize seed produced by Kibo Seed Company produced 25-30 bags per hectare compared to the national average of 12 bags per hectare.⁷ Research conducted by the International Maize and Wheat Improvement Center (CIMMYT) concluded that planting of improved open pollinated varieties (OPVs) of maize seed in Tanzania would increase yields by as much as 20 percent compared to farmer-held seeds while planting of hybrid maize seeds would increase yields by more than 30 percent compared to farmer-held seeds even without an increase in other inputs. Additional gains are possible with recently developed drought tolerant varieties of maize which are expected to increase yields by an additional 20-30 percent compared to hybrid seeds that are not selected for drought tolerance.⁸ Improved seeds can also be bred with insect and pest resistance to reduce field and storage losses. Such improved seeds could transform agriculture, and help lift Tanzanian's out of poverty. More favorable tax treatment of seeds and seed packaging materials would increase profitability of locally produced seeds and supplies of improved seeds.

Vegetables are also an important part of the diet in Tanzania, adding vital nutrients as well as diversity. They are an important source of cash income for many smallholders, and they have

⁷ The Citizen, *Farmers impressed by improved maize seeds*, 1 October 2012.

⁸ La Rovere, Roberto, et al., *Potential impact of investments in drought tolerant maize in Africa*, CIMMYT, Addis Ababa, Ethiopia, 2010.

become an important export for Tanzania.⁹ According to the Tanzania Horticultural Association (TAHA), exports have been growing by 8-11 percent per year for the past five years and earned foreign income of USD380 million annually.¹⁰ Most of the seeds used by smallholders are produced locally while most of the seed for horticulture grown for export are imported from Kenya, South Africa, and Europe. Improved seeds in high quality packaging (aluminum foil or cans) are imported by a number of local companies, and when seeds are imported already packaged there are no duties or VAT taxes on the packaging. However, when the seeds are grown and packaged locally, the packaging material is charged duties and VAT taxes. This gives a substantial advantage to seeds imported already packaged and creates a significant disadvantage to local companies producing and packaging improved seeds in Tanzania.

Sales of counterfeit seeds are a significant problem in Tanzania and they account for as much as one-quarter of all seeds sold according to some estimates.¹¹ They deprive farmers of the higher yields expected when they purchase improved seeds, and they discourage farmers from investing in new technologies. The problem was especially acute in the southern highlands in the 2011/12 season when counterfeit maize seeds were widely sold.¹² The counterfeit seeds are often packaged in look-alike packages of reputable seed companies. Improved packaging would make it more difficult for counterfeit seeds to be sold in look-alike packages, and removing taxes and duties on imported seed packaging materials would also make it less costly for reputable companies to use higher quality packaging materials that would provide better protection of seed quality.

Examples of Seed Packaging



⁹ Porter, Michael, High-Value Vegetables in Tanzania – The Seeds of a Competitive Cluster, 2010.

¹⁰ The Citizen, Why TZ needs to embrace horticulture, allied industries, 10 January 2013.

¹¹ USAID, Draft Seed CLIR Report, 2013.

¹² SERA Policy Project Field Trip Report to the Southern Highlands, November 5-10, 2012.

Annex 2. Food Security Policy Options, by AIRD

PRELIMINARY FINDINGS AND CONCLUSION

The work that has been undertaken thus far, following the initial study undertaken in 2012, has led to the following findings and conclusions:

1. There are four broad goals that drive the public sector's interest in grain markets.
 - a. One is to ensure food security, especially in a country like Tanzania where a large number of the poor households are obliged to reduce their consumption when prices rise.
 - b. A second objective is to ensure agricultural modernization, since price instability discourages producers from investing when prices are too unstable.
 - c. A third objective of government is to avoid political instability. As the international food price spikes of 2008 made clear, volatile food prices can lead to violent urban riots that can sometimes lead to the collapse of governments.
 - d. A fourth reason for the governments interest in stable food prices is macroeconomic stability, as food price instability may affect the State's budget, the trade balance, exchange rates, or even growth and inflation rates.
2. In the long run, the most cost-effective way of promoting food security in Tanzania is to exploit its comparative advantage within the region in food production, especially of rice and maize, and build up its capacity to increase that production in ways that involve the poorer elements of the population as farmers or wage laborers. This will increase their incomes, providing them with their best insurance against food insecurity.
3. Since increases in grain production will result in the generation of growing surpluses in most years, it is important that the Government do everything that it can to encourage the export of those surpluses to neighboring countries, which are likely to increasingly be in food deficit. This will raise incomes in Tanzania and contribute to broader based food security. This means avoiding any quantitative restrictions on trade, such as export bans and trade permits, which do not work as intended and often are quite disruptive to grain markets, inhibiting the development of these markets and discouraging growth of food production.
4. Despite the conventional wisdom that food markets have been liberalized in most developing countries, heavy government presence in grain markets continues to be the norm. Tanzania is no exception. One area where government intervention is most visible is in situations of acute domestic food price spikes. The concern for public officials is that unstable prices for important food staples, such as rice and maize, can have particularly harmful economic, social, and political consequences.

Policy makers in developing countries, including Tanzania, therefore are concerned about unregulated grain markets that could expose them to unacceptable price spikes.

5. Price spikes can be caused by shortfalls of domestic production or by sharp increases in prices on world markets. To the extent that a country is heavily dependent on imports, e.g., rice in Tanzania and especially Zanzibar, what happens on world markets is more important. If domestic production declines but world market prices remain steady, the country can make up for the domestic shortfall by increasing imports, but there is less that it can do to counter fluctuations in world market prices. This report will analyze further some of the available options.
6. A major issue is how to cushion the impact of domestic shortfalls on those that are already food insecure. The analysis shows that 100,000 MT of food reserves will be sufficient for the food assistance program in most years, especially now that production of maize and rice has increased quite markedly. This is almost double the amount of food assistance that has been recommended in each of the past four years. Furthermore, the magnitude of emergency food needs that are likely to occur once in forty years because of variations in production about the trend is very low in relation to the size of carryover stocks and the capacity of the private sector to fill much of the gap through food imports. Nevertheless, the shock of this shortfall will fall disproportionately on poor households without the means to supplement their own production through food purchases. To cushion these households in a very bad year, perhaps an additional 100,000 metric tons of food supplies will be needed. Since this will be the case only rarely, however, storing food against this eventuality may not be very cost effective in comparison with importing the food to fill the gap. These preliminary findings are being revised using more recent data obtained from the National Food Reserve Agency (NFRA).
7. In the event of the unlikely coincidence of a very bad crop year and a price spike on world markets, Tanzania would have to take extraordinary measures to assure adequate supplies of food for its population. This would likely involve assistance from the international community. All the evidence gathered thus far, however, shows this coincidence to be extremely unlikely and very costly to protect against in advance.
8. One way in which NFRA could lower its cost would be to operate competitively in a transparent and rules-based way. This not only would reduce the market disruptions that occur but also it would enable NFRA to maximize its trading profits to offset its other costs. This is especially important to the extent that it has large carryover stocks to roll over because in most years the demand for food assistance will be well below the stocks that it is carrying against bad years.
9. Despite significant efforts made to reduce the number of steps involved in issuing permits, the process of issuing letters of authority to export or import food continues to be expensive. As a result, although the Government officially recognizes a singular export/import permit system, there are at least three additional systems that have been

employed by traders and local authorities. The first is a “one-trader” permit system where only a selected trader can obtain a permit in a given district. The trader can then rent the right to use the permit to other traders, while in the process collecting a cess on behalf of local authorities. The second system involves an arrangement where clearing agents pretend to be traders and obtain export permits. The clearing agents then rent the permits to traders at a fee, although officially the permits are supposed to be free of charge. The third method involves traders who avoid main border crossing points and use *panya* routes in order to avoid permit and other border-crossing requirements.

10. Decisions made at the central government level do not always translate into application on the ground. Government officials stationed at border crossing points are often not aware of changes in policy and continue to enforce rules that may no longer reflect central government decisions.
11. There is no evidence to show that trade flow data are being used in a manner that is efficient and contributes to food security assessment. In addition, customs officials under the Tanzania Revenue Authority already collect trade statistics.
12. Ad hoc decisions regarding the issuance of trade permits can be extremely disruptive to food markets, resulting in sharp price fluctuations.
13. In order to implement a rules-based government intervention in grain markets, three policy options are identified. While the detailed advantages and disadvantages of each policy options will be fully discussed in the final report, below are broad descriptions of the policy options to be explored.
 - a. The domestic price of an imported good, also known as the import parity price, is dependent upon international price, freight cost, exchange rate, transport cost from the border to the country's interior, and the tariffs placed on imports. Parity prices can therefore be adjusted upward or downward by varying the import duties. There are several ways in which tariffs can be adjusted, but under the scenario of a **trigger price**, tariffs are adjusted only when domestic prices reach a pre-determined level. By varying tariffs, it is therefore possible to prevent domestic prices from rising to levels that the government determines unacceptable. There are occasions where a spike in international prices is high enough that bringing tariffs to zero does not prevent local prices from rising. In such a situation, it may be necessary to subsidize local import prices in order to maintain the pre-determined price levels that the government wishes to maintain.
 - b. Under a **variable level** regime, the government determines a price range that it wants to maintain for specific commodities. Tariffs are then adjusted continuously in order to keep prices within the range. This regime is similar to a trigger price, but with two important distinctions. First, unlike a trigger price where intervention is required only when prices rise to an extreme level, the variable level applies to both when prices are high and when prices are depressed.

- c. Under this scenario, the public sector determines the **quantity of imports required** to meet food needs and allocates the distribution of the necessary import permits to importers. This option assumes that the government gives out permits only to the extent that imports fill supply shortfalls. In cases of emergency, the government increases the number of permits in order to encourage imports
14. A major problem for NFRA is how to cover the cost of their operations in buying, selling, transporting, and storing grain. Although some of this cost can be recovered by taking advantage of seasonal price rises, there are a number of tasks assigned to them that are public in nature and cannot be covered on the basis of their private buying and selling operations. These include (1) the cost of food assistance, (2) the cost of reserve stock carryover from year to year, and (3) the cost of trying to support producer purchase prices above or dampening sales prices below market levels.
15. Serious problems are likely to emerge if the act establishing the Cereals and Other Produce Regulatory Authority is not fully implemented given the degree to which this would intrude on marketing operations normally left to the private sector.
16. Tanzania has much to lose by sudden unilateral changes in trade policy, such as the 2013 suspension of the import duty on rice. In this case Rwanda and Uganda have imposed 30% tariffs on rice being imported from Tanzania.
17. The NFRA budget in 2013-14 was about 110,000 million TSH, which was about 67% of the total agricultural budget excluding the fertilizer subsidy, which has not been eliminated.
18. Much of the malnutrition problem in Tanzania is more because of poor access to safe water and sanitation, poor public health conditions, lack of knowledge of good nutritional practices, etc. more than lack of availability and access to sufficient food.
19. The MUCHALI team has difficulty in supplying food assistance to where needed in a timely manner because of information gaps and delays in getting it delivered. One solution is to train district-level officials and stakeholders in needs assessment.
20. The best strategy appears to be for the Government to concentrate in the medium term on upgrading and repairing NFRA's existing facilities for storing 241,000 MT of grain rather than building additional storage capacity. Over the longer run that capacity could be useful if NFRA were to serve as a transition point for supplying food aid to the eastern Africa region via World Food Program (WFP) and donor agencies.

Annex 3. Food Basket Methodology, June 10-20, 2014

TRAINING SCHEDULE Blue Pearl Hotel -Ubungo Plaza

Time	Activity	Responsible
Day 1, Tuesday, June 10		
8.30 - 9.00	Registration	All
9.00 - 10.30	Welcome and Introduction	Don Mitchell, Chief of Party, SERA Project
	Opening Remarks	Permanent Secretary- MAFC
	Workshop objectives	Nancy Cochran, Economic Research Service, USDA
	Training schedule and logistics	Marialyce Mutchler, Deputy Chief of Party, SERA Project
10.30 - 11.00	Tea Break	
11.00 - 12.30	Basic principles of Food Basket Methodology	Nancy Cochrane
12.30 - 1.30	Lunch	
1.30 - 3.00	Demonstration of Food Basket Costs (FBC) - Two regions	Nancy Cochrane Aneth Kayombo
3.00 - 3.30	Coffee Break	
3.30 - 4.30	Demonstration of FBC - Two regions (<i>continued</i>)	Nancy Cochrane Aneth Kayombo
Day 2, Wednesday, June 11		
9.00 - 10.30	Clarifications of data used in FBC	Nancy Cochrane
10.30 - 11.00	Tea Break	
11.00 - 12.30	Clarifications of data used in FBC (<i>continued</i>)	NPS/NBS expert
12.30 - 1.30	Lunch	
1.30 - 3.00	Review data inputs	Aneth Kayombo
	Show how to calculate FBC	Nancy Cochrane
3.00 - 3.30	Coffee Break	
3.30 - 4.30	Scale up to derive total FBC Measure access Measure access by income quintile	Nancy Cochrane
Day 3, Thursday, June 12		
9.00 - 10.30	Update data from NBS, Jan - Feb 2014	Aneth Kayombo
	Calculate FBC	Participants
10.30 - 11.00	Tea Break	
11.00 - 12.30	How to prepare report on calculations and results	Nancy Cochrane
12.30 - 1.30	Lunch	
1.30 - 3.00	How to prepare report on calculations and results (<i>continued</i>)	Nancy Cochrane
3.00 - 3.30	Coffee Break	
3.30 - 4.30	Presentation/Clarification of Guideline for calculating Regional FBC	Nancy Cochrane
Day 4, Friday, June 13		

Time	Activity	Responsible
9.00 - 10.30	<ul style="list-style-type: none"> Form groups of two Each assigned 4 regions Calculate FBC <p><i>NB: Retail price data for all 21 regions January 2010-December 2013 already organised</i></p> <p>Exercise 1 Each group to calculate FBC for the 1st region and prepare report for plenary session</p>	Aneth Kayombo Participants
10.30 - 11.00	Tea Break	
11.00 - 12.30	Group presentations Exercise 1	Participants
12.30 - 1.30	Lunch	
1.30 - 3.00	<p>Exercise 2 Each group to calculate FBC for the 2nd region and prepare report for plenary session</p>	Participants
3.00 - 3.30	Coffee Break	
3.30 - 4.30	Group presentations Exercise 2	Participants
Day 5, Monday, June 16		
9.00 - 10.30	<p>Exercise 3 Update data from NBS, Mar - Apr 2014</p> <p>Each group to calculate FBC for the 3rd and 4th regions and prepare report for plenary session</p>	Participants
10.30 - 11.00	Tea Break	
11.00 - 12.30	Group presentations Exercise 3	Participants
12.30 - 1.30	Lunch	
1.30 - 3.00	<p>Exercise 4 Each group to review/compare FBC results of 4 regions</p>	Participants
3.00 - 3.30	Coffee Break	
3.30 - 4.30	Group presentations Exercise 4	Participants
Day 6, Tuesday, June 17		
9.00 - 10.30	Comparisons across regions and time series	Participants
10.30 - 11.00	Tea Break	
11.00 - 12.30	Open discussions	All
12.30 - 1.30	Lunch	
1.30 - 3.00	<p>Exercise 5 Each group to prepare a word document report for all 21 regions which include</p> <ul style="list-style-type: none"> Paragraph explain findings Table showing FBC Graphs of important features 	Participants
3.00 - 3.30	Coffee Break	
3.30 - 4.30	Exercise 5 (continued)	Participants
Day 7, Wednesday, June 18		
9.00 - 10.30	Group 1 and 2 presentation	Participants
10.30 - 11.00	Tea Break	
11.00 - 12.30	Group 3 and 4 presentation	Participants

Time	Activity	Responsible
12.30 - 1.30	Lunch	
1.30 - 3.00	Group 5 presentation	Participants
3.00 - 3.30	Coffee Break	
3.30 - 4.30	Summary and open discussions	Nancy Cochrane / All
Day 8, Thursday, June 19		
9.00 - 10.30	Compile one report for submission to the authority	Participants
10.30 - 11.00	Tea Break	
11.00 - 12.30	Compile one report for submission to the authority <i>continued</i>	Participants
12.30 - 1.30	Lunch	
1.30 - 3.00	Draft presentation	Participants
3.00 - 3.30	Coffee Break	
3.30 - 4.30	Discussions and feed back Revision to Final report	Participants
Day 9, Friday, June 20		
9.00 - 10.30	Presentation of the report to the Authority	Participants
10.30 - 11.00	Tea Break	
11.00 - 12.30	Wrap up	Nancy Cochrane Participants
12.30 - 1.30	Lunch	
1.30 - 3.00	Closing remarks	Representative SERA Project Representative MAFC
3.00 - 3.30	Coffee Break	
3.30 - 4.30	Departure	All

Annex 4. Assessment of the Tanzania Food Security Early Warning System

STATEMENT OF WORK

I. Background

The Tanzania SERA Project assists both the Government of the Republic of Tanzania (GoT) and the private sector to enable a broad-based, sustainable transformation of the agricultural sector through policy reform. 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 and advocating for policy reform. The SERA Project is part of United States Agency for International Development (USAID) Tanzania Feed the Future Initiative and works closely with other implementing partners and USAID.

The SERA project is working with the Ministry of Agriculture, Food Security and Cooperatives (MAFC) to improve the food security system of Tanzania through the adoption of improved methodologies and analysis. Food Security is under the mandate of the MAFC and relies on inputs and actions from multiple stakeholders and uses primary and secondary data. The section below summarizes the key stakeholders and the annual cycle of this system.

II. Tanzania Food Security and Early Warning System

The Tanzania Food Security and Early Warning System is a three-phased process engaging multiple GoT and other stakeholders. Key government actors are the MAFC's National Food Security Department Crops and Early Warning Unit, the Prime Minister's Office Disaster Management Department (PMO - DMD), the inter-Ministerial Tanzania Disaster Relief Committee (TANDREC) and the National Food Reserve Agency (NFRA).

1) Preliminary and Final Production Forecast. The MAFC's Department of Food Security Crops and Early Warning Unit is the government's institution responsible for the first phase of information and reporting. The preliminary and final forecasts of major crop production are generally done in June and December, respectively. Forecasts of production data are collected bi-weekly by Local Government Authorities (LGAs) for 10 basic food crops: maize, rice, sorghum, millet, rice, pulses, cassava, bananas, and round/Irish potatoes. This information is submitted directly to the MAFC. Estimates of production for each commodity are converted into their maize equivalent.

The MAFC then uses a national average food basket, population projections and a formula to convert the total food requirement to a maize equivalent. The production estimates and food requirements are used to determine the total deficit or surplus of food (reported in maize equivalent). The final report identifies districts that are at risk for production shortfalls.

2) MUCHALI Framework Reporting. MUCHALI is a comprehensive framework jointly led by MAFC and the PMO-DMD. MUCHALI is an information system that uses livelihood-based food

security and nutrition information to analyze food security. The system includes two core institutions, the National MUCHALI Team, and local government authorities (Council). The National Team is composed of public, private, and donor stakeholders. The secretariat and day-to-day management is responsibility of the MAFC's Department of Food Security - Crops and Early Warning Section. Field assessment Teams include representative from Local Government and local stakeholders. MUCHALI provides the final assessment of food security needs to the GoT and recommendations on the respective interventions that might be needed.

3) *TANDREC and emergency food assistance.* The Tanzania Disaster Relief Committee (TANDREC) is the inter-Ministerial Committee responsible for overseeing and coordinating overall relief operations at the national level. The Comprehensive Food Security and Nutrition Assessment Reports are submitted to TANDREC for review and action. TANDREC assigns the respective institutions of the government to intervene accordingly.

MUCHALI Process: The MUCHALI frameworks uses the crop production forecast as the starting point for identifying districts and villages to conduct a household livelihood surveys based on the Food and Agricultural Organization (FAO) Integrated Food Security Phase Classification (IPC) methodology. Two reports are produced a year, following the Preliminary and Final Production Forecast.

- The National MUCHALI Team meets with various GoT and NGO stakeholders to review production forecasts to ground truth the forecast information with direct input from stakeholders. This group agrees on a list of districts that require further evaluation. Members of the National MUCHALI Team meet with regional governments and local stakeholders of the districts to revised list of districts with villages in need of further analysis.
- The MUCHALI Team, including national, regional and NGO representatives meet with selected district government and stakeholders to decide on villages to sample for the household survey. The Team selects three villages in each district, and, in consultation with village leaders, group village households into three wealth categories: “resource weak”, “moderate”, and “food secure”. The Team then interviews 12 households in each of the 3 villages, chosen such that all three-wealth groups are represented.
- The questionnaires administered by the Team includes a wide range of questions covering household crop and livestock production, sales, prices received, food availability, and coping strategies. Nutritionists on the Team select a sample of 100 children and conduct anthropomorphic measurements as an estimate of nutritional status.
- The Comprehensive Food Security and Nutrition Assessment Report is drafted and submitted to the MUCHALI Chairperson for submission to TANDREC.

4) *Team Composition.* Each Team visit up at least two districts and consist of representatives and experts from the national, sub-national and local level.

- National Team representatives include a Food Security specialist and a Nutrition specialist
- Regional representatives include 1-3 individuals including local NGO representatives

- District representative include, 2-5 individuals Food Basket Methodology (FBM). In 2012 the USDA's Economic Research Service (ERS) undertook a detailed assessment of the information system in place to measure food needs and availability in Tanzania. Based on this analysis, the USDA Team recommended expanding the focus of the food security assessment and emergency assistance program to include a total food basket of staple foods. A Food Basket measures changes in access to food through the calculation of the monthly cost of a representative food basket. Access is defined as the ratio of the total cost of the food basket to income. The methodology can help measure the impact of a price shocks for a specific commodity, such as maize, on the total cost of the food basket, as price shocks are weighted by the commodity's share in consumption. The analysis requires retail prices of the foods in the basket broken out to a regional level. These prices are collected by the National Bureau of Statistics and the Ministry of Industry and Trade (MIT).
- The FBM allows the food basket cost to be calculated over time to measure food security trends. If timely price data can be obtained, then this method can provide early warning of an impending food crisis. This indicator can be used to compare food costs-income ratios at the household level in different regions of a country or across countries. Monitoring changes in food costs relative to consumer purchasing power can provide feedback on the effectiveness of government food security policies, the efficiency of marketing systems, and the investment required to address problems of food security. Furthermore, this method relies on data that are already available and avoids the high cost of primary data collection.

III. Objectives

The objectives of this assessment are to determine information requirements, data sources, and review systems that provide data and information for the Tanzania national food security system; specifically the FBM and the MUCHALI framework. The activity seeks to identify strengths, limitations, opportunities and gaps/weaknesses in the current food security early warning information system utilized by the MAFC. Specifically, this activity will:

- Provide a technical review of the MUCHALI field tools and reporting templates.
- Assess the collection, maintenance and use of existing data required for the MUCHALI Framework.
- Conduct a feasibility assessment on the integration of the FBM into the early warning system.
- Oversee a training needs assessment of the MUCHALI national team.
- Present activity findings to beneficiaries.

IV. Approach

The Team will utilize the detailed information mapping and assessment approach as developed in the 2008 FAO report Tanzania Food Security and Nutrition Information Systems: A Review and the draft MUCHALI framework and the Food Basket Methodology as a basis of understanding the current operating system. The Team will meet with the teams and individuals who have contributed to the current national food security system including current/past representatives of the FAO, USDA NASS, USDA ERS and the MUCHALI system. The Team will engage and work directly with members of the National Food Security Team, meet

with other food security information stakeholders and users, gather and inventory data collection tools (both digital and non-digital) and map relationships among data collectors and users.

V. Illustrative Activities/Tasks

- Complete a SWOT of the MUCHALI field survey tools and assessment documents.
- Review the feasibility of the adoption of the FBM into the early warning system work cycle.
- Identify both internal and external information sources, assess existing information flows and identify strengths, limitations, opportunities and gaps/weaknesses.
- Inventory information management system hardware and software, including the location of data sources, how often information is updated and how.
- Complete training needs assessment of the MUCALI National Team.

VI. Team Structure and Responsibility

- Team Leader, Food Security Specialist. – George Gray proposed
 - Food security and agricultural policy expert with 15 years of demonstrated experience designing, implementing and assessing food security systems. At least 5 years' experience in team leadership roles. East Africa experience required.
 - Responsible for completing a review of the field survey tools and assessment documents and the integration of the FBM into the annual early warning system cycle. Evaluate FBM and MUCHALI data requirements against available primary and second data. Oversee the mapping and inventory of information and the recommendations for an improved information management system. Prepare final report including specific recommendation to address immediate information gaps and propose long-term activities to meet the future needs of the MAFC.
- Information Management Specialist – Institution of Finance Management
 - Ability to inventory and analyze information shared among multiple sources. Demonstrated experience building information systems across various stakeholders with diverse mandates. Experience working in East Africa required.
 - Conduct an inventory and assessment of data systems required to support the FBM and MUCHALI. Prepare recommendations for improvements, including but not limited to, inter-agency MOUs, information management structure, annual operating guidelines, and technical/hardware needs.
- Food Basket Methodology Specialist – Aneth Kayombo, SERA Staff. Support the feasibility study of the adoption of the FBM.
- Training Specialist – Josephat Kanyunyu, SERA Staff. Conduct the Training needs assessment of the MUCHALI National team.

VII. Deliverables

- Final report that includes an assessment of field tools and reporting templates, information management systems inventory, mapping and recommendations for improvements.
- Feasibility report on the adoption of FBM into the early warning system.
- Training Needs Assessment and Illustrative Training Plan.

Annex 5. Land Compensation and Benefits Sharing Study

EXECUTIVE SUMMARY

Like many countries in Africa, Tanzania seeks to take advantage of significant investor interest in its agricultural sector to increase incomes, economic growth, local community development and food security and production. In promoting and managing these investments, the government faces the challenge of structuring them in a way that fairly compensates those with rights to the land that is to be utilized for the investment project while also meeting the legitimate interests of investors, communities and the government itself. This paper addresses three subjects that arise in this context: (1) alternative compensation schemes that can be used for these investments; (2) the importance of valuing the land sought for investment; and (3) the government's role in supporting communities so they can effectively deal directly with investors.

Alternative Compensation Schemes

This paper discusses three types of compensation schemes applicable to agricultural investments: (1) fixed-price leases; (2) land for equity; and (3) other risk-sharing arrangements. (A fourth option would include a variety of hybrid arrangements combining elements of the other three.) Each model has advantages and disadvantages and the best one for any given scenario will depend on the unique circumstances of that situation. Choosing the right scheme, or combination thereof, is critically important to achieving equitable outcomes for all involved.

The simplest and perhaps most common form of payment for the use of rural land in Africa (where in most countries land is owned by the state) is a fixed-price lease where a land rights holder grants another party (the lessee) the right to use a plot of land for a particular period of time in return for cash payments by the lessee. The amount (or method for calculating the amount) and timing of the lease payments are stated in the lease contract.

In a land for equity deal, the land rights holder (which in Africa could be an individual, a local community or the government) transfers the right to use the land to a company formed with an investor. In exchange, the land rights holder receives an ownership share (often a minority interest) in the company. The investor typically contributes capital, technical expertise and market access, and usually assumes responsibility for overall management of the company. Based on legal requirements and the terms of the shareholding agreement, a minority shareholder normally will have some limited say in the management of the venture. All shareholders usually receive payment of dividends if the company is profitable and the profits are not completely reinvested in the business. Thus, under a land for equity structure, the parties share the profits if the company is successful but also the risk that the company will fail, in which case the investors may receive no financial return on their investment.

There are other somewhat simpler compensation schemes where the parties share financial risk. Such arrangements may resemble a fixed-price lease in that the land rights holder grants

the investor permission to use the land for a fixed period of time in return for periodic cash payments. However, rather than a fixed payment amount, the amount of those payments is tied to the financial performance of the venture, perhaps as a percentage of either the net or gross revenue accrued by the project. The land rights holder assumes some of the risk of the venture, as it would in a land for equity scheme, especially where the payment is based on net revenue. However, unlike a land for equity arrangement, the relationship between the parties can be defined solely by a contract; there is no need for a new company.

In recent years Tanzania has had experience with all three compensation structures. The Ministry of Lands, Housing and Human Settlements Development (MLHHSD) has proposed to use a land for equity arrangement as the primary mechanism for providing land to new agricultural investments. According to reports, the proposed policy would fix the government's equity share in each project at 25%, regardless of the value or amount of land. In December, a senior Ministry official said that landowners will receive a share of at least 25 percent suggesting that the government's share could be higher in some circumstances. The government may also insist that its fixed percentage could not be "diluted" to compensate the investor for additional capital contributions in cases where the government does not also increase its investment. Most recently, the Minister of Lands, Housing and Human Settlements Development said she is considering exempting projects involving less than 1,000 hectares from the required land for equity structure.

A policy that requires a project to allocate at least 25% of the shares to the landowner with no possibility of dilution is problematic. No two projects (or parcels of land) are identical. It will be difficult to justify allocating the identical percentage in transactions where the amount or value of land, or of the total investment, is vastly different. It seems unlikely that many investors would agree to deals where the equity share provided to the government does not reflect the value of the land contributed relative to the value of the total investment. In addition, a "no-dilution" requirement would likely discourage investors from injecting additional capital once the project is underway. A more practical approach would base the ownership interests of each party on the relative financial value of what they contribute, whether land, capital, equipment or expertise, both at the outset and during the life of the business.

Moreover, insisting on a fixed 25% may encourage investors to favor plantation models over nucleus farms, which the Ministry has said is its preferred business model. This is because an equity share approach that is not related to the value of the land provides an incentive to obtain as much land as possible. To illustrate the point: an investor is likely to prefer an 8,000 hectare plantation over a project in which it operates a 1,000 hectare nucleus farm in partnership with 7,000 hectares of smallholder production so as to receive far more land (8,000 hectares rather than 1,000 hectares) for the same amount of equity.

Another important, yet apparently unresolved, issue is the extent to which local governments, villages and perhaps even individuals would receive a portion of the government's equity share in a land for equity deal. According to interviews, MLHHSD presentations and media reports, the amount of land to be made available to local communities could be as little as 2% and as

much as 10% with local government receiving an undetermined amount. The Minister has said local governments may receive 5% with an undetermined portion to be allocated to the villages. This raises significant concerns over whether local communities will receive an equitable share of the benefits arising from these investments, which the Minister has said is essential.

Generally speaking, land for equity deals are risky for a minority shareholder. They have a potentially big upside if the projects are financially successful and the government and/or community shareholders are able to effectively carry out their responsibilities and manage their interests. Where those conditions exist, a land for equity structure can be desirable because it aligns the financial incentives of the equity partners so that they have reason to work cooperatively towards the most financially successful result possible.

However, in the short to medium term, there is considerable doubt as to whether the necessary expertise exists in government to participate effectively in a land for equity arrangement. And villages certainly lack the necessary expertise. Therefore, less risky structures, such as fixed-price lease arrangements that produce a steady income stream over time, may be a more desirable compensation arrangement. Another less risky option is a simple risk-sharing deal where the payment to the minority shareholder is based on gross revenue (turnover) although investors may be less likely to agree to such an arrangement than one based on net income. Overall, a flexible policy that allows each project to be structured based on its unique circumstances offers significant advantages.

The Legal Authority of Villages to Lease Village Land to Foreigners

Whether and exactly how to make Village Land available for investment is controversial in Tanzania. While it is unclear how much General Land is available for development, a number of stakeholders suggested that General Land, much of which is of very high quality, should be made available before using Village Land. Because General Land is controlled by the central government, investors can obtain rights to use it far more quickly than Village Land, although there still may be challenges arising from the presence of people occupying the land. The ability to provide land quickly should make Tanzania more competitive among other countries seeking investment. Thus, focusing first on General Land for these investments may be a prudent and practical strategy for the government to adopt.

However, the vast majority of agricultural land in Tanzania is Village Land. Thus, the government and other stakeholders must consider whether and how to make it available for investment. There are two primary options: (1) the land remains Village Land so that villages retain their long-term, underlying rights to the land; or (2) Village Land is converted to General Land and then leased out to investors, in which case the land can only revert to Village Land with presidential approval.

According to the legal analysis conducted for this study, the first option is viable as villages have the power to lease Village Land directly to investors, including foreigners, many contrary opinions notwithstanding. Such land can be made available to an investor under any of the

compensation arrangements reviewed in this paper. There are a number of reasons why the government might adopt this approach.

First, if the investment fails the land would revert back automatically to the village. One report states that, of 27 agricultural projects reported to have been concluded in Tanzania since 2008, fully 11 have been abandoned or had not begun production within one year of the contract signing. Abandoned projects on land that has been converted to General Land generally mean that the community loses its land while also losing out on jobs and other promised benefits. It is difficult for the village to recover land that has been converted to General Land as this requires a lengthy presidential approval process. Otherwise, villages lose their land in perpetuity.

Second, as a practical matter, converting Village Land to General Land is a very slow process and gives rise to significant local opposition. The delays entailed in converting such land may discourage investors. This places Tanzania at a competitive disadvantage.

Third, it may also be the case that it will be easier to establish nucleus farm-type arrangements if villages are the lessors as it may be far easier for those with local knowledge to link local smallholders with the incoming company.

Valuation

Land has intrinsic value. Prior to 1999, when the Land Act was enacted in Tanzania, land in Tanzania had no legal monetary value. In 2004, amendments to the Land Act explicitly recognized that land has commercial value.

Determining an accurate valuation of land to be used in large-scale agricultural investments plays an important role in ensuring that the land rights holder receives an equitable share of the benefits. This is true no matter which compensation structure is used. Internationally, the prevailing approach involves calculating the “fair market value” or “market value” of the land. Fair Market Value is often defined as the price at which a willing seller would sell and a willing buyer would buy. There are a number of approaches for determining fair market value. In this paper we discuss: (1) the comparable sales approach; (2) the income or capitalization approach; and (3) the residual value approach.

Leases and land sales in developed economies tend to utilize a limited set of market based valuation methodologies, all intended to extract the maximum future economic value of the land discounted to the transaction date. In countries with less developed land markets a lack of price transparency leads to a wider variety of land valuation methods. These other methods include auctions, valuation based on the cost of replacing a comparable plot of land or the improvements upon such land, valuation based on the present or expected tax revenue generated from the land and value based on set levels that are prescribed by statute or regulation.

In Tanzania, much of the documented experience on valuing land arises where the government has expropriated private land for public use. While different laws apply in different

circumstances, in all cases the valuer is supposed to determine the market value of the property (among other things). This is one of the factors the valuer must consider in determining “full, fair and prompt compensation” under the Land Act.

As in many other low-income country settings, determining the fair market value of agricultural land has been challenging in Tanzania for a number of reasons. One is the lack of an active, transparent land market. Another problem arises from difficulties faced by the Chief Valuer’s Office within MLHSD, whose valuations are often used but tend to be based on information that is out of date. In short, there appears to be widespread agreement among researchers and others that compensation for land taken by the Tanzanian government is usually inadequate and the amount that is paid is usually made after considerable delay. Accordingly, there is room for significant improvement in land valuation practices in Tanzania. It would be beneficial to take greater advantage of the skills of private valuers. Some of the foregoing shortcomings could be addressed in a new valuation law that has been under consideration for several years.

International experience teaches that it is important to value land to be used for investment under virtually any compensation approach. In a land for equity scenario, several of those interviewed by the authors believe that any land contributed by the government (either central or at the village level) should be properly valued for purposes of determining the appropriate equity share to be assigned to the land rights holder. Indeed, in most cases, all parties’ shares should be based on the financial value of what they contribute, whether land, capital, equipment or expertise. Equitable lease rates also can be determined based on the underlying value of the land.

Government Support for Community Engagement with Investors

Local communities need a great deal of technical and other assistance to help them manage investments and investors. Providing such assistance will become a higher priority if, as this paper suggests, villages retain control of their land and more frequently enter into transactions with investors.

The government and its supporters can support local communities in a variety of ways: (1) leverage expertise in Tanzania to provide legal and technical advice to help communities effectively negotiate and manage transactions with investors, especially while much longer term awareness building and capacity building efforts are underway; (2) consider establishing Agricultural Investment Assistance Centers in areas of interest to investors that can help Village Councils and others access the technical assistance they need; (3) take steps to increase community awareness of the value of land and provide training so that communities eventually can interact effectively with investors; (4) make model contracts available to communities; (5) improve existing dispute resolution mechanisms so that disputes between communities and investors can be resolved quickly and equitably; (6) help neighboring communities to organize so that they can work together to negotiate with investors who seek land held by more than one community; (7) ramp up efforts to complete Village Land Use Plans so that communities are better prepared to determine which proposed projects are beneficial and which land should be used; (8) include available Village Land in the TIC land database to facilitate investment; and

(9) ensure that all investors prepare feasibility studies and social and environmental impact assessments for all large-scale agricultural investment projects.

Moreover, if villages contract directly with companies, they should generally utilize simpler compensation arrangements, such as fixed-price leases, at least until they are able to negotiate and manage more complex risk-sharing arrangements or gain access to skilled professionals to represent them.

Annex 6. Determinants of Maize Prices in Tanzania

SUMMARY

Maize is the most important food crop in Tanzania, accounting for nearly 50 percent of total calories in the diet and 40 percent of cropped area. Maize production is concentrated in the southern highland regions of Mbeya, Iringa, Rukwa, and Ruvuma but occurs in all regions and by an estimated 85 percent of farmers. This SERA Research Brief summarizes a study that quantifies the domestic and external drivers of Tanzanian maize prices. The objective of the study was to better understand the price dynamics, impacts of domestic policies, and influence of other factors that drive maize prices.

An econometric error correction model was estimated to determine the price relationship between 18 markets in Tanzania and regional and global prices using monthly data from 2004 to 2013. The study extends the literature on price transmission in several ways. First, it considers several external markets as drivers of Tanzanian maize prices. Second, it separates long term co-movement from short-term price variability. Third, it measures the influence of harvest cycles, weather anomalies, agricultural trade policies (export bans), inflation, and fuel prices.

The study finds that long-run Tanzanian maize prices are determined by external markets (proxied by Nairobi and other regional and global prices) but in the short-run price movements are driven by domestic factors. Discretionary trade policy (the export ban) increases uncertainty, delays the adjustment of maize prices towards long-run equilibrium, and reduces local maize prices in the short-run. The short-run influence of weather shocks on local prices is also more pronounced during periods in which an export ban is imposed. Harvest cycles have a strong influence on maize prices, signaling the importance of improving storage and transportation in order to reduce seasonal price variations which currently vary by 40 percent from trough to peak. Inflation and fuel prices were found to be less important determinants of maize prices.

Price Transmission

The study examined the relationship between the maize prices in the 18 regional Tanzanian markets and the maize prices in Nairobi, South Africa, and the U.S. Gulf. The econometric estimates showed that the relationship between Tanzanian maize prices and Nairobi were highly significant in all regions and the strongest of the three external markets considered. U.S. Gulf maize prices were also found to have highly significant impacts on Tanzanian prices but not as strong as Nairobi prices. The price relationship between Tanzanian markets and South African prices were weaker than for the other markets and can be characterized, as weak and sporadic, at best.

An exception to the generally strong relationship between Tanzanian and Nairobi maize prices was in the southern regions where prices were more influenced by maize price in Nampula, the

key maize market in northern Mozambique. The price adjustments with Nampula were much stronger than for Nairobi for regions in the southern zone and especially for the coastal regions of Mtwara and Lindi. This suggests that coastal trade is an important transmission mechanism connecting northern Mozambique with the southern markets.

Four key conclusions emerge from the price transmission analysis. First, of the three external markets considered, only Nairobi exerts a strong influence on Tanzanian prices in the long term. Second, even in comparison to Nairobi, the response can be characterized as moderate, given that the explanatory power of the model was far below 100 percent while a number of the significance levels of the unit root statistics were not extremely high. Third, the southern regions are more closely linked to markets in northern Mozambique than Nairobi. Fourth, the markets that adjust most quickly to external price changes all are in proximity to Nairobi or have access to a port and the speed of adjustment diminish with distance from Nairobi.

Export Bans

During 2005-13 the government of Tanzania imposed five export bans. The first and second bans spanned January 2005 to January 2007 with only a 3-month hiatus at the beginning of 2006. A 5-month export ban was in place in 2008, and a ban which lasted almost 2-years was in effect during 2009 and 2010. The duration of the last ban during this period was less clear—it was announced in March 2011, but only became effective in July and its removal was announced in October 2011 but ended in December 2011. The export bans (with the exception of the first one) appear to have been introduced at times of high maize prices, and their removal took place when prices were low. This is consistent with the government's imposing the export ban in response to food security concerns caused by production shortfalls or price increases in the region.

The impacts of the maize export bans were analyzed together and then the most recent export ban was analyzed separately in order to capture its unique characteristics. The combined analysis and separate analysis for the most recent export ban are shown by zones for brevity, but the estimates for all regions are shown in the paper. The results show that the most recent export ban had a much larger effect on maize prices than the previous export bans, and exerted large downward pressure on local maize prices. For the country as a whole, the last export ban caused monthly price to be 7.6 percentage points lower for every month that the ban was in effect than they would have been without the ban. While the effect of the ban was largest in the northern zone, all five zones experienced an impact that was large and significant.

To illustrate the impact of the export ban, counter-factual estimates of maize prices in Dar es Salaam and Mbeya were developed assuming there was no ban. These estimates show that for every month of the export ban, maize prices would have declined by 7.25 percent in Dar es Salaam and 7.17 percent in Mbeya. By the last month of the ban, maize prices in Dar es Salaam would have been 34 percent higher without the ban, while maize prices in Mbeya would have been 38.4 percent higher. Further, even in the months following the removal of the ban, actual and counter-factual prices differ and take several months to converge because the adjustment to the Nairobi price is prolonged.

The relatively larger impact of the 2011 export ban was likely due to two factors. First, prices in Nairobi were especially elevated during this ban due to a production shortfall in Kenya. Second, there were significant investments in transport infrastructure during the 2000s and that may have resulted in lower natural trade costs. As a consequence, the last export ban may have exerted a larger influence on both maize trade flows and local maize prices. In the future, the reduction in natural trade barriers is likely to make a maize export ban exert even greater downward pressure on local maize prices than in the past.

Seasonality

Because Tanzania's rural economy is characterized by limited storage facilities and transport bottlenecks, harvests are likely to have pronounced impacts on local food prices. To account for such impacts, we control for seasonal effect using trigonometric variables that can capture complex seasonal patterns. They are appropriate to capture bimodal maize production pattern (e.g. Moshi) or patterns in others regions that have unimodal production with one additional non-maize harvest (e.g. Songea). In most markets, at least one of the two seasonality parameter estimates was significant. Yet, the nature and degree of seasonality differs across markets and zones.

Prices in Arusha and Moshi, for example, exhibited no seasonality while those in Musoma, Mwanza, and Singida exhibited a weak seasonality pattern. At the other end of the spectrum, most southern and lake zone markets exhibited strong seasonality patterns. On a cumulative basis, seasonality induces prices to be 20 percent lower in May compared to February and 20 percent higher in November compared to September. Such cyclicalities are consistent with, approximately, a 40 percent gap between lean season's peak and the harvest season bottom.

Weather Anomaly

Weather anomaly (as defined) has a negative effect on domestic maize prices—improved weather conditions depress local prices and vice versa. The parameter estimate is significant in 13 markets, including several food deficit regions. The exceptions are Bukoba and Musoma (located near Lake Victoria), Lindi and Mtwara (which have access to sea ports), and Iringa. The relatively isolated and surplus markets in the Southern Highlands (Songea and Sumbawanga), exhibited the strongest response to weather anomalies—more than twice the average due to their weak linkages with other markets. In 15 out of the 18 markets, weather shocks induce strong price responses during periods of export bans.

In Songea, an isolated food surplus market in the Southern Highlands, a 10 percent positive weather shock is associated with an immediate 11 percent (anomalous) price decrease (this is compounded by typical seasonal declines), while the same positive shock has no discernable influence on the maize prices in periods with no export bans. This is because domestic markets in Tanzania are saturated during export bans and the excess production cannot be absorbed, while markets are less well supplied in periods when maize trade is freely taking place.

In periods in which trade bans are not imposed, only 5 markets are influenced by domestic weather shocks. Four of these markets are in the Lake zone and perhaps face lower natural trade barriers than other markets and are influenced by different drivers.

Conclusion

We have shown that Tanzanian maize prices are primarily influenced by Nairobi prices in the long run, but short-run price movements are governed by a constellation of domestic factors. Export bans result in greater uncertainty, delay the adjustment towards long-run equilibrium, and depress local prices. Weather shocks have a strong short-run influence on local prices when there is an export ban but much less so when there is not. Harvest cycles matter greatly, indicating the limitations of storage and transportation facilities. Fuel prices and inflation exert a more muted influence.

We also find that both seasonal influences and responses to weather shocks are less pronounced in local markets that are connected to regional and international trade networks, suggesting that trade mitigates the influence of local shocks. An export ban—which has a more pronounced effect in the North—amplifies local price movements. In contrast, the export ban had less effect on trade between southern markets and Mozambique. Thus, markets (such as Songea and Sumbawanga) with pronounced seasonality and greater sensitivity to weather anomalies are likely to be more seriously affected if climatic changes intensify. Therefore, international and inter-regional trade may serve to mitigate the impacts of seasonality and weather shocks.

Greater price variability creates a disincentive for smallholder farmers to make the requisite investments that raise their agricultural productivity. Our analysis points to two mechanisms that may reduce uncertainty arising from domestic sources. First, policies that engender a shift away from traditional agrarian techniques (with the attendant problems associated with low input use as well as poor seed quality, storage and irrigation) and towards more modern production and marketing methods may serve to partially mitigate the impact of domestic weather shocks. Second, and perhaps more importantly, a predictable trade policy regime will lessen the influence of a major source of price uncertainty. The removal of the export ban in Tanzania in 2012 was, unambiguously, a step in the right direction.

An important policy conclusion from the analysis is that Tanzanian maize prices are not closely linked to South African maize prices while they are more closely to Nairobi and U.S. maize prices. This distinction could afford a potential source of supplies during periods of high prices in Tanzania since price rises in one market are not likely to be affected in the other market.

In terms of further research, this study can be extended in a number of directions. First, our analysis uses a single national average as a proxy for domestic weather shocks. A more nuanced understanding may be gained by separately looking at the impacts of weather anomalies in different regions. While these anomalies are likely to have significant spatial correlation—the differences may be worth examining. Second, further analysis that clarifies the mechanisms through which external price shocks are transmitted to local markets will provide a more

complete understanding of the nature of the influence that external food markets have on Tanzania's agrarian economy.

References:

Baffes, John, Varun Kshirsagar, and Donald Mitchell, Domestic and External Drivers of Maize Prices in Tanzania, June 2014.

Annex 7. Study of Maize Market Efficiency

STATEMENT OF WORK

I. Project Overview

Tanzania SERA Policy Project assists the Government of the Republic of Tanzania (GoT) and the private sector to enable broad-based, sustainable transformation of the agriculture sector through policy reforms. The project facilitates and supports partnerships such as SAGCOT, conducts policy analysis, research, advocacy, and legal work in support of policy reforms and builds capacity of the private/public sectors and advocacy organizations. The project will also develop communications campaigns in support of key reform efforts.

II. Objective

The proposed study will estimate the benefits from improvements in maize market efficiency. The objective of the study is to quantify the impacts and inform Tanzanian Government officials, decision makers, and stakeholders of the impacts of the maize market improvements on wholesale prices (as a proxy) for farm-gate prices. The study will estimate (using econometric analysis) market efficiency for maize and rice using monthly maize and rice prices from 2004 to 2014 from each region in Tanzania and Nairobi and provide a quantitative estimate of the benefits of improvements in maize market efficiency using household survey data.

III. Tasks to be performed

The analysis will study 18 local maize and rice markets in Tanzania using monthly price time series and will estimate differences in market efficiency across the two commodities for all 18 markets. Further, these changes will be linked to the export ban and other regulatory impediments to improvements in maize market efficiency. The analysis will also provide an estimate of counterfactual maize prices if maize markets were as efficient (after adjusting for differences in trade costs) as rice markets.

The work will focus on the following areas:

1. Estimating the degree of market integration with Nairobi using an error correction model (for all 18 price time series that have the requisite maize and rice market data).
2. Use the econometric estimates to generate counter-factual maize time series under a scenario in which the local maize markets were as efficient as the local rice market.
3. Identify net producers and consumers of maize using the 2008/9 National Panel Survey. Estimate the Net Benefit Ratio (NBR). This is the value of net sales as a proportion of income (e.g. Deaton (1989)).
4. Estimate the (short-run) welfare benefits using the difference between the real and counter-factual maize prices and the NBR (as well as the sample weights). This will provide a quantitative estimate of the short-run welfare impacts associated with improvements in maize market efficiency.

IV. Deliverables

Interim Deliverable (by August 10th):

- First draft of sections comparing rice and maize market efficiency and generate counterfactual maize prices.
- A separate section will also quantify differences in seasonality across markets.

Final Deliverables (by September 30th):

- Working paper, of publishable quality and intended for peer-reviewed publication that provides a detailed analysis of the benefits associated with improving Tanzania's maize market efficiency (approx. 20 pages).
- An additional non-technical summary that provides a shorter expository treatment targeted at a broader audience.

V. Reporting Responsibility

The consultant will report directly to the SERA Policy Project Chief of Party, or his designee.

VI. Level of Effort and Period of Performance

The study will be undertaken in Washington during a 45 day period beginning on or about August 1, 2014.

Annex 8. Assessment of Tanzania's Food Security Early Warning System, June 27, 2014

LIST OF PARTICIPANTS

Name of Participant	Institution
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18. Asha Sarota	MCDGC
19. Fdhili Mtengela	PMO-DMD
20. Nyandeghe Nanai	PMO-DMD
21. George Gray	SERA Project

Annex 9. Food Basket Methodology Training, June 10-20, 2014

LIST OF PARTICIPANTS

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Annex 10. Support to ZDFSN to Compile Communications Materials

STATEMENT OF WORK

1. Overview

The Tanzania SERA Policy Project assists both the Government of the United Republic of Tanzania and private sector to enable a broad-based, sustainable transformation of the agricultural sector through policy reform. The vision of 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 and advocating for policy reform.

The SERA Project is working with the Zanzibar Ministry of Agriculture and Natural Resources Department of Zanzibar Food Security and Nutrition to support institutional and capacity building and policy analysis. In phase one SERA Project conducted assessment of activities of Department of Food Security and Nutrition. It was revealed that the understanding of Food Security and Nutrition issues and organization set up among the audience is one of the challenges. ZDFSN has developed Communication Strategy and Plan (2014-2016) with the objectives to increase awareness, promote effective participation and facilitate information sharing. The department action plan will start with three key activities, 1) preparation of Food Security and Nutrition Situation Report, 2) Newsletter and 3) Brochure.

2. Objective

The objective of the capacity building activities is to provide technical skills in compiling and designing FSND communications materials (newsletter and brochure) which will comprise comprehensive information of the department vision, activities and achievements.

3. Specific activities

- i) Facilitate review of available FSN information including department reports.
- ii) Select relevant information and organize.
- iii) Choose pictures/images to enhance the article.
- iv) Assist in organising and designing.

4. Methodology

- i) Conduct a meeting with key staff of the department to agree on data/information collection compilation and approval process.
- ii) Agree on work plan.

5. Deliverables

- i) Work plan.
- ii) Draft communications materials.
- iii) Final report.

6. Illustrative timeframe:

According to department work plans, the first communications materials will be printed and distribute by July 2014. To achieve this target the SERA capacity building activities will be done as follows:-

Activity	Date	Output	Remarks
Conduct meeting with key staff of FSND	25 Apr 2014	Data/ information collection, compilation and approval process agreed	Clear tasks and responsibilities of data collection
Facilitate assessment of available information, documents, reports and photos	09 May 2014	Initial articles and photos selected	Collect more articles
Review collected information and organize	16 May 2014	Initial draft of agreed communications materials available	Editorial board provide recommendations on the draft
Review final draft	23 May 2014	Final draft	Final draft approved for printing

