

Aid for Trade

How Can Trade Facilitation Promote Export Diversification: Agriculture and Agri-business

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Presentation

Areas of focus

A Case of Tanzania

Agriculture and agribusiness sector

Supply side constraints

Focus and targets of past DP support

What Tanzania ought to do to diversify agricultural exports [LDCs]

Suggestions of how Development Partners could help through aid

Source of Examples: Tanzania



Area	942,800 sq km
Population	35 million
Arable land	94.5 mill ha
Cultivated land	10.8 mill ha
GDP per capita	US \$ 300
Agric to GDP	50%
Agric Exports	60%
Agric Employment	80%



AID FOR TRADE TO A TYPICAL AFRICAN COUNTRY

Tanzania's Share of Aid for Trade	2004 US \$ million	Share in the World (%)	Share in Africa (%)
<i>Trade Policy & Regulations (WTO)</i>	6.7	0.8	5.3
<i>Trade Development (Supply side)</i>	47.6	2.2	10.8
<i>Infrastruture (Transport, Commun.)</i>	301.8	2	11.3

AGRICULTURE RECEIVES ONLY A SMALL PORTION OF THIS

Aid in the agriculture sector

- Major Dev. Partners and GoT are still driven by the poverty reduction goal
Aid is hence targeted to enhance household food security
Not eyeing agribusiness & commercialisation as a viable course
- Principally the support goes to primary production
The lower end of the supply chain
- Main injections are in supplying inputs and primary production technology
Significantly to traditional export crops [since colonial era]
Coffee, cotton, tea, cashews
Minimal on enhancing capabilities relevant for higher value addition
Minimal towards support to diversify the agric. export portfolio
- Very little intervention is based on the premise that the recipients are commercial business entities

Ten Largest Exports Items from Tanzania (Shares %)

-Note the decline in share of overall agric export – see the traditional crops

-Note the emergence of growth in the share of Gold exports

Product	1999		2000		2004	
	A	B	A	B	A	B
Gold			17.0	0.5	36.0	1.7
Fruits and nuts	2.0	0.1	13.0	0.3	5.0	0.3
Coffee	19.0	0.9	13.0	0.7	3.0	0.6
Fish			10.0	0.3	8.0	0.4
Pearl-precious stones	2.0	0.0	9.0	0.1	3.0	0.1
Tobacco	4.0	0.3	6.0	0.7	3.0	1.0
Cotton	18.0	0.8	6.0	0.5	5.0	1.0
Tea	6.0	1.0	5.0	1.0	2.0	1.1
Vegetables	3.0	0.1	2.0	0.1		
Seeds - oil			1.0	0.1		

A=Share of country's merchandise exports (%) B=Share in world export (%)

Source: UNCTAD Handbook of Statistics

What should TZ [SSA DCs] do to promote export Diversification – Agric & Agribusiness?

Change Ag. Dev. strategies to address agriculture export diversification

- **Have a *Specific* Agricultural and Agri-business Export Strategy.**
- **‘Mainstream’ Ag-Trade in the Dev. Agenda, e.g. raise profile of the DTIS.**
- **Pursue it with much more business acumen.**

Elements:

Endogenous sources of growth are the most crucial; aid will only help

Accept the significance of SSC & B-the-B constraints vis-à-vis access barriers

Appreciate the limits to which traditional smallholder rain-fed agriculture can play a role in agricultural export diversification – promote alternatives

Support post harvest value adding, agricultural SMEs & accompanying export promotion strategies for the sub-sector

Correctly define ‘exports’, place due weight on regional markets

Forge strategic regional initiatives for promotion of agri-business trade

Develop infrastructure to buttress quality assurance, sanitary and phyto-sanitary standards: Include strategic logistics systems

Include intra-country and regional infrastructural development projects

Development partners support

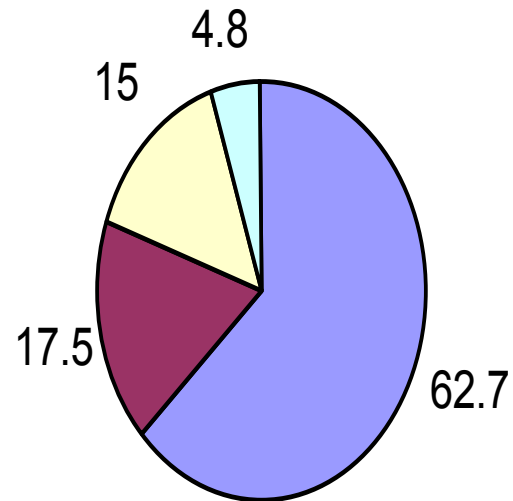
AID DELIVERY : TANZANIA

- Great aid dependency: **40% of Govt budget**
- History: **A plethora of widespread projects and programmes**

TO CHANGE THE SITUATION

- Aid Effectiveness Initiatives: **JAS in TZ is an instrument for consolidating aid delivery**
IF, DTIS, and JITAP provide sound frameworks for harmonisation
- National Policy: **NSGPR instead of PRS**
- In agriculture and agri-business: **Sector strategies – Ag-SWAP**
- Donors Coordination: **Aligning along sectors as per their comparative advantages**
ASDG - Dev. Partners Coordination
FAWSWOG – Dev. Partners & GoT Platform

Where does aid go?: Commitments by donors 2000-2004 to TZ , Percent



■ Social infrastructure and services ■ Production Sectors
■ Economic infrastructure and services ■ Other & multisector

How Dev. Partners Could help to Agricultural trade and Agribusiness

- **Enhance aid effectiveness for agricultural exports diversification**

- Aid for trade ought to acquire deserved importance; the intended increase in volumes of aid ought to capture domestic capacity strengthening
- Supply side constraints should feature more strongly, interventions should however have clearer and succinctly apparent links with trade.
- Diversify aid to agriculture sector beyond primary production – much bigger support is needed in post harvest value adding nodes along the supply chains
 - *Address agribusiness*
 - *Address whole value chain [Principal – Agent Relationships]*
- Despite due weight to be placed on SSC and BB issues by developing countries, DC ought to work on policy coherence, and raise the following agenda items
 - *Continue the dialogue on **market access***
 - *Access frustration can easily stifle efforts made to resolve SSC & B-t-B issues*
- Further pursue aid delivery harmonisation:
 - *Adopt recipient countries systems for direct interventions,*
 - *Sector focus and avoid the ‘projects’ as much as is feasible*

Thanks for the Attention