

SEEDS OF CHANGE

The Southern Agricultural Growth Corridor of Tanzania is a collaborative initiative that is laying the groundwork for the nation's economic development



SAGCOT clusters cater for all actors in the value chain, from grassroots to large investors

Initially, it began as a discussion at the 2010 World Economic Forum for Africa (WEFA) summit in Dar es Salaam, Tanzania. Eight years later, Tanzania is now the hub of the East African region's most promising agricultural economic blueprint through the Southern Agricultural Growth Corridor of Tanzania (SAGCOT) initiative. SAGCOT, as it is popularly known, is a 20-year implementation programme that ends in 2030.

Its core goal is to boost agricultural productivity, improve food security and nutrition, promote inclusive agribusinesses involving smallholder producers and ensure environmental sustainability. The mandate of this partnership is to catalyse responsible, private sector-led agriculture development within a constantly advancing business environment.

This implementation process is based on five core principles, namely:

- Engaging smallholder farmers and ensuring environmental sustainability through their investments
- Partnering with others to promote a harmonised approach and improve synergies within and across priority value chains
- Maintaining engagement, communication and support for the SAGCOT Centre
- Contributing to the solution of policy and infrastructure constraints
- Considering new and innovative finance mechanisms.

Like all initiatives, it was essential to ensure that it had an operational engine to seek, establish and build private and public-sector partnerships.

BRINGING THE DREAM TO LIFE

In 2011, the SAGCOT Centre Limited (SCL) was established as a limited company by guarantee.

The support of the government of Tanzania and partners from the private sector, as well as funding from DFID, USAID, Royal Norwegian Embassy, World Bank, AGRA and UNDP have been instrumental in supporting the SCL.

SCL's core role is to help partners deliver an inclusive, sustainable and commercially viable agricultural value chain in the SAGCOT corridor. It also:

- Informs private and public investment about partnership opportunities as well as priority policy reforms to achieve SAGCOT objectives
- Tracks the progress of partnerships, through monitoring and evaluating partner commitments and progress made towards achieving their objectives
- Encourages and facilitates the active participation of the private sector in promoting a cohesive partnership
- Promotes policy and regulatory reforms necessary to achieve SAGCOT objectives
- Derives lessons from and adopts approaches to cluster planning and partnership facilitation, and communicates on behalf of the SAGCOT partnership
- Promotes the SAGCOT partnership and its opportunities to a broader audience regionally and with international partners.

The SAGCOT corridor taps into Tanzania's vast unused resource – 45% of its 945 000 km² of agricultural land, with 75% of the Tanzania population engaged in the agricultural sector. Due to the size of the area, SCL operations in the SAGCOT corridor are divided into geographical zones, known as clusters. A cluster is a geographic concentration of interconnected companies, specialised suppliers, service providers and associated institutions. Each cluster is active in production, processing, marketing, the supply of inputs and services, and further supports institutions by connecting investments to benefit smallholders and medium to large-scale farmers. Due to economies of scale, farmers, agribusinesses and service providers work successfully through value chains and strategic partnerships to unlock the potential of the region.

Clusters engage effectively with high-level stakeholders through strong collaboration to ensure access to services such as infrastructure, knowledge, skills, research, farm inputs and outputs, markets and so on. These efforts offer a collective advantage to stakeholders, most of whom would not ordinarily have access to these services independently. This shows that the strength of the clusters derives from multilevel collaboration – not solely from the natural potential of an area. This makes each cluster an all-inclusive, sustainable and commercially viable agricultural value chain in the SAGCOT corridor.



SAGCOT's goal is to boost agricultural productivity

In total, SCL operations have identified six agribusiness clusters, two of which – namely Ithemi and Mbarali – are now active, productive and changing lives. The remaining four clusters will be rolled out incrementally in phases.

Clusters are central to SAGCOT's success and ensure all actors in the value chain, from grassroots to the large investor, are catered for. This ultimately ensures not only food security but delivers a broader economic injection in agricultural output for export, and provides sustainable income through job creation for families across Tanzania.

IHEMI AND MBARALI CLUSTERS

The Ithemi cluster is the first cluster of the six identified geographical regions in the SAGCOT corridor featuring numerous untapped agribusiness opportunities and a network of actors. The Ithemi cluster, launched in 2015, has the potential to produce food crops for almost all seasons.

Comprising the Iringa and Njombe regions, Ithemi is found along the southern highlands of Tanzania, with a total population of 1 643 335 and covering a total area of 57 090 km². It is primarily agricultural and boasts the second-highest per capita GDP in the country.

Of the 13 value chains identified in the Ithemi cluster development framework, five were prioritised. SCL facilitated the public and private-sector actors (namely the Ithemi government, private sector and service providers active in Ithemi) to sign an Ithemi cluster compact. The compact clearly spells out public-private partnership (PPP) commitments in terms of developing the agribusiness landscape within this cluster.



Through the SLC, the number of smallholder farmers applying improved technology has increased by 20%

The Mbarali cluster, comprising the Mbeya and Songwe regions, is the second cluster of the proposed six launched in 2017. It is located in the country's south-western region, with a population of 3 706 272, covering an area of 62 420 km².

SAGCOT INITIATIVE SUCCESS

In 2017, SCL raised new investments in the SAGCOT region, achieving a 4.2% increase, from US\$438 million in 2016 to US\$456 million in 2017.

Through the relentless efforts of the SCL cluster and partnership department, more stakeholders and engagements have been secured to ensure the growth of public-private, business-to-business, and business-to-smallholder strategic partnerships, as guided by the Ihemi cluster compact. This has seen SCL facilitate five commodity value-chain strategic partnerships in the production and sale of tomatoes, dairy, soya beans, tea and potatoes in the Ihemi cluster. These partnerships constitute approximately 120 committed members that have finalised and endorsed their modus operandi clearly defining the collective stakeholder goals.

Volumes of commodities traded by leading private companies in the five priority commodity value chains increased in 2017. Potatoes rose from 600 million tons of seed potato sold to smallholder farmers in 2016 to 2 325 million tons in 2017 – an almost 300% increase.

The number of smallholder farmers applying improved technologies also increased cumulatively by 20%. The participating potato farmers, for example, were able to increase productivity from fewer than 7 million tons per hectare to about 30 million tons per hectare.

Globally, Tanzania stands at 135 in the ranking of 190 economies in terms of ease of starting a business. This indicates an overall challenge in developing an enabling environment for more investment in growth within the clusters. Despite this, the SCL policy department, in 2017, continued to support the SAGCOT region to deliver on the PPP compact to address the underlying enabling environment concerns, such as legislative reform on regulations and water rights usage as well as the inclusion of smallholder farmers in the agreement on VAT on animal feed, which was successfully revoked in 2017.

The SAGCOT partnership portfolio has grown more than 400%, from 20 partners in 2011, to 115 in 2017, with US\$500 million invested in the SAGCOT corridor. This is not a small feat for a sector that has historically received the least foreign direct investment, in comparison to other sectors of the economy. Most importantly, 96 278 farmers are direct beneficiaries of these investments, and their lives are being improved in a sustainable way. ■



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