The United Republic of Tanzania
Agriculture Sector Lead Ministries

# 4TH ANNUAL AGRICULTURAL POLICY CONFERENCE [AAPC]

## Integrating Food and Nutrition Security into Economic Transformation and Industrialization Agenda:

How can agriculture be the driver rather than follower of economic transformation in Tanzania?

**New Dodoma Hotel, Dodoma**

**14th - 16th February, 2018**

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# Agents/Brokers of Wealth – ‘developing service providers for export market’

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# Background

Key questions

-Can international markets be used as springboard on new sectors or competitiveness?

-Can countries develop ‘muscle’ on specific sectors?

-Can the private sector be lured in areas which it doesn’t exists?

-What kind of reforms could support the whole process?

-What is the potential impact of the whole “facilitators of wealth” as a new sector of the economy?


WESTROCK
COFFEE COMPANY
RWANDA
SELECT RESERVE


YUKON
KENYA
SINGLE-ORIGIN


ETHIOPIA
CITRUS & DARK COCOA
BLEND
MEDIUM ROAST

# Can international markets be used as springboard on new sectors or competitiveness?

A growing global population as well as cities are changing, among others, consumption patterns in many countries

-Calories intake away from home was 25% in 1970; by 2012 was 45% (USDA)
-Share (%) of food consumption expenditure in total consumption expenditure globally remains above 70%
-Global per capita food consumption is set to increase across income levels  (WHO 2016)

Table 1
**Global and regional per capita food consumption (kcal per capita per day)**

| Region | 1964–1966 | 1974–1976 | 1984–1986 | 1997–1999 | 2015 | 2030 |
|---|---|---|---|---|---|---|
| World | 2358 | 2435 | 2655 | 2803 | 2940 | 3050 |
| Developing countries | 2054 | 2152 | 2450 | 2681 | 2850 | 2980 |
| Near East and North Africa | 2290 | 2591 | 2953 | 3006 | 3090 | 3170 |
| Sub-Saharan Africa[a] | 2058 | 2079 | 2057 | 2195 | 2360 | 2540 |
| Latin America and the Caribbean | 2393 | 2546 | 2689 | 2824 | 2980 | 3140 |
| East Asia | 1957 | 2105 | 2559 | 2921 | 3060 | 3190 |
| South Asia | 2017 | 1986 | 2205 | 2403 | 2700 | 2900 |
| Industrialized countries | 2947 | 3065 | 3206 | 3380 | 3440 | 3500 |
| Transition countries | 3222 | 3385 | 3379 | 2906 | 3060 | 3180 |

[a] Excludes South Africa.

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Opportunities brought by the dynamics
(Quote the "WHO Global and Regional Food Consumption Pattern and Trends 2016")

- The implications for agriculture, livestock, fisheries and horticulture will have to be assessed and action taken to deal with potential future demands of an increasing and more affluent population. To meet the specified levels of consumption, new strategies may need to be developed. For example, a realistic approach to the implementation of the recommendation concerning high average intake of fruit and vegetables, requires attention to be paid to crucial matters such as where would the large quantities needed be produced, how can the infrastructure be developed to permit trade in these perishable products, and would large-scale production of horticultural products be sustainable?

## Can countries develop 'muscle' on specific sectors?

TPSF engages with Planning Commission in shaping our national priorities (consistent with FYDPII and ASDPII);

1. Agro-processing (including horticulture & apiculture)
2. Textile
3. Leather
4. Cashew-nuts
5. Rubber
6. Edible oil
7. Dairy and meat products

# Can countries develop 'muscle' on specific sectors?

1. Business friendly policies (DB indicators – ease of starting, paying taxes, access to power & fair competition)

2. Private enterprise vibrancy (willingness to participate & market integration)

3. Business support services (aggregate of factors of production)

Can the private sector be lured in areas which it doesn't exists?

**Potential 8 services in the market can spur Tanzania's export potential**

1. Determinants for export readiness
2. Market research
3. Market entry
4. Legal
5. Compliance
6. Transportation
7. Payment and finance
8. Cultural factors

# Determinants for export readiness

these questions will guide you into areas of our homepage where you can obtain more information on exporting. You will receive a score once you complete the questionnaire, which will help you to assess your export readiness, as well as an identification of areas your business needs to strengthen to improve its export activities.

1. Does your company have a product or service that has been successfully sold in the domestic market? ◯ Yes ◯ No
2. Does your company have or is your company preparing an international marketing plan with defined goals and strategies? ◯ Yes ◯ No
3. Does your company have sufficient production capacity that can be committed to the export market? ◯ Yes ◯ No
4. Does your company have the financial resources to actively support the marketing of your products in the targeted overseas markets? ◯ Yes ◯ No
5. Is your company's management committed to developing export markets and willing and able to dedicate staff, time and resources to the process? ◯ Yes ◯ No
6. Is your company committed to providing the same level of service given to your domestic customers? ◯ Yes ◯ No
7. Does your company have adequate knowledge in modifying product packaging and ingredients to meet foreign import regulations and cultural preferences? ◯ Yes ◯ No
8. Does your company have adequate knowledge in shipping its product overseas, such as identifying and selecting international freight forwarders and freight costing? ◯ Yes ◯ No
9. Does your company have adequate knowledge of export payment mechanisms, such as developing and negotiating letters of credit? ◯ Yes ◯ No

- Ability to identify companies and interest them in the export business
- Institutions to facilitate and support the process
- Legal and resource framework that works hand in hand with market developments

# Market research

Ability to help SMEs determine where to sell their product

Supporting the determination of product classification & tariff code (HS Code/Schedule B)

Employment of useful tech-tools
For example, Helpful websites:

- The ITC Trade Map, for finding which countries import which goods: http://www.trademap.org/
- MSU Global Edge: http://globaledge.msu.edu/
- U.S. Commercial Service Country Commercial Guides: http://www.export.gov/mrktresearch/

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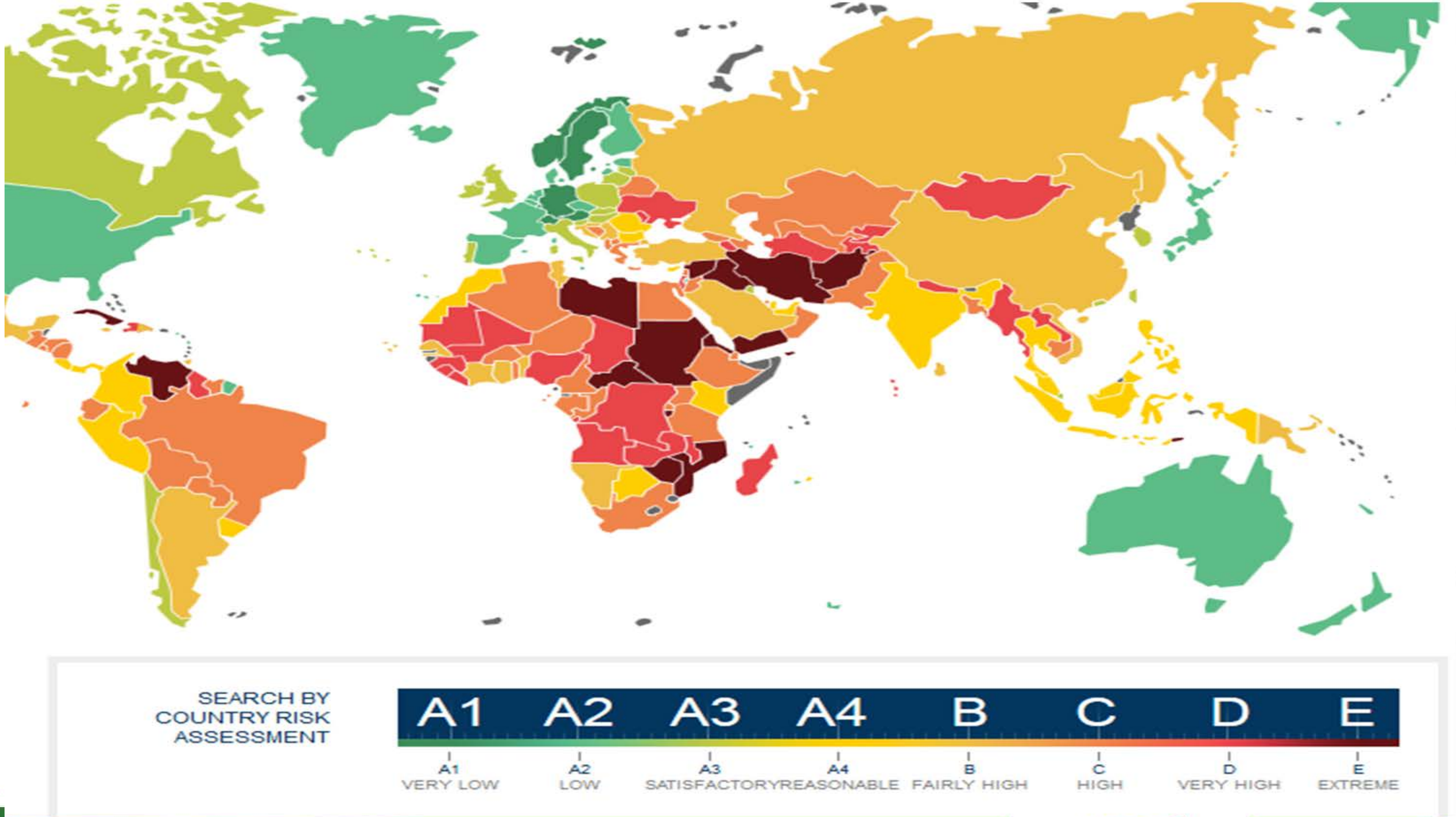
# Payments and Finance

A number of private mid-sized companies fail to access export markets due to absence of appropriate support services

Key questions include:
The potential financial risk of doing business in your target market
Determining how you will be paid (Letters of Credit, Documentary Collection, Open Account, Cash in Advance, etc.)

De-risking some markets has given countries advantage over others.

**Percentage of financial services used by SMEs – Loans 51%, Other products 18% (Incl. Trade Finance)**
**Percentage of risk in providing trade finance to SMEs** – 81% (*European Journal of Business and Management, 2014*)


SEARCH BY COUNTRY RISK ASSESSMENT
A1
A2
A3
A4
B
C
D
E
A1 VERY LOW
A2 LOW
A3 SATISFACTORY
A4 REASONABLE
B FAIRLY HIGH
C HIGH
D VERY HIGH
E EXTREME

# Innovation in de-risking export markets

**Innovative Export Promotion Programs**

1. Export credit insurance policies
2. Pre export financing (working capital guarantee)
3. Buyer credit guarantee
4. Loans programs (international trade loans)

Example: Enterprise Financing Corporation
Exporters stay in the FEFC portfolio between 3-5 years and then move into the lending community.

# Potential Services

- Assisting with access to University Technology Transfer Offices, Incubators and Accelerators
- Providing information and direction to business owners seeking financing
- Providing information to help small businesses grow and prosper
- Acting as a clearinghouse for business incentives and programs supporting job growth

## What kind of reforms could support the whole process

1. Reform the Tanzania Trade Development Authority Act No 4 of 2009 to include active business support services
2. Private Sector Development Policy (PSDP) and Act to allow private sector associations to play a more active role beyond dialogue
3. Active global networking and partnership to support product entry into new markets
4. Financial de-regulations that allow introduction of de-risking service as well as access of such services from international service providers
5. Leveraging government resources to stimulate financial services that allow provision of comprehensive trade financing for SMEs

What is the potential impact of the whole “facilitators of wealth” as a new sector of the economy?

**Estimated export value**: $1 bn in MVA in GDP

**Estimates SMEs growth**: 33 – 45%

**Estimated job creation**: 2 – 3 million direct & indirect jobs

**Other benefits**: global supply chain linkages and development

# THANK YOU