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

**Quarterly Report
July – September 2011**

October 28, 2011

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ACRONYMS AND ABBREVIATIONS

BTO Back-to-Office

COP Chief of Party

EAC East Africa Community

EAGC East Africa Grains Council

FtF Feed the Future

GoT Government of the Republic of Tanzania

MAFC Ministry of Agriculture, Food Security and Cooperatives

NBS National Bureau of Statistics

NFRA National Food Reserve Agency

P.S. Permanent Secretary

RATIN Regional Agricultural Trade Intelligence Network

REPOA Research on Poverty Alleviation

SAGCOT Southern Agricultural Growth Corridor of Tanzania

QUARTERLY REPORT

Introduction

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

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

Tanzania SERA: Enabling Policy Environment for Agriculture Sector Growth

We refer to this project as the SERA project, meaning *policy* in Swahili. Given that USAID/Tanzania's Feed the Future staple foods value chain project will be called NAFKA or *grain* in Swahili, we thought it fitting to give this project a similarly meaningful Swahili name.

Quarterly Highlights

The Feed the Future Initiative (FtF) in Tanzania began in late May with an Implementing Partners meeting in Kilombero that was attended by the SERA COP, Don Mitchell. The entire Tanzania SERA team was brought together in late June for a work planning meeting and began working full time in July. The Tanzania SERA team included, Don Mitchell as COP, Alex Mkindi as Senior Policy Advisor, Jack Meena as Communications Specialist, and Mary Kabatanga as Office Manager. Implementing Partner Diligent was represented at the work planning meeting by Andy Temu and Rose Mushi. Booz Allen Headquarters staff, Nate Kline, participated in the Implementing Partners meeting and Emily Friedberg participated in the work planning meeting. Violane Konar-Leacy from Booz Allen HQ became the program manager in September. Jack Meena resigned in September and a replacement is being recruited.

Work Plan for October 2011 – September 2012 Completed – The work plan for the fiscal year beginning October 1, 2011 was completed and submitted to USAID in September. The work plan details work in three areas, policy analysis and reform, communications, and capacity building. The policy analysis and reform identified seven policy areas of focus to be taken up over the next several years and four of these are to be taken up in the first fiscal year. The first year activities will focus on food security, trade policy, credit and inputs. Substantial work has been completed on all of these focus topics, but much remains to be done before the analytical case can be effectively made to the GoT for policy reform. The remaining topics (land policy, business environment, improving markets, and nutrition) will be taken up as resources are available and opportunities to engage the GoT arise. The SERA team will familiarize themselves with the issues in these focus topics in the interim. The

communications strategy was being developed by local consultant Jack Meena with support from the SERA team, but Jack resigned in mid-September. The activity will be taken up again in October when an international expert will work with the SERA team and identify a local candidate to develop and implement the communications strategy for SERA and work with the FtF and SAGCOT communications team. The capacity building activity has been concentrated on improving research capacity, but will broaden to include other topics once the capacity building expert joins the team in January.

Export Ban Analysis – The GoT announced an export ban on food crops in early July and the SERA team immediately began to monitor maize prices in the Dar es Salaam Tandale maize market to determine the impact on wholesale prices. This led to two important conclusions, first that maize prices declined temporarily but quickly returned to the levels prior to the export ban and secondly, that the weekly data provided by the Ministry of Agriculture did not accurately reflect these changes. This was followed by a trip to Arusha by Don Mitchell and Alex Mkindi from August 3-5 to interview farmers, traders, processors and exporters on the effects of the export ban and these interviews showed that the impact of the ban was much larger than in the Dar market, with farm-gate maize prices falling by approximately 25% and not recovering quickly as was the case in Dar es Salaam. The interviews also showed that the export ban did not stop exports (but it may have slowed them) and resulted in illegal exports and bribing of government officials and police. This information contributed to a better understanding of the food security issue and the realization that the export ban was ineffective, but used primarily because it was the only policy instrument available to government. The Back-to-Office report is attached as Annex 1 and details the information learned and tentative policy conclusions. The trip also resulted in useful information and improved understanding on the seed and agri-chemical markets.

Food Security – In response to the knowledge gained from the monitoring of maize prices in Dar es Salaam and interviews with stakeholders in Arusha, a one-page proposal for a Comprehensive Food Security Program was prepared by the COP (Annex 2) as a way to engage the GoT on the need for an alternative to the export ban. This was discussed by the senior management of FtF with P.S. Lyimo in the Prime Minister's Office and met with a favourable response and a request for a more complete Concept Note. A Draft Concept Note was prepared by the SERA team and discussed with key partners including the World Bank and research group REPOA. Comments were incorporated and a second draft was prepared and is attached as Annex 3. The SERA team is now prepared to work with REPOA to complete a program of work to evaluate the impact of existing policies, estimate the potential market for maize exports in the region, evaluate the food security need and capacity for delivering, and propose alternative policies to deal with food security.

Data Quality Analysis – The SERA team undertook several analyses to check maize price and quantity data to determine its usefulness in evaluating the food security need and current situation. The first check was to compare maize prices obtained from traders in the Dar es Salaam Tandale market with prices collected by the Ministry of Agriculture. The prices obtained from the GoT showed large variability and no clear trend while the maize price data collected from Tandale traders showed less variability, a clear trend, and price movements that appear more consistent with the impacts of the export ban. The second analysis was to compare maize consumption data from the GoT with estimates derived from household surveys and simulation exercises based on macroeconomic and demographic data. Based on this analysis, maize consumption data from the

GoT appears to substantially underestimate actual consumption (and by implication production since the balance sheet approach is used to estimate consumption from production, stocks and trade). Household consumption surveys and simulated estimates suggest that consumption and production probably grew at 4% per annum compared to the 1.4% per annum rate estimated by the GoT. The final check was to compare maize wholesale prices obtained from a maize processor in Arusha with price data obtained from the East Africa Grains Council and these two sources were very similar and appear reliable. The analysis of maize prices and consumption and data is included as Annex 4.

Secured Transactions Financing Reform – Improving access to credit is a high priority for economic growth and the commercialization of the agricultural sector, and the Secured Transaction activity is directed at improving the use of moveable assets, such as machinery or vehicles, as collateral. The Secured Transactions activity, when fully implemented, will allow lenders to register their claim to collateral used to secure loans. The activity has three pillars, the legislation that allows the secured financing to operate within the larger legal framework, the registry that will be a secure record of lenders claims against collateral, and capacity building to increase awareness and encourage use of Secured Transaction Financing. The activity was started under the umbrella activity BizClir funded by USAID and implemented by Booz Allen Hamilton in 2010 but was halted in early 2011. The primary consultant, Yair Baranes, who did the initial work on the activity, was brought back from September 2-19, under SERA to gauge interest in continuing the work and to further explore the parallel activity being undertaken in Zanzibar. The conclusion of the consultant’s visit was that there is substantial interest among the working group formed in the Bank of Tanzania to restart the work and that the separate system being developed for Zanzibar has not progressed and will not be operational in the near term. It was decided by the consultant and SERA team to continue the work on the activity without including Zanzibar. However, it would still be possible for Zanzibar to join the system being developed for the mainland if they chose to at a later stage. Following the departure of the consultant, a letter was drafted by the SERA team and consultant to the Governor of the Bank of Tanzania and sent under the name of the Mission Director of USAID in Tanzania requesting a meeting to introduce the Secured Transactions Financing Reform and answer questions about its benefit and operation. The SERA team is waiting for a response from the Governor of the Bank of Tanzania. The consultant’s trip report is attached as Annex 5.

Seed Policy – The work on reforming seed policy has mostly focused on familiarization with issues by attending a stakeholder’s workshop in June and meeting with seed companies and experts. A value chain analysis is being considered and a draft TOR has been prepared for discussions with the Seed Unit of the Ministry of Agriculture. A meeting with the P.S. Ministry of Agriculture is being requested and will provide an opportunity to assess the GoT’s interest in seed policy reform.

Developing Partnerships – The SERA team has met with a number of groups to build relationships and partnerships to analyze agricultural policies and advocate for policy changes. These groups include ACT, agra-alliance, East Africa Grains Council, the Policy Working Group, REPOA, and World Bank. These organizations have similar policy objectives to SERA and provide leverage to the advocacy for policy reform. The SERA team is prepared to work with all of these groups to further efforts for policy reform and working relationships have been established with several. The Policy Working Group is focusing on broad agricultural policy reform, but initially it seeks to engage the GoT on the export ban and the Cereals and Other Produce Board. SERA is supporting this effort with

analysis and is prepared to provide limited resources to accomplish critical elements to further the policy reform effort. SERA was also requested by the GoT to work with REPOA to develop the Concept Note on Food Security and is doing so. SERA is also working with other implementing partners of FtF to leverage resources and coordinate activities. These activities include co-sponsoring a policy research seminar series with iAgra at Sokoine University, and collaborating with NAFKA on a regional study of the potential demand for maize in East Africa. SERA is also monitoring efforts by the Market Based Solutions (MBS) implementing partner of FtF to support passage and implementation of legislations to establish standards and mandates on food fortification to improve nutrition.

Policy Seminar Series at Sokoine University – As part of its capacity building activity, SERA intends to co-sponsoring a research seminar series at Sokoine University with iAgra which is the FtF implementing partner focusing on education and research. The SERA COP visited Sokoine University on September 23 to meet with David Kraybill the COP of iAgra and several faculty members of the department of agricultural economics to discuss the seminar series. Don Mitchell and David Kraybill also met with the Director of Research and Post-Graduate Studies, Professor Muhikambe, to inform him of the interest in sponsoring a research seminar series and ask for his support. Professor Muhikambe welcomed the activity and the follow up activity will be to formally request University support and then meet with interested faculty to discuss launching the seminar series. In addition to the seminar series SERA is also interested in sponsoring interns in agricultural policy and other areas as part of its capacity building activity and a promising candidate was identified.

Office Space and Operations – The SERA team was temporarily located in the Coco Plaza Building from July to September in offices leased from TechnoServe while negotiating for permanent space in the Peninsula Building immediately adjacent. Mary Kabatanga, the office manager of SERA, was able to negotiate a favourable lease rate and additional services including secure parking and the SERA team vacated their temporary offices at the end of September and moved to the new offices. The budget for SERA is limited and the team is struggling to fit the large work agenda into the budget space by co-sponsor activities with other FtF implementing partners and other groups and organizations.

Activities

- Alex Mkindi interviewed maize traders about prices in the Tandale market in Dar es Salaam beginning in July.
- Don Mitchell and Alex Mkindi interviewed farmers, food crops traders, processors, and exporters in Arusha August 3-5.
- Alex Mkindi attended the Kilombero Rice Partnership meeting on August 9-11 (Back-to-Office report attached as Annex 7).
- Don Mitchell, Alex Mkindi, and Jack Meena attended the Feed the Future Implementing Partners Meeting in Zanzibar, August 14-16.
- Don Mitchell and Kevin McCowan attended the East Africa Grain Council Meeting on Regional Food Balances in Arusha on September 1-2.
- Yair Baranes visited Tanzania from September 2-19 to restart work on the Secured Transactions registry and legal system.
- Don Mitchell prepared a one-page proposal for a Comprehensive Food Security Program for Tanzania on August 17 to discuss with GoT.

- Don Mitchell and SERA team prepared the draft Concept Note on Food Security on September 22.
- Don Mitchell visited Sokoine University on September 23 to discuss the seminar series to be jointly sponsored by SERA and iAgra in the department of agricultural economics.

Individuals Met July – September 2011

Anne-Claire Leon, European Union, July 5	Pratap Sisodlya, farmer, August 4
Jeffrey Lewis, Korongo Limited, July 6	Harald Peeters, Ruk Zwaan, Aug 5
Olive Luena, Tanzania Gatsby Trust, July 12	Moses Nyabila, HEIFER, Aug 12
Simon Milledge, Norwegian Embassy, July 12	Negga Wubeneh, agra-alliance.org, Aug 14
Jim Phillips, Weidemann Associates, July 14	Anna Riley, africapractices, Sept 1
Dan Mrutu, TNBC, July 14	Gerald Masila, EAGC, Sept 1
Akber Manji, Simply Computers, July 20	Ian goggin, COMPETE, Sept 1
Filbert Mponzi, NMB, July 25	Rode Gravelet-Blondin, Johannesburg Stock Exchange, Sept 1
Janneke Jorgensen, World Bank, July 25	Victor Gitobu, COMPETE, Sept 1
Brian LeBue, TechnoServe, July 25	Isaac Tallam, COMPETE, Sept 1
Elizabeth Karl Echert, ACDI/VOCA, July 26	Bernard Kagira, , COMPETE, Sept 1
Richard Jones, m IFDC, July 26	Peter Rodrigues, WFP, Sept 1
Jesus Barreiro Hurle, FAO, July 26	D. A. Ntikha, MoA, Sept 1
Charlotte, Cerf, July 26	Rehema Tukai, REPOA, Sep 8
David Garber, USAID, July 28	Raymond Muenwa, REPOA, Sep 8
Kathleen Charles, July 29	Jamal Msami, REPOA, Sep 8
Martin Mason, ACDI/VOCA, Aug 2	Stephen Mwombela, REPOA, Sep 8
Dafrosa Rwegasira, Kiweda Company, Aug 2	Yusto Tongola, Bank of Tanzania, Sep 12
David Tuhoye, MGen Tanzania, Aug 3	Abel Lyimo, RUDI, Sep 16
Sjouke Bruinsma, Rotain Seed Co., Aug 3	Vedasto Muhikambele, Sokoine Universtiy, Sep 23
Bomukess, Kilobate Estates, Aug 3	Isaac Minde, Michigan State University, Sep 23
Andy Dale, New Boogaloo Ltd., Aug 3	Joseph Hella, Sokoine University, Sep 23
Rakesh Vohora, PACT, Aug 4	Samuel Wangwe, REPOA, Sep
Brown Suya, Farmer, Aug 4	
Michael Kimaro, Export Trading, Aug 4	
Devish Odedra, Flying Cargo, Aug 4	

Monitoring and Evaluation

The Tanzania SERA project has not yet finalized the Monitoring and Evaluation Plan, but is working with the Mitchell Group to select meaningful and measurable indicators and complete the Performance Management Plan. The list of indicators discussed in the Quarterly Report for April-June 2011 have been reduced to more accurately reflect the areas that SERA should directly influence. The SERA project will monitor project level indicators as well as high level macroeconomic indicators, such as agricultural GDP and per capita incomes of rural households, to allow us to understand how the business environment for the agricultural sector is changing in response to FtF initiatives. Intermediate level indicators collected as part of the overall monitoring and evaluation activities of FtF will also be monitored and will include values and volumes of trade of targeted commodities, and indicators of policy analysis and reforms. Custom indicators specific to SERA activities and work plan will include indicators on relative prices between Tanzania and neighbouring countries to measure the ease of exports, volumes of high value seed and fertilizers sold in Tanzania, research seminars sponsored, and the number of secured credit transactions entered into the registry. Capacity building will be measured by the number of institutions undertaking competency strengthening and communications and advocacy will be measured by the number of press releases, media reports, and briefings presented and by the number of accesses to the SERA web pages.

FtF Program Objective Indicators

- Percent growth in agricultural GDP
- Per capita income of rural households

Intermediate Level Indicators tracked by SERA (and IR 8.1 reported by SERA)

IR 2.3 Facilitate access to markets and ease of trade across borders

- \$ Value of exports of targeted agricultural commodities (maize and rice)
- Change in volumes of intraregional (maize and rice) exports

IR 8.1 Conduct Policy Reform Research

- # of policies, regulations, administrative procedures analysed
- # of policy reforms, regulations, admin procedures drafted and presented for public/stakeholder consultation
- # of policy reforms, regulations, and administrative procedures prepared

SERA Custom Indicators

IR 1 Improved Agricultural Productivity

- Volume of improved seeds sold
- Volume of chemical fertilizers sold

IR 1.1 Increase Capacity of National Agricultural & Nutrition Research Service & Sokoine University

- # of agricultural policy seminars held sponsored and number of participants

IR 1.4 Enhanced Institution Capacity

- # of institutions undertaking competency strengthening

IR 2.3 Facilitate access to markets and ease of trade across borders

- Price comparisons of target commodities (maize and rice) between Tanzania and neighbouring countries

IR 3.1 Increase agricultural and rural financing

- # of Secured Credit Transactions entered in online registry

IR 8.1 Conduct Policy Reform Research

- # of policy briefing/policy/concept/talking notes prepared
- # of communications/advocacy outputs (press releases, media reports, web pages, media briefings/trainings)
- # of unique accesses to the SERA web pages

Work Plan for Fiscal Year

The work plan for the fiscal year starting October 1, 2011 has been separately submitted to USAID FtF. It identifies four high priority policy areas for reform as well as a number of policy reform activities that will be taken up on a lower priority as opportunities to engage the GoT arise and resources permit. The four priority areas for policy reform are food security, trade policy, credit, and inputs policy. Other policy reform activities to be taken up as opportunities arise and resources permit include land policy, improving markets, improving the business environment, and nutrition. The designation of high and low priority policy reforms is based on the urgency of the policy reform to successful investments in SAGCOT, indications that the GoT is willing to consider policy reforms in these areas, and the limits of SERA resources which require focusing on certain activities. In future years, SERA plans to place high priority on these other policy areas. Capacity building, communications and advocacy work will receive a high priority in the fiscal year beginning October 1, 2011 when a communications officer and a capacity building expert will join the team to lead these activities. Work in these important areas have been slowed by personnel changes and the focus on policy reforms in the initial months of SERA implementation.

ANNEXES

Annex 1: Back-to-Office Report on Trip to Arusha to Investigate the Impact of the Export Ban, Aug 3-5, 2011

Alex Mkindi and Donald Mitchell visited Arusha from August 3 -5 to investigate the impacts of the food export ban imposed by the Ministry of Agriculture, Food Security and Cooperatives. The team was assisted by David Tuhoye, a private consultant in Arusha, who arranged the meetings and accompanied the team to many meetings. Information on the impact and effectiveness of the export ban was obtained, and the team also met with representatives of two seed companies and gained a better understanding of the issues of the seed industry and constraints to importing agri-chemicals. Opportunities for capacity building with farmer organizations and the National Food Reserve Agency (NFRA) were also identified. This BTO presents findings and conclusions reached regarding the food export ban, seed industry, agri-chemical markets, role of the Cereals and Other Produce Board, and opportunities for capacity building. The BTO also provides a list of people and companies met during the trip.

Findings and Conclusions on the Food Export Ban

The food export ban imposed by the Tanzanian Ministry of Agriculture, Food Security and Cooperatives on July 1, 2011, was intended to enhance food security, but it has not been very effective in achieving that objective and other policy instruments should be used. Exports of maize and other food crops to Kenya have continued according to traders and millers interviewed in the Arusha area, however, the ban has somewhat reduced the volume of exports because of the increased costs of exporting through alternate routes, the increased costs of bribing officials to allow exports, and the risk of legal action associated with illegal exporting. Efforts to limit such exports are unlikely to be effective because the borders with Kenya and other countries are porous and can be crossed in many places on what are called “panya” (rat) routes. In addition, the food market in Eastern and Southern Africa is a regional market with porous national borders and it unlikely that any country can isolate its food markets from the larger regional market.

The farm gate maize prices in the Arusha area had declined from 520 Tsh/kg before the ban to 420Tsh/Kg by the end of July according to millers and traders in Arusha. A large portion of this decline was directly due to the export ban, but some portion may have also been due to seasonal factors as the harvest has increased. The decline of maize prices in Dar es Salaam has been less, with maize prices quoted at 460-470Tsh/kg in early August at the Tandale market. Consumer prices of maize flour in the Arusha area have declined by a proportionate amount to maize grain according to millers. Since maize exports are continuing, consumer prices may also increase later in the year as domestic food supplies are depleted. The ban has primarily benefited those engaged in illegal exporting, and government

officials and police who have accepted bribes to allow illegal exports to cross the border. The ban has also reduced incentives for farmers to increase production of maize and other food crops in the future and may also have discouraged potential investors in SAGCOT.

The export ban should be lifted and other policy alternatives used to deal with current high food prices while still ensuring adequate incentives to increase production in the future. These policy alternatives could include adding to the Strategic Grain Reserve during the current harvest period for emergency food aid later in the year, and pursuing policies to increase producer incentive and raise productivity. Over the longer term, allowing food crops to trade freely between countries in Eastern and Southern Africa would be beneficial to Tanzanian since it has the potential to be a large and regular supplier of food to the region.

Findings and Conclusions on the Seed Industry

The seed industry in Tanzania has potential for growth for domestic sales and exports because of very desirable climatic conditions in the Arusha area. However, a poor business environment, weak policy compliance, and lack of accreditation by international seed organizations are limiting this growth according to industry officials. Several world-class seed companies produce for export in Arusha, including Rotian Seed Co. which exports bean seeds to Europe and Rijk Zwann which exports cucumber seeds. Neither company sells in the domestic market, partly because seed laws in Tanzania do not protect companies from competitors who multiply and sell their seeds without paying royalties. That discourages research into open pollinated varieties of seeds that can be easily multiplied by competitor companies and sold to farmers. Most companies doing seed research in Tanzania are focusing on hybrids because they cannot be multiplied from sold seeds according to Sjouke Bruinsma of Rotain Seed Co. Bruinsma has been in the seed industry in Tanzania for many years and he argues that the seed laws are adequate, but government enforcement is weak. He believes that the enforcement of breeder's rights should be turned over to the seed industry association instead of the government. In order for this to work, he says that all seed sellers in Tanzania would need to be required to become members of the association. Then the association could enforce breeder's rights and prevent other companies from taking their seeds without paying royalties. The poor business environment was also identified as a constraint to the seed industry. Banks lend for a maximum of three years which makes capital investments and land purchases difficult. The Meru District Council is also imposing a 3-5 percent crop cess on seed sales, even though the law does not identify seeds as produce covered by the authorization, which further adds to the poor business environment.

Findings and Conclusions on Agri-Chemical Imports

Agri-chemicals (herbicides and pesticides) must be approved by GoT for import and use in Tanzania and that requires three years of testing before approval. Since Tanzania is a small market, it is not cost

effective to test most agri-chemicals, and that reduces the competitiveness of seed companies because they cannot use the most recently released chemicals. According to Sjoouke Bruinsma of Rotain Seed Co., the solution is for regional testing and agreement on acceptable agri-chemicals for import and use. It would be beneficial to the agricultural sector because they would have access to some chemicals that would not otherwise be available. This would require Tanzania to accept regional testing.

Findings on the Role of Government and Cereals and Other Produce Board

The role of the government in cereals marketing is a major concern of the private sector because of the creation of the Cereals and Other Produce Board and the Minister of Agriculture, Food Security and Cooperative's recent statements that foreign buyers of maize should negotiate directly with the government in order to purchase maize rather than buying from the private sector. Regarding the Cereals and Other Produce Board, one processor said: "if enforced it would be a monumental disaster that will discourage investment and the formal sector." Another said: "The Cereals and Other Produce Board leaves no place for the private sector in dealing with the outside world." Both processors said they would leave the industry if the government fully implemented the actions authorized by the new Board.

Opportunities for Capacity Building

Two opportunities for capacity building were identified during the trip. They include: 1) the opportunity to work with producer associations in the Arusha area to build awareness of important issues in agriculture and build capacity to advocate for their interests with the government, and 2) the potential to work with the National Food Reserve Agency (NFRA) to build capacity to play a larger role in providing emergency food aid to vulnerable groups since the export ban is not expected to achieve the government's objective of increasing food security.

The National Food Reserve Authority may require capacity building in order to fulfil its responsibilities in an efficient and cost effective way without unduly distorting markets. Traders and millers interviewed in the Arusha area were critical of the NFRA, believing its actions were not transparent and were disruptive to marketing. Sales to the NFRA were said to be unfairly available to certain groups but not to small farmers. Capacity building could be used to improve the operation of the NFRA.

Farmer associations in the Arusha area could also be candidates for capacity building and the team met with the head of the large farmers association in Arusha, Mr. Brown Mathew Oli Suya. He was very receptive to the opportunity to work with the FtF initiative and suggested an initial meeting to explore ways we could support their organization. We would be expected to pay for a meeting hall and provide lunch for participants. Mr. Suya appears to be an ideal candidate to work with because he has previously worked with ACT and has political experience. This is a high priority to follow up in September.

Additional Findings

The impact of the export ban on farm gate prices

Since the border with Kenya can be crossed in many places, illegal exporters are reported to follow the “panya” (rat) routes at night with 7-10 tons trucks loaded with maize or other crops. Kenyan counterparts meet them at the border and transfer the load to another truck on the Kenyan side. If necessary, government officials or police are bribed. In one case cited by several different industry participants interviewed, a District government official has used the opportunity presented by the export ban to raise the toll charged at the main road leading to the border. This has raised the cost of transporting maize from Arusha to Nairobi from 45,000 Tsh/ton to approximately 120,000 Tsh/tons because the toll to pass the road block is 85,000 Tsh/ton. Since that is the only tarmac road to the border, exporters pay the toll. Seasonal factors may have also contributed to price declines later in July as the harvest has increased. Maize producers in other parts of Tanzania were also affected by the export ban, as farm gate prices declined due to increased local supplies.

The export ban has also affected exports of non-strategic crops such as millet and pulses that are not staple food crops in Tanzania and should not be covered by the ban. However, government officials are said to be reluctant to approve exports of any food crop because they are not certain of the coverage of the export ban. This requires exporters to spend more time applying for export permits and waiting for decisions by government officials to allow exports to Kenya or countries further north. Ironically, exports to countries out of the region do not require the same export authorization and flow freely to Europe or the United States. None of the industry participants contacted had seen an official description of the coverage of the export ban, and all had heard of the ban through local media.

Maize farmers interviewed expressed displeasure with the ban and felt that food security should be the responsibility of the government rather than maize producers. In addition to the short-term impacts of lower farm gate prices, a longer term impact of the export ban is to discourage investment in maize production which will reduce future supplies of maize for both the local and foreign market. As said by one processor interviewed, “the government is so focused on food self-sufficiency, that it has lost sight of the opportunity to develop a regular export market in Kenya.” Producers in Malawi and Zambia have benefited by the Tanzanian export ban by transshipping maize to Kenya while Tanzanian farmers are constrained by the ban.

List of Meetings, August 3-5, 2011, Arusha

Sjouke Bruinsma, Managing Director, Rotain Seed Company Ltd., Arusha

Bomukess, Farmer, Kilobate Estates

Andy Dale, Managing Director, New Boogaloo Ltd., Arusha

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Rakesh Vohora, Managing Director, Pulses & Agro Commodities Ltd., Arusha
Brown Mathew Olie Suya, Farmer, Maasai Steppe Conservancy Ltd., Arusha
Michael S. Kimaro, Director, Export Trading Co. Ltd, Arusha
Devshi H. Odedra, Director, Flying Cargo Transport Co., Arusha
Pratap Sisodlya, Farmer, Arusha
Harald Peeters, Managing Director, Rijk Zwaan Seed Farm

Annex 2: A Comprehensive Food Security Program for Tanzania¹

Tanzania needs a Comprehensive Food Security Program to address its food security needs rather than relying on temporary export bans. Such a Program would provide targeted food aid to the poor and most vulnerable populations, while being more efficient, less market distorting, and less costly than the current system. Food crop export bans would no longer be needed, and the full potential of Tanzanian agriculture would be achieved through enhanced market-based incentives to producers. Tanzania would become a regular food crop exporter to the region and that would stimulate farm incomes, reduce rural poverty, and contribute to more rapid economic growth without compromising food security. It would also improve food security in the region.

A Comprehensive Food Security Program for Tanzania would include: 1) an improved information and early warning system to provide timely and accurate measures of food crops production, prices, and stocks in Tanzania and better monitoring of the regional food markets, 2) an optimally sized and located strategic grain reserve and improved systems for managing the strategic reserve to contain storage losses and transport costs, and 3) a system to identify the most vulnerable groups so food aid could be targeted to those groups in an efficient and cost effective way.

A program of work to create a Comprehensive Food Security Program for Tanzania would include the following activities:

Learning from the Best Regional and Global Practices – identify best practice food security programs in the region and globally to see how the lessons from these programs can be used to guide the design of a program for Tanzania. Conduct study tours with key Tanzanian officials to gain first-hand experience of the performance and operational challenges of a Comprehensive Food Security Program.

Improving Data and Information Systems – evaluate Tanzania’s current information and data systems to measure production, stocks, and prices and strengthen those systems as needed through capacity building, training, and closer collaboration with existing programs such as the FAO early warning system and WFP monitoring and emergency relief activities.

Assessing Food Security Needs – determine the magnitude and location of vulnerable populations and food insecure groups from existing household, demographic, and health surveys and supplement with primary data collection as needed. Develop poverty and food security maps to identify food insecure and vulnerable groups.

¹ Developed by the Booz Allen Hamilton SERA team of USAID’s FtF initiative, August 17, 2011.

Operating the Strategic Grain Reserve – estimate the optimal size and storage locations of the strategic grain reserve and employ best practices for managing the grain reserve to reduce storage losses and minimize transportation costs. Inventory current private and government storage capacity and estimate the optimal location and size of strategic grain reserves.

Targeting and Delivering Food Assistance to the Poor – develop procedures for targeting the delivery of food assistance to the poor and food insecure, and design programs to provide food aid assistance to those target groups.

Annex 3: Draft Concept Note on Food Security, Economic Growth and Poverty Reduction: Analytics, Options and Way Forward²

The Government of Tanzania identified improving food security as a key long term development objective of its 2005-2010 National Strategy for Growth and Poverty Reduction (MKUKUTA), and the soon-to-be finalized Tanzania Food Security and Investment Plan (TAFSIP) that represents the implementation plan towards achieving long term food security, agricultural growth and poverty reduction. Food security, economic growth and poverty reduction are intertwined, with economic growth contributing to poverty reduction and poverty reduction contributing to improved food security. Poverty remains high in Tanzania, despite rapid real GDP growth (7% per year during 1999-2009), and poverty remains especially high in rural areas where 38% of households live below the basic needs poverty line compared to 16% in Dar es Salaam and 25% in other urban areas. According to the Poverty and Human Development Report 2009 poverty in Tanzania is anchored in the widespread reliance on small-scale agriculture with approximately 75% of the population depending on under-developed smallholder primary agricultural production. This is reflected in the larger share of the rural population (24%) reporting that they often had a problem meeting their household food needs during the previous year compared to 15% of urban households according to the Tanzania Demographic and Health Survey 2010. Thus, the challenge in meeting the food security needs of Tanzania is to provide food security for the poorest and most vulnerable populations without jeopardizing the economic growth potential that can reduce poverty. Agricultural growth is especially important to reducing poverty because poverty is concentrated in rural areas and the poor often depend on agriculture as their main source of income.

Objective

The objective of this concept note is to propose a program of work to be undertaken jointly by the SERA Project of USAID's FtF Initiative, REPOA, and others to improve food security, reduce poverty and increase economic growth through increased food crop exports. As part of this program of work, the economic growth impacts of existing policies would be examined and their impact on poverty estimated. The economic growth potential of increased food crop exports to neighboring countries would also be examined in a study of regional food markets and grain trade. Alternative approaches to food security would be considered and best practices from the region identified. A review of food security in Tanzania would be undertaken and a needs assessment used to identify potential efficiency gains and data requirements. The program of work is expected to take approximately one year and lead to a report to the government from SERA and REPOA on alternative food security programs and their impact on economic growth and poverty reduction.

² Prepared by the Booz Allen Hamilton SERA team of USAID's FtF Initiative in collaboration with REPOA.

Food Security

Food security has many definitions, but probably the one most often used resulted from The World Food Summit of 1996 which concluded that “food security exists when all people, at all times, have physical and economic access to sufficient, safe, and nutritious food to meet their dietary needs and food preferences for an active and healthy life.” This definition points to four dimensions of food security: availability, access, utilization, and stability. Availability means that there are sufficient quantities of food, through production or imports, of appropriate quality; access means that individuals have adequate resources for acquiring appropriate food for a nutritious diet; utilization means that individuals can reach a state of nutritional well-being where all physiological needs are met through adequate diet, clean water, sanitation, and health care; and stability means that a population, household, or individual must have access to adequate food at all times to be food secure. USAID’s FtF initiative is a broad-based five year program, in collaboration with other donors, to increase food security in Tanzania by addressing the dimensions of food security and working to improve food production, agricultural productivity, infrastructure, policies, and nutrition. FtF works with the Agricultural Working Group to leverage the various support mechanisms and expertise of donors in Tanzania, in order to be more efficient and responsive in support of the agricultural growth strategies of the Government of Tanzania. The SERA project is part of the FtF Initiative and focuses on improving agricultural policies by rigorous facts-based analysis of key policy issues.

Exports, Economic Growth and Poverty

Export led growth has been the path out of poverty for many countries, such as China, and the link between export growth and general economic growth is well established from both cross country and country specific research. The analysis shows that trade openness increases the growth of income and output, and there are strong links between overall economic growth and poverty reduction especially when the growth comes from the agricultural sector. Tanzania is well placed to benefit from food crop exports because the East Africa region is food deficit and Tanzania has abundant land and a favourable climate to increase food crop production and exports. According to some estimates, Tanzania uses only one-quarter of its arable land for crop production. While the land not used for crop production is often used for a range of livelihood activities, some of it can be more intensively used to increase food crop production to both increase exports and increase domestic food supplies.

Political Dimensions of Food Security

Food security is a complex issue and it has several political dimensions. The regional dimensions of food security are Tanzania’s commitment to free trade within the East Africa Community (EAC) and its desire to contribute to food security within the region. The benefits of free trade in food crops within the EAC

have been well established and would result in increased trade, lower price volatility, and greater food security in the region. However, the regional dimensions of food security are often overshadowed by the national and local dimensions. The Government of Tanzania took the short-term measure of imposing an export ban on maize in early July, 2011. That decision was taken in an effort to protect the citizens of Tanzania, particularly the most vulnerable, from the possibility that Tanzanian maize would be exported to other parts of East Africa at the expense of national food security. Tanzania also pledged to sell food crops directly to East African nations that were suffering from food shortages, in order to support those who have been most affected by drought and famine in the region. The Government of Tanzania is currently undertaking a vulnerability assessment on the food situation, which was to be completed by the end of September. If the assessment shows that there are adequate food stocks in the country, the Government has indicated that the export ban may be lifted. Until a more effective alternative policy instrument that meets its national political needs is available, these policies will likely continue.

The local dimensions of food security in food deficit areas often clash with the needs of producers and their political leaders in surplus producing areas. Local authorities in food deficit areas are obligated to ensure the food security of their population through their own actions or by relying on the actions of the national government. If the local authorities have confidence that the national government can and will provide emergency food supplies during periods of shortage, then they will be more willing to allow exports of food crops from their region. However if they lack such confidence, they may continue to ban food crop exports. Not all local authorities and politicians favour export bans and those from surplus producing areas want access to export markets as was demonstrated when twenty legislators from both political parties opposed the recent export ban in parliament. The political dimensions often dictate the policy action and a food security program will need to balance these various political dimensions if it is to be effective and sustainable.

Markets Prices and Growth

Markets forces are essential to guide an economy to produce to meet consumer demand and policies that distort market forces and prices often lead to inefficiencies, lower economic growth, and inequities. For example, a maize export restriction reduces incentives for production and reduces exports of maize. That results in reduced economic growth in both the agricultural sector and the broader economy. The agricultural sector is directly affected because the crop that is subject to export restrictions must then be sold in the local economy for lower prices. The general economy is affected because farmers purchase less inputs for use in production in future years and require less transport, storage and other services for the current harvest. They also purchase fewer consumer goods because they have lower incomes. Market distortions also lead to inequities when some benefit and others are harmed. In the case of a crop export restriction, the crop prices is reduced which harms the farmers that produce and

sell the crop but it helps the consumers who buy the crop or buy the products made from the crop. Thus, the export restriction has the effect of transferring income from farmers to consumers. Traders and processors may also benefit from the export restriction at the expense of farmers and consumers and this could occur because the purchase prices of the crop bought from the farmers decline more than the sale price of the crop sold to the consumer. This could leave the traders and processors with increased profits because of the export restriction. A number of studies have reached that conclusion. Therefore, the export restriction may benefit the consumers less than it harms producers.

Over the longer term, market distortions such as a maize export restriction can reduce Tanzania's ability to become a regular supplier of food crops to the region. This can occur because Tanzania's maize production grows more slowly than it would have without the export restriction and because neighboring countries may not accept Tanzania as a reliable exporter and therefore develop their own production as an alternative. This would often need to be done at higher prices than imports from Tanzania which has abundant cropland and favourable climate for maize production. Other countries may also emerge as regular exporters in response to the higher prices in regional markets because of the export restrictions. An additional longer term impact of an export restriction is to reduce incentives for investing in public-private partnerships such as the Southern Agricultural Growth Corridor of Tanzania (SAGCOT) that focuses on commercializing agriculture within the corridor. The SAGCOT initiative was born of the deliberations of the World Economic Forum on Africa in May, 2010 in Dar es Salaam and has strong government commitment.

Focus on Food Security

Food security is a complex issue as already noted. The four dimensions of food security contained in the World Food Summit declaration of 1996 include increasing availability of food through improved incentives to farmers and improved infrastructure, ensuring access to food by providing safety nets to the poorest and most vulnerable, ensuring the utilization of food through adequate diets and food fortification to improve nutrition, and enhanced stability by reducing price volatility, increasing storage, and reducing post-harvest losses. The USAID's FtF Initiative is working to support improvements in many of these dimensions of food security. A work program to strengthen understanding of these various dimensions could help Tanzania to obtain the right balance between food security, economic growth, and poverty reductions. The SERA project of USAID's FtF initiative and REPOA are available to support the Tanzanian government's efforts to improve food security in partnership with other organizations and institutions. The following specific studies could be undertaken to provide the knowledge to help design a food security program tailored to the needs of Tanzania. These studies would allow the Government to evaluate alternatives carefully before resources are committed or policies changed in order to avoid waste or sacrifice growth. Ultimately, a careful balancing of measures for trade, production, and poverty reduction are required.

Work Program

The work program would be developed with the government, but could include the following activities. The final decision on consultants and organizations to conduct the analysis would be undertaken jointly between SERA, REPOA, and the Government.

Impacts of Current Policies

In order to design better policies to address food security, economic growth and poverty reductions it is necessary to understand the impacts of current policies. This requires analysis that examines the impact on producers, consumers, and the overall economy of maize export restrictions in a comprehensive framework. This has been done for other policies in Tanzania by the International Food Policy Research (IFPRI) based in Washington using their Computable General Equilibrium (CGE) Model for Tanzania. SERA and REPOA would work with IFPRI to provide the necessary data and ensure the appropriate market linkages are included in the model. The output would be a report that estimates the impact of current policies on economic growth, poverty, and food security. Such estimates could then be used as a basis for evaluating other policies.

Potential Growth of Regional Food Crops Markets

The East Africa regional food crops market may require large imports in the future because of rapid population and income growth, and the limited ability of many countries (especially Kenya) to increase food crop production as rapidly as demand. However, the magnitude of this growth potential needs to be better understood and this would be the focus of a study of regional demand and supply over the next decade. Such estimates could be used to better understand the potential economic benefit to Tanzania of expanding production to meet this demand, as well as the poverty reduction impacts and the food security impacts.

Assessing Food Security Needs and Capacity

In additions to examining the impacts of current policies and the potential growth of the food crops market in Eastern Africa, it would also be important to assess the food security needs of Tanzania and the capacity to meet these needs. This would include a review of programs to identify and respond to food insecurity, including data quality and timeliness for monitoring food insecurity, management and use of the Strategic Grain Reserve to provide emergency food aid where needed, and the magnitude of emergency food aid required. This assessment would allow resources to be targeted to areas of the food security program requiring the greatest assistance to order for Tanzania to meet its food security objectives.

Developing a Food Security Options Paper

Once the impacts of the current policies are quantified, the regional export market potential is assessed, and the food security needs and capacity of Tanzania are examined, a food security options paper could be designed that balances food security, economic growth, and poverty reductions. This would be done in a report to the Government prepared jointly by SERA and REPOA that benefits from the analysis undertaken and considerations of the best practices in the region to develop a food security program for Tanzania.

Timing of Studies

The studies on the impact of current policies, potential of the regional export market and assessment of food security needs and capacity could be done concurrently. Once the results of these studies are available, a final report on food security, economic growth and poverty reduction in Tanzania could be prepared by SERA and REPOA.

Annex 4. Maize Data Check³

In order to assess the quality of Tanzanian data, maize prices collected by Ministry of Marketing and Cooperatives were compared with those collected by a private miller, and maize consumption data from Ministry of Agriculture, Food Security and Cooperatives (MAFC) was compared with household survey data and simulated consumption based on population and income growth.⁴ The comparisons showed close correspondence between maize price data collected by government and the private miller in Arusha, but weak correspondence between maize consumption data estimated by the government and data from other sources. The implications of these comparisons are that the price data collected by the government seems accurate, but the consumption data for maize does not appear to be accurate and probably does not capture the increase in consumption in recent years. Since the consumption data is derived from production, stocks, and trade data, it is also doubtful that estimates of these variables are accurate either. Further, since the method used to calculate production data using village extensions agents is similar for all crops, it is unlikely that the government estimates of other crop data is accurate.

Maize Price Comparisons

Maize prices for various locations in Tanzania are reported on the Regional Agricultural Trade Intelligence Network (RATIN) of the East Africa Grains Council (EAGC) on their website <http://www.ratin.net> and attributed to the Ministry of Marketing and Cooperatives (Table 1).

Table 1. Monthly Maize Prices (USD/MT), 2011.

Month/Market	Kibaigwa : TZ	Songea : TZ	Mbeya : TZ	Iringa : TZ	Dar es salaam : TZ	Arusha : TZ
Aug 11	-	385	231	214	309	276
Jul 11	247	186	221	311	322	287
Jun 11	240	202	214	216	284	295
May 11	240	219	196	234	352	321
Apr 11	272	228	237	235	289	276
Mar 11	242	174	241	180	239	244
Feb 11	231	178	211	175	231	206
Jan 11	202	180	187	172	225	177

Source: RATIN, East Africa Grains Council (EAGC).

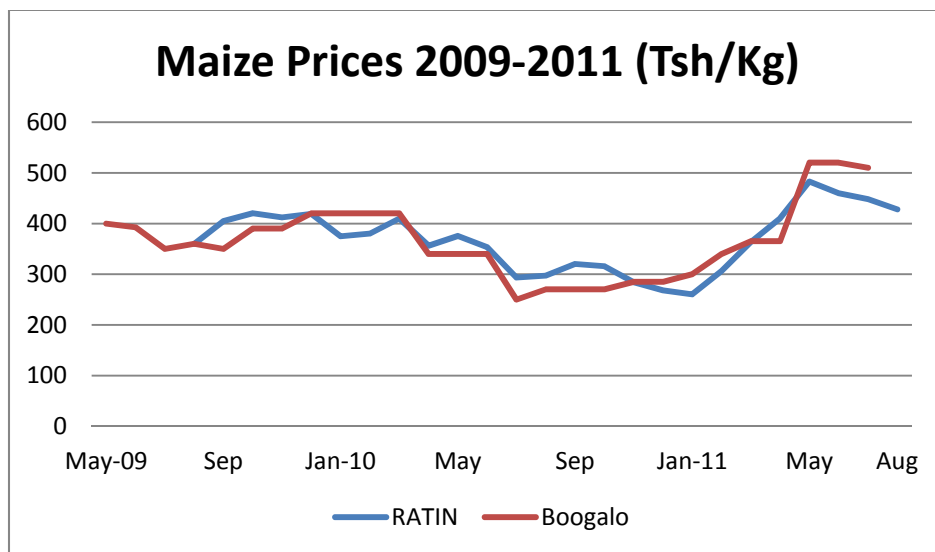
Prices for maize in Arusha from RATIN were compared with actual prices paid by a private maize miller in Arusha (New Boogaloo. Ltd.), and are shown for 2009-2011 (Figure 1). The two price series

³ Paper presented at the FtF Implementing Partners Meeting in Zanzibar, August 15-16, 2011.

⁴ Real maize prices should also be used to estimate consumption, but price data was not available at this time and will be added to the analysis when available.

correspond closely and suggest that the government price data for Arusha is accurate. Additional checks of the price data would be useful, if data from private millers in other locations could be obtained.

Figure 1. Comparison of Maize Price in Arusha from Govt. and New Boogaloo Ltd.



Source: RATIN and New Boogaloo Ltd.

Maize Consumption Comparisons

According to the government data, Tanzanian maize consumption increased by 1.43 percent per year during 1990-2009 and per capita maize consumption declined by 1.42 percent per year. The relatively slow growth in total consumption and decline in per capita consumption are not consistent with the reported rapid growth in population (2.89 percent per year) and real per capita GDP (1.93 percent per year) during the same period, and this raises serious doubts about the reliability of the official government data. It also suggests that maize consumption grew much more rapidly than reported by the statistics and is much higher than commonly believed. Yield and area data are probably also underestimated.

Based on population and income growth and the estimated income elasticity of demand for cereals in Tanzania obtained from a recent cross-country study⁵, total maize consumption should have grown by

⁵ The U.S. Department of Agriculture recently estimated food price and income elasticities for 144 countries using data for 2005. The analysis uses a two stage demand model that assumes that consumers first make budget choices over broad categories and then for individual items within these broad categories. The estimates for Tanzania are an income elasticity for cereals of 0.563 and a price elasticity of -.413. These estimates are consistent with other

about 4.0 percent per year instead of 1.43 percent per year as reported in the official statistics,⁶ and per capita consumption should have risen from 103.6 kilograms per person/year in 1990 to 129.1 by 2009 instead of falling to 78.9 as computed from the official statistics. Using the growth of population and income since 1990 to simulate the 2009 maize consumption gives a value that is 64 percent higher than the official government estimates (shown in Figure 2)

A second comparison that can be used to check the reliability of the official maize consumption estimates is to use the Household Survey data from 2001. These data are independently collected from the national maize consumption data and provide estimates of per capita maize flour consumption. This estimate can then be scaled up by the milling margin to obtain national average per capita maize grain consumption and population to obtain national maize consumption. The 2001/02 Household Consumption Survey estimated national average maize flour consumption at 240.7 grams per person per day. Using a milling margin of 0.69⁷ to convert maize flour to maize grain and scaling up by population, give a 2001 national average maize consumption of 4.46 million tons instead of 2.45 tons which is 82 percent higher than the official estimate of maize consumption in 2001. Figure 2 shows the official maize statistics, along with the implied consumption due to population and income growth and the consumption estimated from the 2001/02 Household Survey.

The conclusions from this analysis are that the official government estimates of maize consumption substantially underestimate actual maize consumption and since consumption estimates are derived by a balance sheet approach that uses production, trade and stocks to estimate consumption, these data are also likely to be incorrect. The procedure for estimating area, yield and production of maize and other crops is to have village extension agents observe the 900 or so farmers in villages assigned to him/her and visually estimate these variables.⁸ There are no guidelines on how this is to be done and procedures and care with how this is done probably vary.

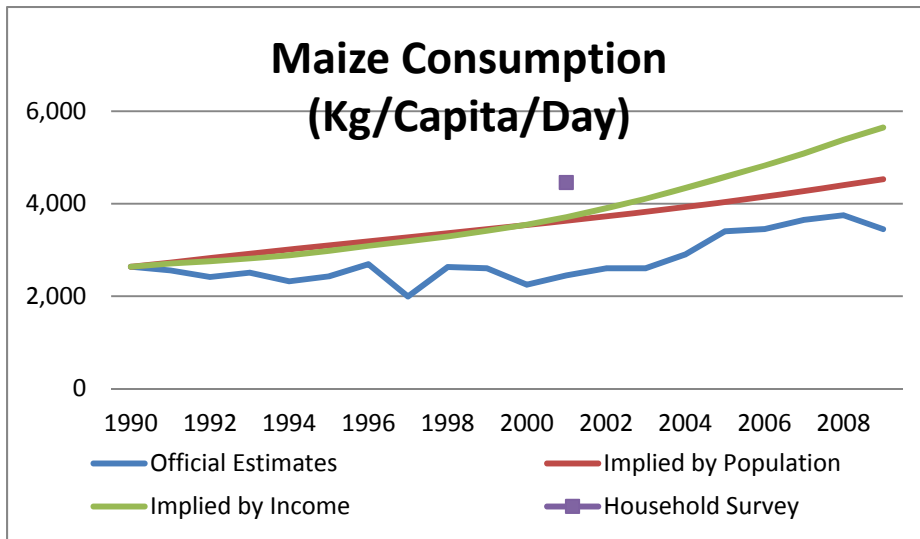
countries with similar income levels and dietary preferences. Source: USDA, ERS, International Food Consumption Patterns, 2005. <http://www.ers.usda.gov/Data/InternationalFoodDemand>.

⁶ Computed from the population growth of 2.89 percent per year plus the per capita GDP growth of 1.93 percent per year multiplied by the income elasticity of demand of 0.563.

⁷ Obtained from the Maize Value Chain analysis prepared for NAFKA by Match Maker Associates as presented on July 26, 2011 at the Sea Cliff Hotel, Dar es Salaam.

⁸ Described by officials from MAFC and NBS at the USAID M&E Workshop on July 13, 2011 in Dar es Salaam.

Figure 2. Maize Consumption from Alternative Sources



Annex 5: Tanzania Secured Financing Reform Trip Report September 2-19, 2011

The first trip of the renewed secured transaction activity under the SERA project of Booz Allen Hamilton took place between September 2 and September 19, 2011 when consultant Yair Baranes visited Tanzania. The main objective of the trip was to kick start the activity after it was halted earlier in the year under the previous umbrella activity BizClir. An additional objective was to generate support among some stakeholders who were not fully exposed to the operation and benefits of secured transitions system as they may operate in Tanzania. The trip included meetings with members of the private and public sector in both Tanzania Mainland and Zanzibar, presentations and to some extent planning of further steps and activities. All objectives were accomplished and the project is now ready to work together with stakeholders towards the implementation of the three parts of the system.

The Legislation – The first pillar

The work on the legal framework started under the previous umbrella activity BizClir. Under that activity the main local counterpart was the Central Bank including the banking community. Significant progress was accomplished with respect to the introduction of the new legislation on secured financing to operate within the context of a larger legal framework. However, because of the break of some 8 months some momentum was lost. During the trip it was discovered that the Central Bank was not sure what kind of assistance it would continue to obtain towards submitting the proposed legislation to the Government. Some members of the working group that worked on the legislation left the Central Bank and other members lost contact.

During the trip a working session took place with a lawyer who worked on the previous project. During that session, preliminary revision on the proposed legislation was done and discussions about any new initiative that might have taken place were also conducted. The conclusion was that no new legislation or amendments to relevant legislation were introduced and therefore this part of the activity can move forward immediately. An important meeting took place also with the head of the previous working group to assess the willingness of the Central Bank and the financial institutions to move forward now with the draft legislation. During the meeting it became evident that there is demand to complete the work and that the Central Bank will likely be willing to move fast with the remaining part of the work and submit it to the Government for legislative procedure. It was also clear that the work and the input of the Central Bank should get the blessing of the Governor of the Central Bank first. The project and USAID will work towards re-establishing these relationships in the very near future. In the meanwhile, the project consultant will get ready for renewed work with the working group on the legislation and the amendments to related legislation. While this pillar is essential for the future success of the overall system, some preparatory work should start in parallel with respect to the other two pillars of the reform as described below.

The Future Registry of Tanzania

The model registry was presented in Dar es Salaam (and to some extent in Zanzibar) in several occasions. The purpose of this was to introduce to the project and stakeholders the simplicity of the system and how it can simplify further the process of credit granting and risk assessment. While the presentations were an overview of the entire activity including its three pillars, the illustration of the results of the reform was usually focused on the operation of the registry and the use of it by creditors including private and public, leasing companies and the public at large.

The presentations were also illustration of the benefit of the activity in terms of advancing and facilitating other activities of USAID and of the Tanzanian Government. For example, it was illustrated how the activity can assist to increase secured credit, tax enforcement and collection, increase compliance and performance of borrowers obligations, enforcement agencies and judiciary strengthening, agriculture and warehouse receipts financing, increase government management capacity, reduce corruption and government spending and increase modern technology use in government. Presentations took place in the office in order to increase familiarity of the project local staff as well as at the USAID mission where USAID staff and implementers attended a presentation. The result was overwhelmingly supportive with various ideas that sprang during the presentation as to how the activity can serve other projects of USAID.

It was decided that soon after the legislation starts to move forward, a simulator of the registry will be posted to start as soon as possible the work on this phase of the project. The intention will be to maximize progress at early stages of the projects due to availability of funds and timing in relation to other expected project activities. Preliminary editing to the system was conducted based on some observations and comments obtained during the presentations.

Building Local Capacity

It was clear even during the last BizClir activity that much effort will have to be allocated to the third pillar of the reform – building local capacity. During a visit to Zanzibar it was clear that while there was a great deal of interest in a reform, the current operation of some financial institutions does not appear to be in compliance with the rules of the Central Banks. The transfer of property ownership to the banks in order to secure credit is risky to the banking sector and not practiced in other known jurisdictions. While the banks do not consider on their balance sheets these types of ownership as property of the bank, the banks bear the risk as property owners since they are the property owners in the land registry.

During the meeting it was evident that there is not only need but also demand for secured financing so to avoid such practices while increasing the collateral value in terms of security of credit. While the concept appealed to the audience, the fact that they were not familiar with its components coupled

with the dangerous practice exercised now showed that much of the work will have to focus on building capacity. It was yet again observed that building capacity will have to include work with the public sector. The complaints heard throughout the trip were that the Government's institutions do not provide any support when it comes to collateral and all registry paper files are simply not searchable and cannot be inspected and many times are lost. Therefore, it is expected that the registry staff, although likely to be minimal in numbers will require attention in terms of providing modern customer service and running electronic web-based registry and archives. It is advisable that during the next visit meeting with judges from the commercial courts as well as enforcement offices are conducted to assess further the extent of training opportunities these counterparts should be given.

Next Steps

- In addition to the effort to reformatize the work with the Central Bank, a work plan shall be constructed and agreed upon for the secured financing activity.
- The work plan should include the overall activities and budget with emphasis on significant progress to be made during the next two and a half years.
- The work plan will be the guide for the steps to follow and implementation progress and will be flexible enough to allow all components to be completed.
- It was agreed that an effort will be done for a second visit during October to take place in order to continue renewal efforts to restart the work with local counterparts as well as to complete any discussions on the work plan.