

DEVELOPMENT CO-OPERATION DIRECTORATE

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Unclassified**EFFECTIVE SUPPORT FOR AGRICULTURAL DEVELOPMENT: JOINT STUDY VISIT TO TANZANIA****China-DAC Study Group**

The China-DAC Study Group was formed in 2009 to share knowledge and exchange experiences on promoting growth and reducing poverty in developing countries, including how international assistance can be effective in supporting this objective. As a component of its work programme for 2011-12 [see: DCD(2011)5], the Study Group is preparing a Roundtable discussion, to take place in Beijing in early 2013, on providing effective support for agricultural development.

To provide an evidence-based input for this Roundtable discussion, a joint study visit to Tanzania took place from 24 to 28 October 2011. The team from China and some DAC members in the Study Group had a series of meetings with Tanzanian government officials, development partners and civil society organisations. The team also made site visits to projects supported by China and some DAC member countries. This report (which is only available to download in pdf format) presents the background for the joint study visit, key information about Tanzania's agriculture, an overview of the activities visited and the main findings from the visit.

Further information on the China-DAC Study Group and its activities is available on the Internet at: www.iprcc.org or www.oecd.org/dac/cdsg

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China-DAC Study Group

Effective Support for Agricultural Development

Joint Study Visit to Tanzania

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The **China-DAC Study Group** was formed in 2009 to share knowledge and exchange experiences on promoting growth and reducing poverty in developing countries, including how international assistance can be effective in supporting this objective. Facilitating mutual learning on poverty reduction is the Study Group’s key principle. The Study Group comprises experts and officials from China and members/observers of the OECD’s Development Assistance Committee (DAC) with detailed knowledge and operational experience of DAC donor support as well as of China’s aid to foreign countries. The Study Group is supported by the International Poverty Reduction Centre in China (IPRCC) and the OECD, which form a joint secretariat. The Study Group seeks to involve African institutions in its activities.

Further information on the China-DAC Study Group and its activities is available on the Internet at: www.iprcc.org or www.oecd.org/dac/cdsg

Overview

The China-DAC Study Group's work plan for 2011-12 focuses on facilitating mutual learning between China and DAC members/observers on how to deliver quality aid to support more effective development and poverty reduction in developing countries. Improving the quality of foreign assistance is an objective for both China and the DAC. As highlighted in its 2011 *White Paper on Foreign Aid*, China is working actively to optimise the country's foreign aid structure and improve the quality of its foreign aid. As part of its mandate, the DAC seeks to enhance the quality and effectiveness of development assistance, particularly regarding pro-poor economic growth and poverty reduction.

As a component of its work programme for 2011-12, the Study Group is preparing a Roundtable discussion in Beijing on effective support for agriculture, including the contribution of international assistance. The purpose of this knowledge and experience-sharing exercise is to identify, promote and align DAC members' and China's activities that support national efforts to achieve agricultural sector growth and poverty reduction goals. In order to provide an evidence-based input for the Roundtable, a joint study visit to Tanzania took place from 24 to 28 October 2011. The team from China and some DAC members in the Study Group (see Annex 1) had a series of meetings with Tanzanian government officials, development partners as well as civil society organisations. The team also made site visits to projects supported by China and some DAC member countries (see Annex 2 for the visit programme).

This report presents the background for the joint study visit, key information about Tanzania's agriculture, an overview of the activities visited and the main findings from the visit. The main findings are derived from the observations and discussions among the joint study team members and do not necessarily represent the opinions of any team member, nor the position of any of the team members' organisation.

In general, the visit to Tanzania enabled the joint study team to learn more about and better understand different approaches to supporting economic growth and poverty reduction in Tanzania through agricultural development. The Tanzanian government's efforts to improve and strengthen its co-ordination framework in concert with development partners' contributions was particularly noteworthy, as was the level of self-help in the communities visited in the Morogoro region. At the same time, the joint study team noted some important dilemmas related to harmonisation, sustainability, co-ordination, ownership, conditionality and management of Tanzania's external assistance (see pages 15 to 17).

Based on its visit, the joint study team also formulated some suggestions for consideration of possible future actions to expand collaboration and increase co-ordination among Tanzania, China and DAC members, as well as Tanzania's other development partners (see page 18).

The Context for Agricultural Development in Tanzania

Over the last decade, the Tanzanian economy has been growing at 6 to 7% per annum. Nevertheless, about one third of Tanzanians still live in poverty and malnutrition is high, with stunting rates among children under the age of 5 at 42% and maternal anaemia at 58%. Agriculture employs around 75% of Tanzanians, most of whom are women, but only contributes one third of gross domestic product (GDP); recent growth has mostly occurred in other sectors (e.g. mining) or in crops not often grown by smallholders (e.g. tobacco).

Agriculture is the backbone of the economy but faces a number of constraints that hold back its potential contribution to promoting growth and reducing poverty. Tanzania's agriculture is dominated by smallholder farmers cultivating an average farm size of between 0.9 hectares (ha) and 3.0 ha each. About 70% of Tanzania's crop area is cultivated by hand hoe, 20% by ox plough and 10% by tractor. Tanzania's agriculture is mostly rain fed and food crop production dominates (85% of the 5.1 million ha cultivated annually is under food crops). The major constraint facing Tanzania's agriculture is falling labour and land productivity due to the use of poor technology and dependence on unreliable and irregular weather conditions (both crops and livestock are adversely affected by periodic droughts). Other constraints that collectively tend to discourage investment include taxes on producers and local government levies on farmers and livestock keepers, difficulties with using land as collateral, few incentives for commercial banks to lend to the agricultural sector and a changing policy environment (e.g., exports of privately produced food crops have sometimes been banned).

Tanzania's agriculture has been underperforming despite its 3.3% growth rate since 1985, largely derived from area expansion. Considering that the overall GDP growth target for halving abject poverty by 2010 is in the range of 6% to 7%, this performance falls short of the needed growth. As most farmers rely on subsistence farming, they avoid taking risks that could help them move out of poverty but would also contribute to making agriculture a more dynamic sector in the economy. Improved irrigation is key to stabilising agricultural production in Tanzania, which in turn will improve food security, increase farmers' productivity and incomes as well as facilitate production of higher value crops, such as horticultural products.

Recent reforms have impacted significantly on the agriculture sector which is being opened up to private investment in production and processing, input importation and distribution, and agricultural marketing. Thus, farmers are no longer confined to a single source for their essential inputs for crops and livestock, producer prices for food and export crops have increased and farmers can sell their produce much faster. The government retains regulatory and public support functions or a facilitation role.

The Tanzanian government recognises the pivotal role of the agricultural sector, both in terms of economic growth and poverty reduction. Tanzania's second National Strategy for Growth and Reduction of Poverty (known as "Mkukuta II") stresses that agriculture can and should play a more important role in supporting Tanzania's economic transformation and in lifting many poor people out of poverty.

To help realise this potential, the government recently endorsed the private sector-led "Agriculture First" ("Kilimo Kwanza") initiative as well as plans for a Southern Agricultural Growth Corridor of Tanzania (SAGCOT), a new public-private partnership. These strategies are being linked to the Agricultural Sector

Development Programme (ASDP) through Tanzania's investment plan under the Comprehensive African Sector Development Programme (CAADP).

At a more practical level, the government is giving priority to a range of actions including:

- i) Pursuing macroeconomic policies that will stimulate investment in agriculture by smallholders as well as large-scale commercial farmers.
- ii) Improving the enabling environment and providing proactive support to private operators, farmers' organisations, non-governmental organisations (NGOs) and community-based organisations (CBOs) that supply inputs and credit to smallholders.
- iii) Committing to increasing budgetary allocations in agriculture research and extension to 10% of GDP.
- iv) Providing special support to investment in agricultural processing, particularly in fruits and vegetables.
- v) According top priority to implementation of the new Land Act.

China and many DAC members are supporting Tanzania's development, including through support for agricultural development. The Tanzanian context consequently lends itself to the type of knowledge and experience sharing that the China-DAC Study Group is promoting.

International Support for Tanzania – the Examples of China and the United States

China and the United States are long-standing and major partners in Tanzania’s development:

- China established diplomatic relations with the then Tanganyika and Zanzibar on 9 December 1961 and 11 December 1963, respectively. When Tanganyika and Zanzibar united on 26 April 1964, China extended its diplomatic relations to the new United Republic of Tanzania. A close government-to-government relationship has been pursued during the subsequent 47 years.
- When the United States Agency for International Development (USAID) was established in 1961, the new agency started almost immediately to work in Tanganyika to help build human capacity in the public sector. At an event in Morogoro to mark USAID’s 50th anniversary, the Tanzanian Prime Minister, Mr. Mizengo Pinda, described the United States as “... really a true friend of Tanzania...” and expressed his appreciation for “... the immense contribution [USAID] has made to the economic, social and political development of Tanzania...”.

As part of the joint study visit, the team received a briefing on support for Tanzania from the diplomatic missions of both China and the United States.

China

Tanzania is one of the largest recipients of Chinese aid in Africa. The Chinese government provides a range of grants and soft loans to Tanzania to support its development.

China has provided grants for more than 140 projects in Tanzania since 1961. The Tanzania-Zambia Railway (TaZaRa), the Friendship Textile Mill in Dar es Salaam (known as “Urafiki”) and rice farms in southern Tanzania are early examples. In the 1970s, the Chinese government established the Mahonda Sugar Enterprise in Sandy Barr Island, which included 2 sugarcane plantations covering 1 400 ha of land. An agricultural implement factory was also built during that period. In addition to these, an agricultural farm “Mubara Farm” was began in 1971 in the southwest of Tanzania. This farm has more than 6 000 ha of land of which 3 300 ha are arable. More recently, China has funded construction of the 60 000 seat national stadium, the Nyerere International Convention Centre and the cardiac surgery treatment and training centre at Muhimbili National Hospital. In April 2011, China handed over the keys to the Demonstration Centre of China Agricultural Technology near Morogoro. China provides some 200 tertiary scholarships annually as well as 2 to 3 week training courses in China to some 200 officials annually. In addition, through workshops held in China, a range of policy dialogues between Chinese and Tanzanian officials have developed.

The Chinese embassy estimates that China is the 7th or 8th largest provider of grants to Tanzania. China does not provide budget support or contribute to basket funds, noting that there are disadvantages with this aid modality, just as there are disadvantages with project-based approaches.

China’s economic engagement in Tanzania goes well beyond its foreign aid:

- Through its Ex-Im Bank, China has extended several soft loans over the last 3 years. These are helping to finance construction of the telecommunication fibre optic cable network, a new terminal building at Zanzibar airport, a 530 km gas pipeline to Dar es Salaam, coal mines, a new

port in Dar es Salaam, renovation of 260 km of track of the central railway, renovation of TaZaRa and expansion of the electricity network.

- Several Chinese companies have also been doing business in Tanzania. Since 2000, more than 50 Chinese companies have won contracts in Tanzania worth more than USD 3.6 billion in total. These contracts have been concentrated in the construction, infrastructure and communications sub-sectors. Chinese firms are constructing 70% of the 67 roads currently under construction in Tanzania. These projects are financed by the African Development Bank (AfDB), Japan International Cooperation Agency (JICA) and the World Bank, amongst other development partners.
- Investors from China are active in Tanzania, through more than 260 projects. A recent and major example is the USD 3 billion tender that China's Sichuan Hongda Co. Ltd. won to construct the Mchuchuma coal mine, a 600 megawatt thermal power station and the Liganga iron ore mine in southern Tanzania. Initially, Sichuan Hongda will own 80% of the joint venture project, with the remaining stake held by Tanzania's National Development Corporation (NDC).

The United States

A range of United States government agencies are present in Tanzania today to support the country's development efforts. These agencies, some of which have a large staff in Tanzania, include the US-Africa Development Foundation, the US Department of Agriculture, the Centres for Disease Control (CDC) and Prevention, the Millennium Challenge Corporation (MCC), the Peace Corps, the State Department, the US Treasury and USAID. Identifying synergies and complementarities and co-ordinating approaches are key objectives for the United States mission as it pursues a whole-of-government approach to promoting growth and reducing poverty in Tanzania. The United States government agencies extend this collaborative approach to working with other development partners in Tanzania, within the co-ordination frameworks established by the Government of Tanzania (GOT).

The United States government strongly supports the Tanzanian government's priorities and programmes. In total, the United States foreign assistance budget for Tanzania for the 2011-12 financial year is USD 500 million, of which USD 340 million is managed by USAID. The United States does not consider that the necessary checks and balances are currently in place for it to provide budget support or basket funding to the Government of Tanzania. Although increasing, very little US funding is provided to national government institutions in Tanzania [although some is being provided to local governments and non-governmental organisations (NGOs)].

The United States is working to improve global food security through its "Feed the Future" initiative, a broad-based agricultural development strategy with the goals of reducing poverty and improving nutrition through comprehensive country-led plans. In Tanzania, this USD 70 million per year all-grant programme is investing in the following 10 areas that support the country's priorities to increase agricultural productivity and improve nutrition:

- **Value chains:** Improving availability and access to staple foods and improving nutrition by enhancing the competitiveness of small holders in rice, maize and horticulture.

- **Irrigation and rural roads:** Raising productivity through irrigation schemes with potential to significantly boost annual yields of targeted crops and improve market access through construction of rural feeder roads.
- **Food processing:** Building capacity of small and medium-scale millers, building public and private sector capacity to address policy constraints and issues related to food processing and fortification and promoting more nutritious and fortified foods.
- **Nutrition interventions:** Improving household nutrition, especially for women and children, with a focus on reducing stunting and anaemia.
- **Policy reforms:** Engaging with government, civil society and the private sector to promote enabling policies for private sector investment, trade and nutrition.
- **Leadership:** Developing national capacity for policy, planning and co-ordination to deliver on strategic objectives in agriculture and nutrition.
- **Research and Training:** Supporting collaborative research with local institutions to enhance Tanzania’s ability to innovate and improve productivity and providing 120 post-graduate scholarships to study in the United States or elsewhere.
- **Monitoring and Evaluation (M&E):** Ensuring accountability, progress against targets and learning through robust M&E approaches that employ participatory methods and are linked with Tanzanian systems to build host-country capacity.
- **Agricultural Finance:** Contributing to the SAGCOT Catalytic Fund and providing guarantees to the Co-operative Rural Development Bank (CRDB) and Pride Micro-finance.

A set of targets have been developed for the “Feed the Future” initiative in Tanzania– see Box 1.

Box 1- Targets set for the Feed the Future Initiative

- **Improve food security** to over 100 000 households and hence benefit directly 1 million vulnerable people including women and children.
- **Reduce poverty** rate from 38% to 32% in the target areas by 2015.
- Contribute to **increased agricultural sector annual growth** rate from 3.2% to 6.3% by 2015 in the target areas.
- **Increase yields** of target crops by at least 50% (rice from 2 to 3-4 tons/ha, maize from 1.5 to 2.5 tons/ha).
- **Increase area under irrigation** in Tanzania by 15.5% from 306,000 ha to 353,000 ha through development of 7 smallholder irrigation schemes in Morogoro and Zanzibar.
- **Increase market access** by rehabilitating at least 3,000 kilometers of rural roads thus **reducing post-harvest losses** for maize and rice from 20% to 10%.
- **Increase trade** in the target value chain by at least 25% through improved rural infrastructure, and improved efficiency in value chain.
- **Improve nutrition** of over 400 000 children, by reducing stunting and child mortality and maternal anemia by 20% over the next 5 years in target regions.

Support for Agricultural Development in Tanzania

As part of the joint study visit, the team visited the Morogoro region, one of the many geographic areas supported by development partners in Tanzania. The Morogoro region has received substantial support from Tanzania's development partners due to its important agricultural potential, its concentration of agricultural education and research facilities, its links to other important agricultural areas in Tanzania and its proximity to Dar es Salaam. The joint study team was briefed on a selection of agricultural projects supported by development partners in the Morogoro Region, with a particular focus on those supported by China or the United States.

Dakawa Irrigation Scheme

The Dakawa Irrigation Scheme is located about 42 km from the municipality of Morogoro. It was originally constructed in 1982 by the Tanzanian government, through the National Agriculture and Food Corporation (NAFCO), and operated as a state-owned farm producing paddy. Production subsequently started to fall, due to poor maintenance and collapsing infrastructure. In 1988, the land was privatised and, by 2003, local smallholders were given access to the land.

Today, the scheme is run by the Dakawa Irrigators Cooperative Union (UWAWAKUDA), an association of over 800 farmers (of whom 360 are women) who each have between 2 and 12 ha of land. The potential area for irrigation under the scheme is estimated at 3 000 ha; at present, there are 2 000 ha of developed irrigable land. The remaining 1 000 ha is under rain-fed agriculture.

The main problems identified in the Dakawa Irrigation Scheme today are inadequate water supply caused by deteriorated irrigation and drainage facilities, poor farm roads and an absence of irrigation infrastructure in the undeveloped area. The main components of the project, which USAID has now started to support, include:

- **Irrigation**, with the objective of improving productivity, particularly for irrigated rice and horticulture, through the rehabilitation of existing schemes and the development of new areas. The target is to double rice yields and increase paddy production.
- **Rural roads**, with the objective of expanding farmers' access to markets and other services by improving the conditions of selected strategic roads, thus reducing transport time and costs. USAID will support the development and rehabilitation of at least 3 000 km of rural roads within areas targeted for the irrigation schemes and roads linking the schemes with markets and trunk roads.
- **Institutional capacity building**, with the objective of strengthening the capacity of farmers' associations, Tanzanian government authorities, including the Morogoro Zonal Irrigation Office, local government institutions and local contractors involved in irrigation and road rehabilitation and maintenance.

China Agricultural Technology Demonstration Centre

The demonstration centre is an agricultural project resulting from the 3rd Summit of the Forum on China-Africa Co-operation (FOCAC) which was held in Beijing in 2006. The centre was established by the Chongqing Sino-Tanzania Agricultural Development Co. Ltd., a joint venture between the Tanzanian government, represented by the neighbouring Dakawa Agriculture Research Institute, and the Chongqing Academy of Agricultural Sciences in China. The rationale behind the formation of an agribusiness lies in the experience of applied agricultural research and reform that has taken place in China since the 1990s. Developing public and mixed-market mechanisms for agricultural research and extension services was a key component of China's agricultural reform. This project consequently applies the same model, with the project components focusing on achieving sustainability from the beginning of the project.

The centre in Tanzania has been set up with a grant of more than USD 6 million from the Chinese government. The centre aims to become commercially viable within three years.

Construction of the centre started on 16 October 2009 and was completed, by both Chinese and Tanzanian workers, within 13 months. The centre was officially handed over to the President of Tanzania on 2 April 2011.

Today, the centre is run by three resident technicians from China. It covers a total area of 62 ha and includes three sections:

- i) The **Office and Training Area** covers 2 ha including a building of 1 444 m² with offices, a tissue culture laboratory, meeting rooms, classrooms, library, storeroom, a dining room and dormitories; all with appropriate equipment and furniture.
- ii) The **Experiment and Display Area** covers 10 ha of farmland to display and demonstrate new varieties and technologies in the fields of crops, machinery, processing and animal (poultry) husbandry. The area includes a greenhouse, a processing workshop and a poultry-raising house for egg layers.
- iii) The **Production and Demonstration Area** occupies 50 ha of farmland and is equipped with a road system, drainage ditches and appropriate pipe network for an irrigation system.

The applied research and demonstration will mainly focus on rice, maize, vegetables, plant tissue cultivation and poultry production. Some preliminary rice variety trials have already been carried out and showed promising results. With intensive use of fertilisers and access to water, yields on some Chinese hybrid rice varieties have reached 12 t/ha as compared to nearly 4.5 t/ha using local varieties (average rice production in Tanzania is about 2 t/ha).

The centre also aims to train up to 300 people each year at residential courses of between 10 days and 2 weeks in duration. The target audience is agricultural officials, technicians/extension workers and local farmers who will be selected by the Tanzanian authorities. These courses aim to equip participants with knowledge of modern agricultural techniques and to encourage them to use new varieties and apply new techniques in their farming activities. When the centre is not running its own training programmes, its facilities can be used by other development partners [The Korea International Cooperation Agency (KOICA) has already run some training courses at the centre].

Integrated Rural Development Programme in Pangawe Village

The Pangawe Village Integrated Rural Development Programme is supported by KOICA under an agreement with the Tanzanian government. This USD 4.5 million 3-year project for this village of 2 701 people has four components covering:

- **Rural infrastructure:** farmland - 100 ha, water intake - 1 unit, 11 km of water pipe and 5 km of rural roads.
- **Building facilities:** a primary school, a community centre and a farming centre.
- **Farming operations:** cows, chickens, goats, maize, cassava and other vegetables.
- **Training programme** for village leaders.

The project is implemented by the Korea Rural Community Corporation in collaboration with the Regional Administrative Secretariat of the Morogoro District Council. It is based on the model of Korea's own rural development movement in the 1970s which succeeded due to strong support by the Korean President and dedicated participation by district, community-level and government officials. The project uses a community-driven development approach which aims to transform top-down planners into client-oriented service providers, to empower rural communities, to enable associations of poor people in rural areas to play a role in designing and implementing programmes that affect their livelihoods and to enhance the impact of public expenditures on the local economy. Nevertheless, the differences between Korea in the 1970s and Tanzania today are substantial and this may well affect the impact of this project.

Kilombero High Quality Rice Growers Association

Mang'ula "A" is one of eight warehouses managed by the Association of Kilombero High-Quality Rice Growers (AKIRIGO). This warehouse was rehabilitated in 2008 by Rural Urban Development Initiatives (RUDI) with funds from USAID and other development partners. The warehouse has a capacity of 150 metric tons and is used by four of AKIRIGO's farmers associations (with a total of 620 members, of whom 420 are women). Over the past four years, the warehouse has stored 202.6 metric tons of paddy through Tanzania's Warehouse Receipt System (WRS). Although the WRS has been beneficial to farmers, the prices of paddy have been constantly falling while the prices of rice have been high and stable; the rice business is thus more profitable.

Given this context, AKIRIGO has switched strategy to selling rice instead of paddy, a change made possible through the provision by USAID of milling machines capable of milling 2 000 kilograms an hour during an 18 hour day. The milling machines are owned by AKIRIGO and managed by a contracted miller.

The milling machines provide a number of benefits and generate higher incomes for farmers. The milling operation has created new jobs in the community. Farmers' storage costs are reduced because the paddy is immediately milled when it reaches the warehouse. The paddy husks are then processed and used to make charcoal pallet, which provides additional income to the farmers. The increased availability of pallet charcoal reduces the demand for firewood, which in turn helps preserve the environment.

USAID has also provided AKIRIGO members with associated training, including in marketing, and assisted the group to establish market linkages and to sell its produce collectively, both within Tanzania and abroad.

Mkula Irrigation Scheme

The Mkula Irrigation Scheme is located about 180 km from the municipality of Morogoro. It was originally constructed in the 1980s to cover 60 ha out of a potential area of 320 ha.

Poor maintenance subsequently led to deteriorated infrastructure and excessive water losses. The scheme was rehabilitated in 2004 by Japan in collaboration with the Tanzanian government and with contributions from local farmers. The work involved rehabilitation of the intake structures and canals.

In 2007-08, the Tanzanian government carried out further improvements using funds from the National Irrigation Development Fund (a basket fund receiving contributions from a number of development partners). The work involved lining several sections of the 1 913 meter main canal with burnt clay bricks, which improved water conveyance and minimised water losses.

Along with training and increased adoption of new farming technologies, these rehabilitation measures have had a positive impact in the local community. Agricultural production has increased, the value of land has gone up and the incidence of water-borne diseases, such as malaria and bilharzias, has fallen. Most farmers have been able to enrol their children in school; some have been able to send their children to boarding schools. Most farmers have been able to up-grade their housing by using clay bricks and corrugated iron sheets, rather than trees, soil and grass.

The Centre for the Southern Agricultural Growth Corridor of Tanzania (SAGCOT)

Tanzania's southern corridor links the port of Dar es Salaam to Morogoro and other parts of Tanzania's inland areas, as well as to Malawi, Zambia and the Democratic Republic of Congo. It benefits from good 'backbone' infrastructure – including road, rail and power – and passes through some of the richest farmland in Africa. The area could become a globally important producer of grains and livestock. Today, however, its agricultural potential is largely dormant and the majority of the rural population remains poor and food insecure.

In recent years, the idea of agricultural growth corridors has taken shape as a means of harnessing Africa's agricultural potential. The concept was launched at the UN General Assembly meeting in 2008 and further developed at the World Economic Forum in Davos in early 2009. At a pivotal meeting at the Norwegian Embassy in Tanzania in October 2009, government, donor and private sector supporters agreed to develop a concept note which was subsequently presented and approved at the African World Economic Forum in Dar es Salaam in May 2010. This in turn led to the preparation of an Investment Blueprint which builds on Tanzania's "Kilimo Kwanza" ("Agriculture First" strategy) and describes how public sector grants and loans of USD 1.3 billion can catalyse USD 2.1 billion of private investment over a 20-year period to triple the area's agricultural output. This will be done by bringing approximately 350 000 ha into profitable production, much of it farmed by smallholders.

Three key institutions are playing a major role as SAGCOT now moves from the design to the implementation phase:

- The Executive Committee, a public-private partnership supported by the Tanzanian government, national and international companies and private sector organisations and development partners (including Irish Aid and USAID).
- The SAGCOT Centre, an independent secretariat which acts as a neutral co-ordinating body and focal point for planning, implementation and monitoring of the initiative. The Centre receives funding from development partners (including Norway and USAID).
- A USD 50 million Catalytic Fund to be channelled into early-stage investment opportunities. The fund is backed by the Tanzanian government and development partners (including USAID and the World Bank).

Tanzanian Government Views on Development Partnerships in Tanzania

The Prime Minister's Office and the Ministry of Agriculture, Food Security and Co-operatives briefed the joint study team on how the Tanzanian government has been working with different development partners. They both stressed the importance of development partners working within Tanzania's own development strategy and of participating in the co-ordination mechanisms that have been established in-country.

Tanzania's system for co-ordinating international assistance has been reformed considerably since the mid 1990s. At that time, a lot of aid to Tanzania was provided through projects based on development partners' own procedures and processes. This was laborious and expensive for the Tanzanian authorities. This aid was also provided outside of Tanzania's public finance framework. As a result, the Parliament neither appropriated nor oversaw implementation of the funds. In addition, the use of self-contained project implementation units resulted in little capacity being developed or knowledge being transferred. Many projects failed once their external inputs ceased. Much aid was also tied, which poses a challenge to a partnership between Tanzania and its development partners.

Today, development partners work within the Tanzanian government framework, providing their support in the form of budget support, basket funds, ear-marked contributions or specific projects (most, if not all, of Tanzania's development partners still use the project-based approach). The Tanzanian government respects development partners' choice of the form of support they provide to meet the country's development priorities.

Despite this flexibility regarding aid modalities, the Tanzanian government nevertheless has a strong preference for general budget support or basket funding (funds exist for agriculture, education, health and water). These increase transparency and accountability, provide a forum for co-ordination and policy dialogue, improve predictability, reduce transaction costs and strengthen the government's own approval and delivery systems. To build development partners' trust in these modalities, the Tanzanian government has reformed its budgeting and payment systems and opened up its annual public sector review process to participation by key stakeholders, including development partners. General budget support and basket funds are also untied.

After initially encouraging development partners to contribute to the agriculture basket fund in the first Agricultural Sector Development Programme (ASDP) - AfDB, IFAD, Ireland, JICA and the World Bank responded - the Ministry of Agriculture, Food Security and Co-operatives is making the new ASDP more inclusive, so that development partners can also support the programme through their ear-marked funds, area-based programmes or specific projects. Nevertheless, the ministry expects development partners supporting agricultural development to share information with them and to agree on priorities, amounts to be provided and reporting requirements. With an expanded co-ordination framework now being put in place, it is an appropriate moment for China to join the development partners group.

Joint Study Team's Findings and Observations

All members of the joint study team found the visit to Tanzania informative and useful. It enabled the team to learn more about and better understand different approaches to supporting economic growth and poverty reduction in Tanzania through agricultural development. The Tanzanian government's efforts to improve and strengthen its co-ordination framework in concert with development partners' contributions was particularly noteworthy, as was the level of self-help in the communities visited in the Morogoro region.

The Chinese team members in the joint study team were impressed by:

- USAID's commitment to supporting Tanzania's agricultural development as demonstrated by its staffing and other capacities in place in Tanzania to help deliver on this commitment.
- The Chinese Ambassador's comprehensive articulation of China's long-standing contribution to development in Tanzania as well as the openness of the China agricultural demonstration centre to possible collaboration with other development partners.

The DAC representatives in the joint study team were impressed by:

- The continuum in Chinese activities supporting Tanzania's development – from aid to trade to investment – and the opportunities this creates for synergies and mutually reinforcing initiatives.
- The speed with which the Chinese agricultural demonstration centre had been set up and the high level political support it has received, on both the Chinese and Tanzanian sides.

The joint study team also noted some important dilemmas related to supporting Tanzania's development:

- Harmonisation:** While the Tanzanian government clearly aims to lead the development process and prefers aid to be channelled through its own systems, it does not yet have the capacity to do this fully and several development partners (including China and the United States) are not able, or not yet ready, to provide budget support or basket funding as the Tanzanian government would prefer. Arguably, capacity constraints provide a justification for using a range of aid financing modalities, but also reinforce the importance of development partners helping to advance the host country's leadership by ensuring that their activities are in line with its priorities and plans, that project approaches respect and reinforce the state's primary role and responsibility for the provision of public goods and that information on activities is widely shared. Currently, only 14 countries are providing budget support. Most interventions remain project-based, reflecting individual development partners' own policies as well as expectations about achieving development results. In addition, effective co-ordination is key to reducing transaction costs on host-country institutions and to minimising duplication but co-ordination is currently mostly happening at a political level.

- ii) **Sustainability:** While the specific activities in the Morogoro region are consistent with the general thrust of the Agricultural Sector Development Programme and Mkukuta II, these are supported by different development partners and, at a practical level, managed independently, with implementation typically reflecting the approach of the development partner. In addition, while impact can be expected in the short run, there is little consideration of revenue generation and of how domestic financing can take over once the external support phases out. For example, there is currently no certainty that the Chinese agricultural demonstration centre will become commercially viable after the initial three-year period (this approach is still questionable for managing public research and extension institutions in China, where the model can work provided profits from agriculture continue to increase, a condition that would be more difficult to satisfy in Tanzania). Sustainability is also an important issue with irrigation schemes. To improve the sustainability of the Dakawa Irrigation Scheme, USAID is supporting a range of actions including basing the design on an in-depth analysis on the hydrology of the area, training the farmers' association in water and revenue management and strengthening the capacity of the Zonal Irrigation Office to maintain the infrastructure. Nevertheless, such approaches have not ensured the sustainability of similar schemes in the past.
- iii) **Co-ordination:** Although in-country co-ordination mechanisms are in place in Tanzania and its development strategy is well received by development partners, it was clear that there is much *ad hoc* co-ordination taking place at the field level, based more on personal initiative than government systems. In Morogoro, for instance, while the activities supported by different development partners could well form part of a more integrated government programme, the impression given is that the government expects development partners to resolve development challenges by themselves. The government systems for leveraging development partners' own policies and preferences appeared rather weak, indicating a need to improve and strengthen co-ordination mechanisms at the implementation level. The Chinese agricultural demonstration centre is an addition to several other national and international interventions aimed at advancing agricultural research but the government's strategy to integrate these different resources into a mutually reinforcing package is not apparent. In such a context, there is a risk of overlap and of repeating previous mistakes.
- iv) **Ownership:** There is a contrast between how China and Tanzania sequence the planning and funding of their strategy for growth and poverty reduction and this has an impact on the degree of government ownership. In China, national experts first produce their own plan, not just a strategy, and then solicit donor funding for specific aspects of that plan, typically as a complementary source of funding during the pilot phase. Tanzania has a more open approach and welcomes support from a variety of development partners. This can lead to donors, such as USAID as just one example, becoming long-term partners engrained in national decision-making processes. In China, the Five-Year Plans are drawn up by Chinese experts and leaders. In Tanzania, development strategies and plans are designed and implemented with the active involvement of development partners, who provide advice and inputs for decisions. In the Tanzanian context, a broad coalition of partners "own" the national development strategy and so distinctions between national/international and between donors/beneficiaries become blurred. In China, the government strongly "owns" the development strategy and there is more clarity about the role of China's external partners.

- v) **Conditionality:** The issue of “conditionality”, where aid is provided when certain policies or regulations are in place, is often cited by Chinese experts as a barrier to collaboration with DAC members. Aside from needing to respect the One China policy, China’s aid is provided without conditions. However, Tanzanian officials did not view the donor assistance it has received for 50 years as conditioned and noted that “traditional” donors supported Tanzania even in periods when its economic and agricultural policies were contrary to donors’ recommendations or preferences. This supposed barrier to China’s participation in broader development partnerships should be re-examined.

- vi) **Management:** As a recipient of aid over the last 30 years, China has learnt a lot from DAC members about managing development processes efficiently and effectively. However, it is not apparent that China has transferred this learning into the delivery of its own aid to foreign countries. China’s aid to Tanzania is mainly based on requests from the Tanzanian government and mainly takes the form of material supplies and technical assistance. Only 2 or 3 Chinese officials are stationed in Tanzania to manage its large portfolio of activities. This is in contrast to USAID’s strong individual and financial capacity to support Tanzania’s agricultural development, which enables USAID to promote synergies and complementarities between different activities and so pursue more of a programmatic approach (as shown with the “Feed the Future” initiative). While China keeps its administrative costs low, there are also concerns about the effectiveness and accountability of its aid. On the other hand, USAID’s larger “footprint” of technical experts and aid managers in-country implies higher administrative costs, and may not be an ideal model to maximise the number of beneficiaries from a limited aid budget. Under the auspices of the China-DAC Study Group, a more comprehensive discussion about assistance modalities, field staff and issues of accountability and cost effectiveness could be scheduled with Chinese policy makers.

Suggestions for Possible Future Action

Based on its visit to Tanzania and observations within a single sector, the joint study team formulated some suggestions for possible future actions, for consideration by Tanzania, China and DAC members:

- **For Tanzania:** Tanzania has developed a good strategy for agricultural development. Agriculture has grown at 4% over last 10 years, higher than average in sub-Saharan Africa. However, this growth has largely been based on area expansion; although improving productivity is critical, it may have been missed out in the broader context. In this regard, both China and OECD-DAC members could assist Tanzania to respond to this challenge. Specifically, the Tanzanian government could consider requesting China and OECD-DAC members to develop a joint support programme which includes China's specific experiences of linking agricultural development to poverty reduction, together with the long-standing experiences of OECD-DAC members. This programme could use the Chinese agricultural demonstration centre as a base and focus strategically on the SAGCOT region. China has considerable experience with developing commercial grain clusters with a strong state role while OECD-DAC members have complementary experience with market development.
- **For China:** China would benefit from a strategy outlining how it aims to support Tanzania's agriculture development. Currently, it is not clear how the agricultural demonstration centre's operations are conceived and integrated into Tanzania's own systems, nor how the centre aims to become commercially viable within 3 years. Integrating the centre into the network of existing research and extension structures should be explored. At a broader level, another option could be for the centre to work more closely with the Consultative Group on International Agricultural Research (CGIAR) system around Africa or link up to the CAADP regional strategy.
- **For DAC members:** The development partners' working group on agriculture could discuss how to engage with the Chinese agricultural demonstration centre, which is open to greater collaboration with other development partners. It may prove fruitful to start at a technical level because the centre seems able to operate flexibly and because the Ministry of Commerce's office in Tanzania has only limited capacity to engage in co-ordination mechanisms.

Annex 1: The Joint Study Team

A total of 11 people from outside Tanzania participated in the joint study visit from 24 to 28 October 2011, as well as 6 people based in Tanzania who joined the team for some parts of the programme.

The joint study team comprised:

- Jennifer Adams, USAID, Beijing (Co-Team Leader)
- Li Xiaoyun, China Agricultural University (Co-Team Leader)
- Minoru Homma, JICA, Tanzania (for the visit to Morogoro)
- Michael Laird, OECD, Paris
- Li Linyi, IPRCC, Beijing
- Li Shaojun, IPRCC, Beijing
- Adrian Ng'asi, USAID, Washington
- Tong Lang, IPRCC, Beijing
- Wang Yihuan, China Agricultural University
- Paolo Zacchia, World Bank, Tanzania (for the visit to Morogoro)
- Zhang Deliang, IPRCC, Beijing
- Zhang Yangwu, Ministry of Foreign Affairs, Beijing
- Zhou Yong, Ministry of Agriculture, Beijing
- Several staff of the USAID mission in Dar es Salaam at different times (Mary Hobbs, Tom Hobgood, Crispin Mwashala and David Nyange)

Annex 2: Programme

Day 1: Sunday October 23 rd , 2011	
18:30	Welcome and briefing on the mission itinerary
Day 2: Monday, October 24 th , 2011	
8:30 - 9:30	Briefing at USAID <i>Rob Scott, US Embassy Charge D’Affairs (DCM)</i> <i>Rob Cunnane, USAID/Tanzania Mission Director</i>
10:00 – 11:30	Overview of USAID support to agriculture in Tanzania <i>Tom Hobgood, FtF Team Lead</i> <i>David Nyange, Senior Agriculture Economist</i> <i>Tanya Trevors, Senior Nutrition Advisor, FtF</i>
12:45 – 13:45	Working lunch on the Southern Agricultural Growth Corridor of Tanzania (SAGCOT) <i>Jennifer Baarn, Deputy CEO, SAGCOT Centre</i>
14:00-15:00	Chinese Embassy <i>Liu Xinsheng, Ambassador</i> Briefing on China’s Support to Tanzania
15:30-16:30	Ministry of Agriculture, Food Security and Co-operatives <i>Sophia E. Kaduma, Deputy Permanent Secretary</i> <i>Geoffrey Kirenga, Director of crops development</i> <i>Emmanuel Achayo, Director of policy and planning</i> Discussion: CAADP and donors/GoT coordination of activities in agriculture
18:30 – 20:00	Working dinner with Pride – Microfinance and Research for Poverty Reduction – REPOA <i>Rashid Malima, Pride CEO</i> Discussion: USAID supported Pride to issue a \$10 mil corporate bond in 2010. <i>Prof. Samwel Wangwe, Managing Director</i> <i>Rehema Tukai,</i> Discussion: Potential partnership in capacity building to host country institutions and policy analysis through IPRCC
Day 3: Tuesday, October 25 th , 2011	
10:00 – 11:00	Rufiji Basin Development Authority <i>Wenceslaus B. Myanjuma, Acting Director-General</i> Discussion: Potential partnership in irrigation/hydropower
14:00 – 15:00	World Bank <i>David Rohrbach, Senior Agricultural Economist</i> <i>Paolo Zacchia, Country Economist</i> <i>Zainab Semgalawe Rural Development Economist</i>

15:30 – 16:30	Prime Ministers' Office <i>Peniel Lyimo – Permanent Secretary</i> Discussion: GoT support to SAGCOT
18:30 – 20:00	Working dinner with the Donors' Working Group for Agriculture <i>Tom Hobgood – Chairperson of the AWG</i> <i>Emma Isinika – AWG Coordinator</i> Discussion: Donors' coordination
Day 4: Wednesday, October 26th, 2011	
06:00	Travel to Morogoro
11:00	Visit Dakawa irrigation scheme <i>Chrispin Mwashala, USAID Irrigation and Rural Roads Specialist</i> <i>Keith William CDM, consulting engineering firm</i> <i>Zonal Irrigation Office, Ministry of Agriculture</i> Discussion: Linkage between FTF Effort at Dakawa and the Chinese funded technology transfer center
12:30	Visit China Agricultural Demonstration Centre in Dakawa <i>Harry Chi</i>
16:00	KOICA Presentation: Introduction of KOICA project - The project for the rural development program in Pangawe village, Morogoro <i>Sun Ho Kim</i>
19:00	Working dinner <i>Prof. David Kraybill, Innovative Agricultural Research Initiative</i> Discussion: Collaboration between USAID and Sokoine University of Agriculture
Day 5: Thursday, October 27th, 2011	
10:30	USAID 50th Anniversary Event at Sokoine University of Agriculture
14:00	Travel to Udzungwa
Day 6: Friday, October 28th, 2011	
8:30	Visit Mang'ula Rice Farmers Association <i>Rural Urban Development Initiative</i>
10:00	Visit Mkula Irrigation scheme
12:00	Joint Study Team Debriefing
13:00	Return to Dar es Salaam