



Strategic Review

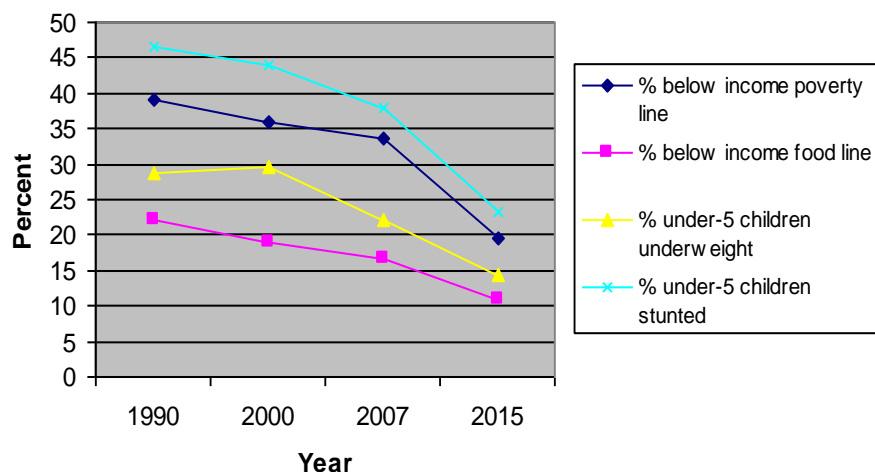
FEED THE FUTURE
October 6, 2010

This presentation represents the preliminary strategic direction of a multi-year, whole-of-government, U.S. strategy to address food security in a Feed the Future country or region. It describes partner country progress and outlines how U.S. investments will align in support of partner country priorities. This document has not yet been approved or funded but will form the basis of a multi-year strategy in development.

1. Problem Statement
2. Analysis of Underlying Causes
3. Country Readiness
4. High Impact Intervention Potential
5. Proposed USG Engagement

Tanzania will not meet MDG1 goals without broad-based growth

Poverty and malnutrition 1990-2015



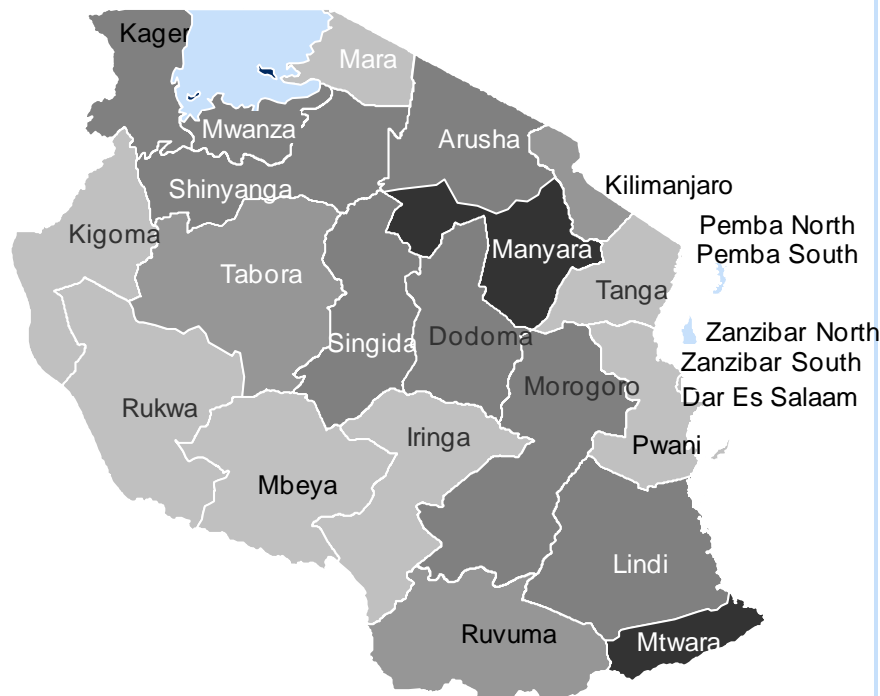
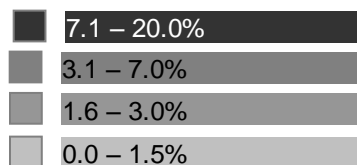
- 33.6% live below basic needs poverty line
- 16.6% live below the food poverty line
- 38% of children >5 suffer from stunting; 22% underweight
- Central-Northern regions and southern coast have highest incidence of poverty

Distribution of Households in the Poorest Wealth Quintile

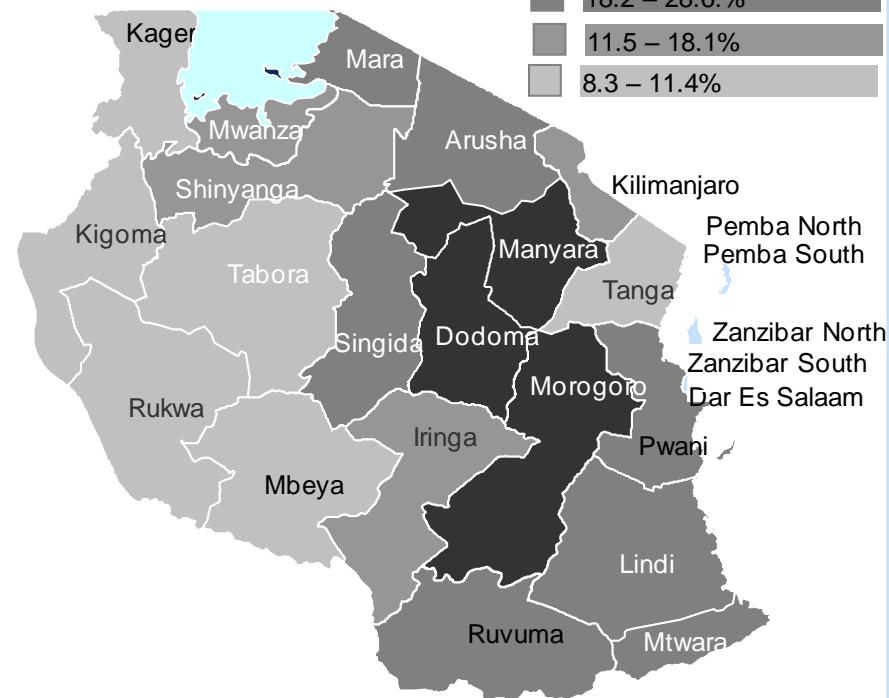
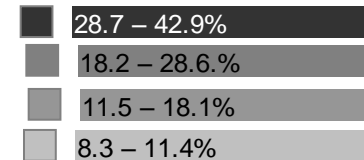


Poor and Borderline Food Consumption in Tanzania

% Households with poor food consumption



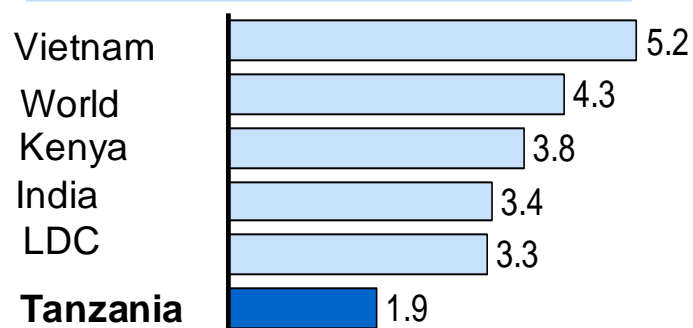
% Households with borderline food consumption



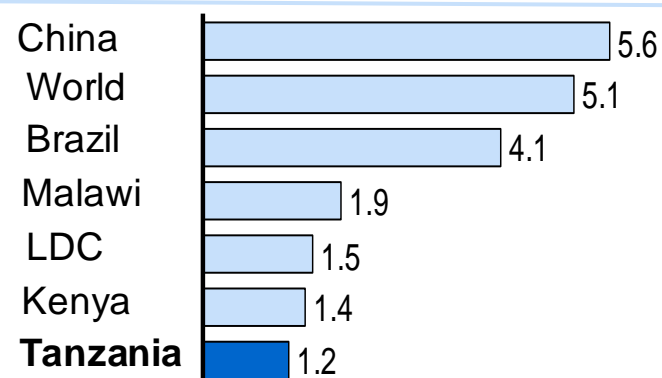
Country Context

A. Low productivity

Rice yields (paddy)
Mt/ha, 2008



Maize Yields
Mt/ha, 2008



B. Poverty: 33.6% live below basic needs poverty line

C. High population growth rate: Annual population growth rate = 2.88% (2008)

D. Inadequate Policy: e.g. Export ban, land tenure

E. Inadequate Infrastructure: Roads, power, irrigation

Food Security and Health Linkages

- Malnutrition underlies at least 1/3 to 1/2 infant and child deaths in Tanzania
- Nutritional status of children under-five showed little change from DHS 2004/5 to 2009/10
- 35% of children under-five are stunted and 21% are underweight
- Access to appropriate food is limited for up to 70% of the population
- Exclusive breast feeding up to six months can prevent 13% under-five mortality but only 23% of infants 4-5 months of age are exclusively breastfed
- Use of modern contraception increasing from 7% (1992) to 27% (2010); unmet need for family planning is high
- If rapid population growth is not addressed, food production will need to increase from 13 million metric tons (2004) to 24 million metric tons in 2025

National Strategy

- Food Security Policy was enacted in 2009; Agriculture Sector Development Strategy (ASDS) in place since 2006 and is being reviewed through the CAADP process

Policy Environment

- GoT prepared a Business Environment Roadmap in 2010 to expedite policy reforms
- USG is engaging GoT on critical policy barriers, including the reoccurring export ban

CAADP

- CAADP Compact signed in July 2010
- Preparation of Tanzanian Agriculture and Food Security Investment Plan (CAFSIP)
- GoT 2010 budget share for agriculture is 7%; 2012 projection is 10%

Donors' Coordination

- Donor Partner Group - Agriculture signed CAADP compact and working in partnership with GoT on implementation (USG, ADF, FAO and Ireland funding CAADP development)

Private Sector Engagement

- Southern Agricultural Growth Corridor (SAGCOT) will be a significant priority in the CAADP investment plan
- Private sector driven Kilimo Kwanza – “Agriculture First” initiative stimulates reform

Institutional Capacity

- Inter-ministerial food security coordination committee in place
- The Agriculture Consultative Group facilitates a dialogue between the GoT, donors, private sector, farmer organizations and civil society
- Annual reviews in sector performance and public expenditure

Tanzania Embraces Agricultural Transformation in 2009-2010: A Year of Dramatic Policy Shift and Increased Momentum

June 2009: Private Sector launches ***Kilimo Kwanza*** – “Agriculture First” initiative which is embraced by Government of Tanzania (GoT).

August 2009: USG completes first phase consultative process with GoT, private sector and donors on emerging Feed the Future Initiative: response extremely supportive.

May 2010: Prime Minister’s Office, in coordination with private sector, launches the ***Southern Agricultural Growth Corridor of Tanzania*** (SAGCOT) program at the World Economic Forum meeting in Dar es Salaam. USAID now on steering committee.

July 2010: ***CAADP Compact*** signed and fast track process adopted for Investment Plan development.

The “sleeping giant” is waking up
and is proving itself ready for growth

Challenges and Opportunities to Decrease Poverty and Malnutrition through Agricultural Growth

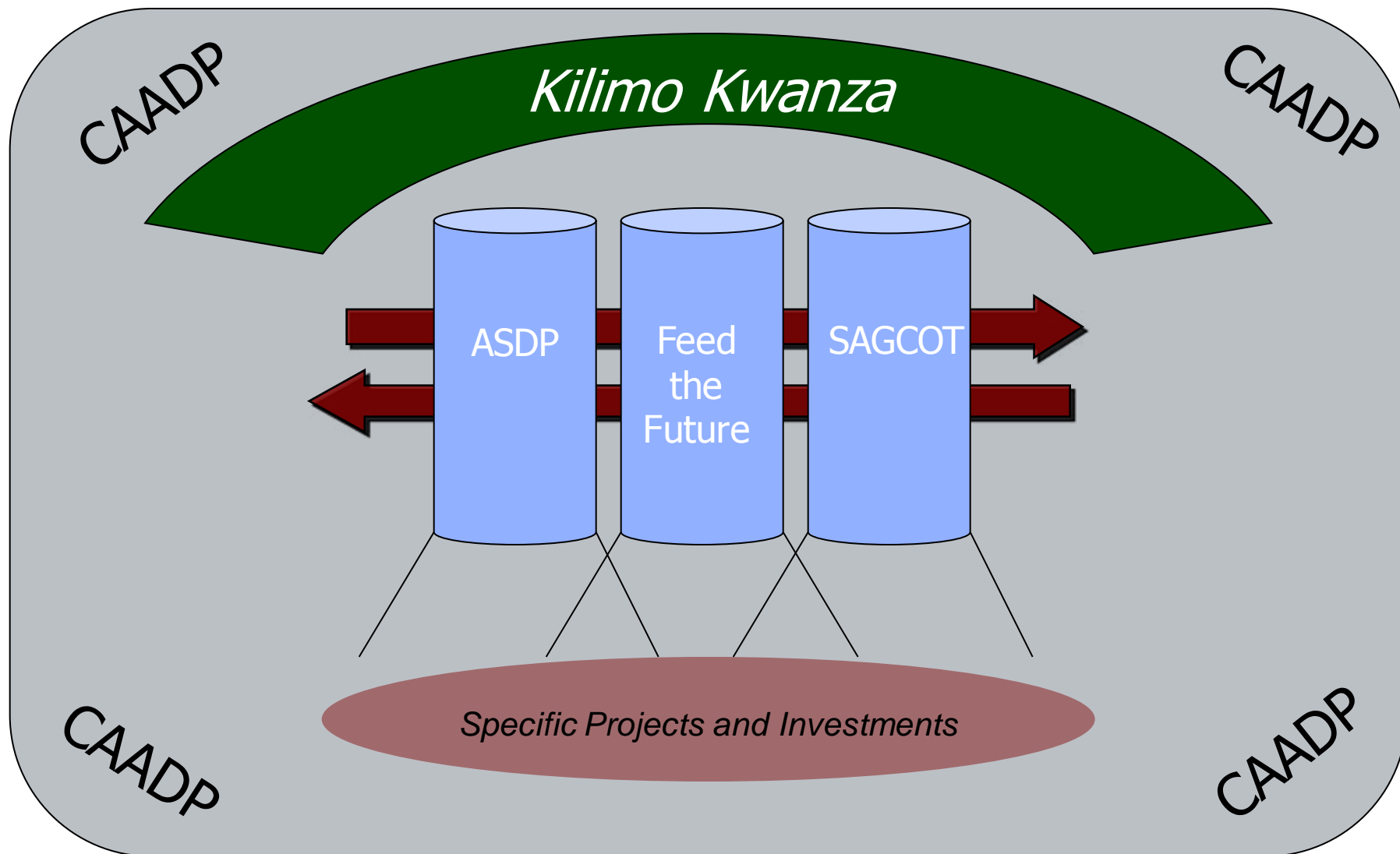
Key challenges

- Based on recent trends, Tanzania will not meet MDG1 targets
- Recent GDP growth has not contributed to poverty reduction
- Agricultural output has failed to keep pace with population growth
- Climate change impacts could pose serious threats to subsistence farmers, including prolonged drought as well as extreme and unpredictable weather events
- Access to inputs and poor infrastructure
- Gender inequality
- High population growth

Notable opportunities

- Private sector engagement
- Land, water and labor
- Social and political stability
- Significant productivity increases are possible
- Active engagement of women small-holder farmers
- Well positioned geographically to support regional food security
- Country readiness for agricultural transformation as evidenced by recent progress on CAADP

Tanzania's Strategic Landscape for Agricultural Development



Improving ASDP through CAADP

Agriculture Sector Development Programme

Objective: Achieve sustained agricultural growth rate of 5% per annum by transforming the sector from subsistence to commercial enterprise through private sector led participation

Progress indicator (2008-12)

Target
Percent

- | | |
|---|-----|
| • Annual Agriculture growth rate | 5 |
| • Decrease in % of rural population below poverty line | -18 |
| • Decrease in % of rural population below food poverty line | -9 |

• Addressing ASDP Shortfalls through the CAADP Process:

- Adoption of inclusive aid delivery modalities (basket fund, projects and private sector)
- Addressing malnutrition
- Increase private sector engagement
- Accelerate policy reforms

CAADP Pillars

Sustainable
land and
water
management

Improving
market
access

Improving
food security
and nutrition

Improving
agricultural
research
dissemination
/adoption

Institutional
strengthening

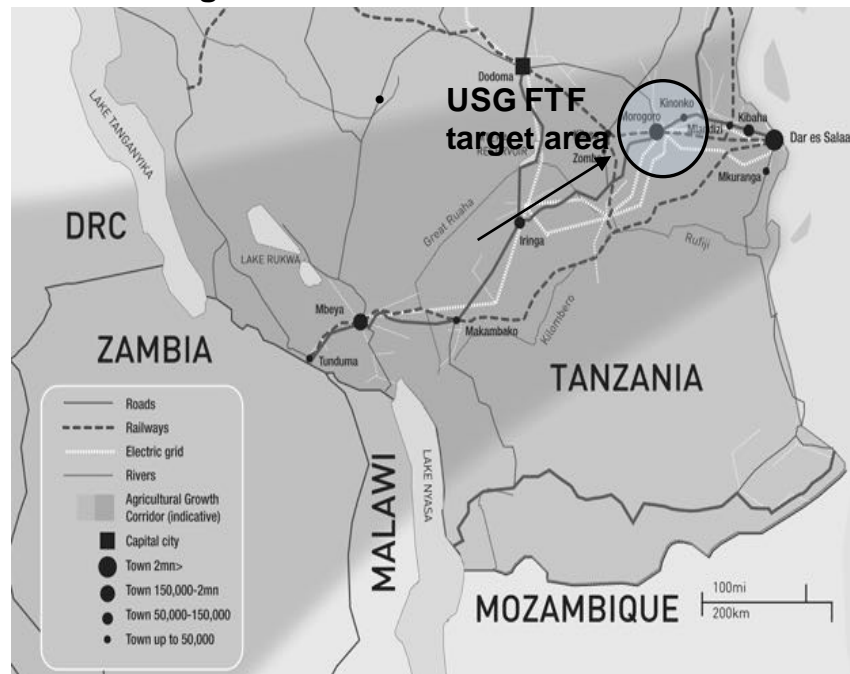
Southern Agricultural Growth Corridor of Tanzania (SAGCOT)

- A public-private partnership which aims to boost agricultural productivity in Tanzania and the wider region
- Considerable traction and private sector involvement in leadership
- Morogoro is an important cluster for SAGCOT with potential partnerships in rice, horticulture and agro-processing
- USAID participation in SAGCOT is critical to attracting investment and forging a cohesive strategy for engaging the private sector and testing policy reform interventions

Potential development “lift off” effect in Morogoro where Feed the Future and SAGCOT programs leverage impact!

SAGCOT Partnerships

Southern Agricultural Growth Corridor of Tanzania



- **Public-Private Partnership between GoT, donors (USAID & Norway), and the following companies: General Mills, Yara International, Unilever, Syngenta, DuPont, Land 'O Lakes, Monsanto, and SAB Miller**

Leverages Other Donor Work



- Building an irrigation scheme in Morogoro
- Establishing training center for irrigation technicians
- Supporting engineering designs for schemes



- Building regional center of excellence in rice research in Morogoro
- Supporting food fortification policy reform



- Credit co-guarantees
- Considering partnering with USG to develop Ifakara-Mlimba road to connect irrigation schemes to markets



- Provide capacity building to farmers in irrigation schemes

Donors plan to engage in a number of complementary activities, but few are investing big in irrigation and/or taking a private-sector led approach to value chain activities

Prioritizing Value Chains for Broad Based Growth

Rice to Spur Growth

- High potential for sector growth through trade and the multiplier effect in agro-processing
- Both food and cash crop for household income and food security
- Potential multiplier effect in employment generation through agro-processing
- Potential synergy with horticulture
- Potential for leveraging funding and collaboration with other donors, e.g. Japan
- Attractive to private sector investment in agro-processing and out-growers schemes

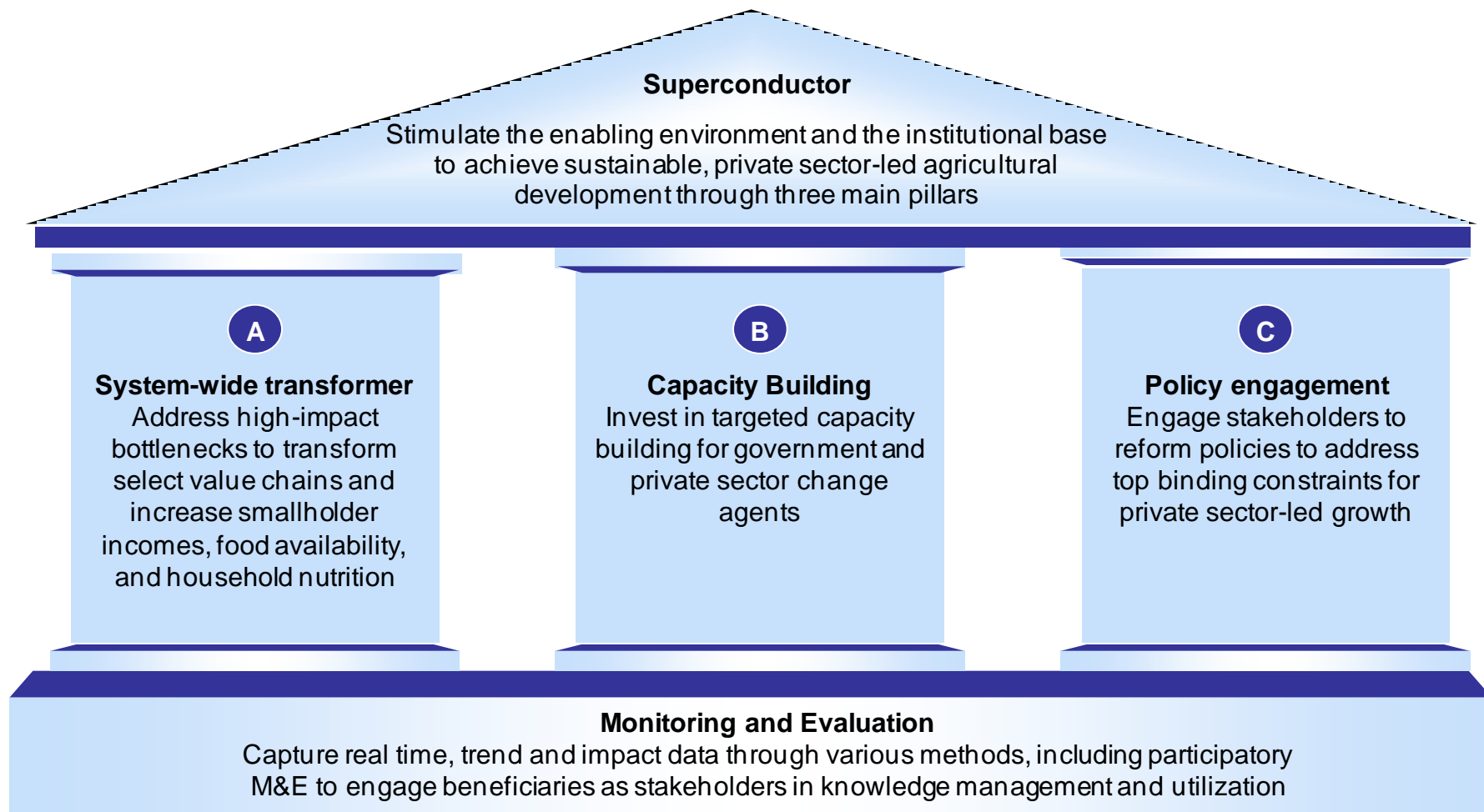
Maize for Food Security

- Lower capital investment and hence greater participation by small-scale millers and ultra-poor households
- Potential for enhancing nutrition through fortification
- Blending of maize with sorghum, millet and cassava would increase overall food supply
- High potential synergy with food assistance through local procurement

Horticulture for Nutrition and Income

- Impact nutrition by addressing deficiencies in micro-nutrients
- Greater engagement of women
- Building on previous USAID experience
- Alternate cropping with rice in irrigation schemes
- Leveraging private sector investment in agro-processing through SAGCOT

USG/Tanzania: Theory of Change

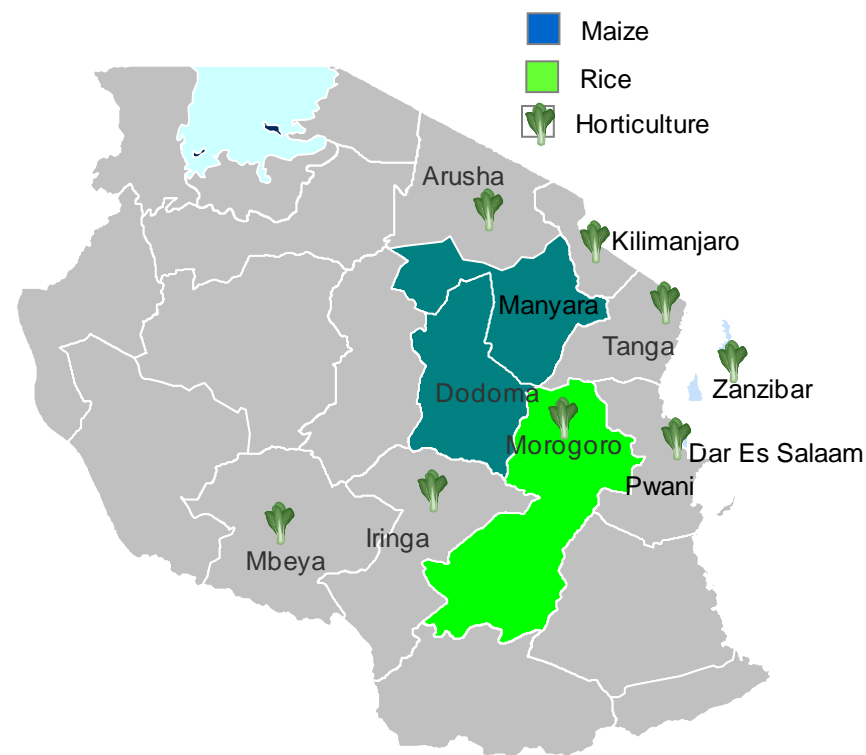


FTF Target Areas: Chronic Food Insecurity and Poverty with High-Growth Potential

Geographic targeting criteria

- Moderate to high levels of food insecurity and poverty, but with high potential for growth
- Proximity to transport corridors for market access and impact on nearby food insecure areas
- Lack of investment by other donors
- Water resources and climatic conditions for appropriate for value chain selection
- Opportunity for high impact on “productive” poor
- Areas prioritized by GoT and private investors
- Ability to achieve scalable high growth impact in focused areas. (May consider narrowing horticulture geographic focus to Arusha, Kilimanjaro & Morogoro.)

FTF Target Regions



Strategic Focus: Value Chain Development, Capacity Building and Policy Engagement

Model for change

“Invest big” in rice as primary value chain

- Target 2 districts to make big investment in transforming productivity of rice value chain
- Begin with rehabilitation of existing schemes and expand from small to larger schemes

Invest in horticulture as secondary value chain; targeted at improving gender outcomes

- Invest in Northern/Southern Highlands/coast region to improve productivity and reduce post-harvest losses (TA, market hubs, women farmer association capability building & farmer field schools, private sector-farmer-market links)

Targeted intervention in maize as secondary value chain

- Target 2 districts for high-impact maize intervention to improve yield: improve rural roads, farmer access to private-sector services (warehouse receipts, mechanization), and capacity of millers for fortification

Policy reforms, institutional strengthening and monitoring and evaluation

High-level government policy making capacity for CAADP investment plan

- Provide topical experts (e.g., for nutrition, ag growth/investment options, vulnerability mapping) and fund research for priority policy areas to support government in developing comprehensive, actionable plan
- Targeted training (150+ critical change agents) on critical food security/agricultural growth topics

Long-term government capability building

- Provide topical experts to build government capacity for policy-making, analysis, and implementation
- Build/support mechanism for government-private sector engagement (TA, study tours, exchange program)

Engage on 3-4 top “binding constraints” in agriculture aligned with USG and GoT efforts

- Partner with civil society, GoT, private sector to pursue policy reform priorities identified in AgCLIR/Tanzania
- Build capabilities of 1-2 private sector associations to evaluate impact of current/proposed policies, conduct M&E, and advocate for reform (potentially the Agriculture Council of Tanzania and the Tanzania Horticulture Association).

A System-wide trans-former (value chain)

B GoT Capacity building

C Policy engagement

Capacity Building and Policy Engagement

Mainstream nutrition into agricultural development agenda

Description

- Work with GoT to integrate nutrition into agricultural growth agenda based on:
 - Modeled targets for nutritional improvement attributable to agricultural interventions
 - Innovation in extension services for improving diet diversity, post harvest handling, storage and utilization

Rationale

- Lack of diet diversity drives the malnutrition burden in Tanzania; nutrition is a GoT priority, but significant challenges exist regarding actionable next steps
- Ministry of Agriculture is in process of hiring 10,000 new extension works. Opportunity to connect them with District nutrition officers, US Peace Corps volunteers, etc for widespread agricultural nutrition campaigns

Taxes and export barriers

- Work with GoT and stakeholders to reform taxation policies that produce perverse incentives
- End long running and confusing policy on export bans

- Periodic export bans prohibit market access and create uncertainty for private investment
- Ill formed taxation and bans reduce incentives for increasing production volumes; lack of reliable markets discourage financial organizations from lending to farmers

Commercial release of new seed varieties

- Work to streamline the approval process for commercial release of new and improved seed varieties

- Improved seed can increase yields without incurring significant extra costs
- Existing process is cumbersome due to legislative requirements and numerous government departments involved

Rice as the Primary Value Chain

More detail
on following
pages

Our reasons for selecting rice

Evidence

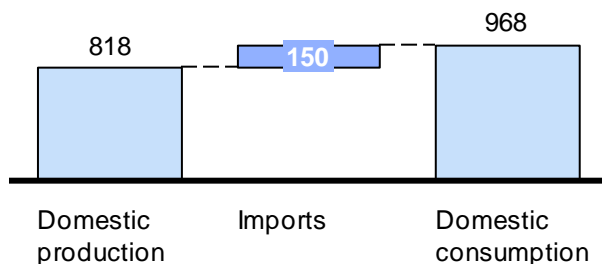
1 Top GoT priority	<ul style="list-style-type: none"> National Rice Development Strategy emphasizes: <ul style="list-style-type: none"> importance of achieving self-sufficiency in rice need for irrigation goal to double rice production and productivity by 2018
2 Potential for growth through increasing local/regional demand	<ul style="list-style-type: none"> Growing local per capita consumption (CAGR 2.4%) Regional demand growing at 6% p.a.
3 High potential for impact due to low yields	<ul style="list-style-type: none"> Average yields in target districts .89 Mt/ha; lower than national average of 1.9 Mt/ha and regional average of 3.2 Mt/ha Previous ASDP irrigation efforts more than doubled yields (1.9 to 4.5 Mt/ha)
4 Synergies with donor activities, unmet need private sector driven value chain approach, and representative example of USG's "superconductor" role	<ul style="list-style-type: none"> Target districts Kilombero and Mvomero located in Southern Agricultural Growth Corridor of Tanzania (SAGCOT) World Bank funding Regional Center of Excellence for rice in Ikafara; JICA providing intensive TA to farmers/GoT Few donors taking private sector driven value chain approach to rice
5 Productivity increases will improve smallholder income and access/availability for local consumption	<ul style="list-style-type: none"> 18% of agricultural households grow rice 2nd highest share of household consumption 80% of rice household consumption from purchase not production Increased production will stabilize prices, improving access and availability Rehabilitation of up to 47,000 hectares for irrigation could benefit ~80,000 farmers

The High Potential of Rice to Drive Growth

Current productivity is insufficient to meet growing local demand ...

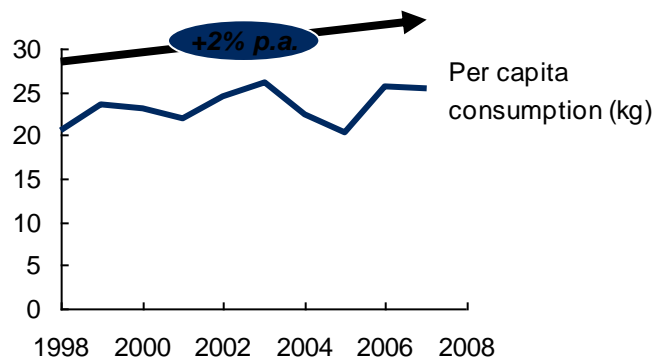
Estimated rice production and demand

(Milled) metric ton, '000s, 2007



Per capita rice consumption

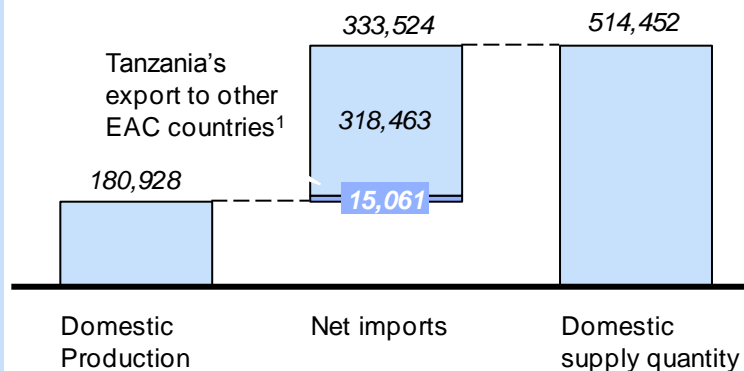
(Milled) kg, 1998-2007H



... with growing regional demand

Estimated EAC rice production and demand

(Milled) metric ton, '000s, 2010



- Regional demand is growing at 6% p.a.
- Majority of rice production is concentrated in W Africa; Tanzania is the biggest producer of rice in the region with production in other EAC countries growing much slower
- Most rice is **still imported from outside the region from Pakistan, India, and Vietnam**

¹ EAC includes Tanzania, Kenya, Uganda, and Rwanda

Tanzania's Regional Competitiveness in Rice

- ✓ In Africa rice production is concentrated in West Africa and Egypt
- ✓ Tanzania is surrounded by countries that are net importers of rice
- ✓ In East, Central and Southern Africa, Tanzania is second to Madagascar in rice production
- ✓ Wholesale rice price in the region ranges between \$700 - \$1000 per ton which is at the same level with traditional exports such as cotton and tea
- ✓ Africa spends \$2 billion annually on rice imports
- ✓ A regional analysis by Cornell University (2007) indicated that Tanzania has a comparative advantage in rice production but the country needs to enhance its competitiveness
- ✓ Addressing policy constraints and infrastructure bottlenecks is critical to enhancing country's competitiveness
- ✓ Feed the Future target regions are along transport corridors
- ✓ Rehabilitation of rural roads would further enhance country's competitiveness

Targeted Investments in Horticulture to Drive High Growth Impact

Targeted horticulture interventions include ...

- Provide TA for nutritional information and value-added processes (e.g. planting, grading, quality control)
- Build capabilities of producer group associations
- Organize subcontracts to private sector firms/orgs.
- Create upstream linkages to markets, private sector

Rationale for program size and scope

- 1 Strong private sector association exists (TAHA)
- 2 Higher returns possible with smaller scale
- 3 Will shift toward irrigation focus areas over time
- 4 Infrastructure/distribution channels previously established can be leveraged for wide variety of fruits/vegetables
- 5 Horticulture has highest potential to engage women farmers & possibilities for home perma-gardening for diet diversification

What we know

- TAHA has strong national presence, strong membership and history of effectiveness
- Investment in ~34,000 farmers with little investment needed for large infrastructure
- Irrigation schemes targeted already include fruit/veg production
- Morogoro region largest planted area of tomatoes, cabbage, cucumber and cauliflower
- Provides additional dollars to private sector pack houses during low volume seasons
- Current horticulture program proven results and scaling up now. Women are 80% of participants.

Importance of Horticulture in Improving the Livelihoods of Women

Horticulture can reduce many of the barriers women typically face in agriculture ...

- 1 Barrier: Women often have difficulty accessing land for agricultural productivity**
- 2 Barrier: Women often do not participate in more profitable areas of the value chain, e.g. engage in marketing**
 - Horticulture often intercropped with other crops considered “men’s” crops, e.g. rice
 - Women have greater opportunities for control over marketing of horticulture crops
- 3 Barrier: Labor intensity (physical and time intensity) can create additional burden for women**
 - Depending on the crop, horticulture can be less labor intensive
 - Perma gardening (intensified home gardens) reduce labor time; cultivation time is flexible and allows for important household/family tasks like breastfeeding, cooking and water fetching

... and will serve as a vehicle for understanding gender impacts, both intended and unintended

- **M&E program to understand impact of horticulture on gender inequality, asset disparities, and rural livelihoods**
 - USAID/Tanzania has proposed our horticulture program for inclusion in a 3 year M&E program implemented by IFPRI/funded by Gates Foundation
- **Additional questions to consider for integrating gender into program/value chain design**
 - Who has the access/control of assets and resources; if applicable, how can that control be re-balanced?
 - What are the biggest barriers for women accessing finance and how can they be addressed?
 - What non-agricultural barriers, i.e. family planning, hinder agricultural productivity?
 - How can women be change agents for improved utilization and nutritional outcomes?
 - How to avoid negative unintended consequences, e.g. lack of time for breastfeeding and increasing risk of HIV/AIDS through contact with traders, etc.

Transformational Change through FTF

High-level capacity provision

- ASDP/CAADP Investment Plan outcomes defined in 2010 plan achieved by 2015 to at least 80% level (poverty, growth, nutrition indicators)

Policy reform

- Comprehensive nutrition strategy integrated across Ministries (and building upon existing National Nutrition Strategy) developed by 2011
- Tax reform achieved and export bans removed
- Secured Transactions Reform law allows for greater access to credit by women; land tenure reform to reduce barriers to asset control for women

Systems transformation

- As a result of interventions in target region, we anticipate nationally:
 - 25% increase in rice production
 - 10% increase in maize production
 - 20% increase in horticulture production

Nutrition

- Targets TBD after Mission level nutrition assessment/strategy

Interagency Engagement to Combat Food Insecurity



Design of program alignment options will begin in October 2010 for Food for Progress and potential technical assistance in the areas of sanitary and phytosanitary systems, microfinance and agricultural extension



State Department - facilitate trade through AGOA, especially for horticulture and promote American investment in agriculture in Tanzania; advance policy reforms through high level interventions with GoT; leadership on FTF by Ambassador Lenhardt



Utilizing African Development Foundation's technical expertise in business development services and grant funding to marginalized and underserved groups for staples and horticulture value chains



Draw upon MCC infrastructure project and procurement experience in local and international markets; regional roads funded by MCC will facilitate trade in target FTF areas



Exploring options for agriculture volunteers to develop capacity of district extension workers focused on perma-gardening techniques and promotion of the AVRDC "Healthy Diet Gardening Kit" to improve household nutrition (goal: 1000 farmers/year reached per volunteer)