

**ASSESSING THE DRIVERS OF
TANZANIA'S FERTILIZER SUBSIDY PROGRAMS FROM 2003-2016:
AN APPLICATION OF THE KALEIDOSCOPE MODEL OF POLICY CHANGE**

By

David Mather and Daniel Ndyetabula

Food Security Policy *Research Papers*

This *Research Paper* series is designed to timely disseminate research and policy analytical outputs generated by the USAID funded Feed the Future Innovation Lab for Food Security Policy (FSP) and its Associate Awards. The FSP project is managed by the Food Security Group (FSG) of the Department of Agricultural, Food, and Resource Economics (AFRE) at Michigan State University (MSU), and implemented in partnership with the International Food Policy Research Institute (IFPRI) and the University of Pretoria (UP). Together, the MSU-IFPRI-UP consortium works with governments, researchers and private sector stakeholders in Feed the Future focus countries in Africa and Asia to increase agricultural productivity, improve dietary diversity and build greater resilience to challenges like climate change that affect livelihoods.

The papers are aimed at researchers, policy makers, donor agencies, educators, and international development practitioners. Selected papers will be translated into French, Portuguese, or other languages.

Copies of all FSP Research Papers and Policy Briefs are freely downloadable in pdf format from the following Web site: www.foodsecuritylab.msu.edu

Copies of all FSP papers and briefs are also submitted to the USAID Development Experience Clearing House (DEC) at: <http://dec.usaid.gov/>

AUTHORS

David Mather is Assistant Professor of International Development, Department of Agricultural, Food and Resource Economics, Michigan State University.

Daniel Ndyetabula is Lecturer, Department of Agricultural Economics & Agribusiness, Sokoine University of Agriculture.

Michigan State University (MSU). Established in 1855, MSU is the oldest of the U.S. Land Grant universities and has a long history of agricultural and food policy research in Africa, Asia and Latin America.

This study is made possible by the generous support of the American people through the United States Agency for International Development (USAID) under the Feed the Future initiative. The contents are the responsibility of the study authors and do not necessarily reflect the views of USAID or the United States Government

Copyright © 2016, Michigan State University. All rights reserved. This material may be reproduced for personal and not-for-profit use without permission from but with acknowledgment to MSU.

Published by the Department of Agricultural, Food, and Resource Economics, Michigan State University, Justin S. Morrill Hall of Agriculture, 446 West Circle Dr., Room 202, East Lansing, Michigan 48824, USA

ACKNOWLEDGMENTS

The authors thank Dr. David Nyange and Lorna Yoyo (MSU) for facilitating meetings with officials of the Ministry of Agriculture, Livestock and Fisheries (MALF) -- both current and past -- who were directly involved with NAIVS implementation, as well as other key fertilizer and seed supply chain stakeholders.

We wish to thank the following key informants from government, private sector, and civil society for their time and for sharing their knowledge on Tanzania's fertilizer subsidy programs and the policy process that enabled their successful design, implementation and reform from 2003/04 to 2013/14: Dr. Andrew Msolla (African Fertilizer and Agribusiness Partnership), Twahir Nzallawahe (Director of Directorate of Crop Development (DCD) in the Ministry of Agriculture, Livestock, and Fisheries (MALF)), Canuth Komba (Asst. Director, Ag Inputs Section, DCD/MALF), Gungu Mibavu (Deputy Director of Directorate of Policy & Planning (DPP), MALF)), David Biswalo (Asst. Director of Planning & Budget, DPP/MALF), Dr. David Rohrbach (World Bank), Dr. Madhur Gautam (World Bank), Dr. Karen Brooks (World Bank), Salum Mkumba (Tanzania Fertilizer Society), various fertilizer importers, TANADA, Janet Bitegeko and Susan Masagasi (Agricultural Council of Tanzania), Dr. Peniel Lyimo (former Permanent Secretary (PS) of Ministry of Finance, Ministry of Agriculture, and Prime Minister's Office), and other key informants as noted in this report.

Financial support for this study comes from the US Agency for International Development (USAID) under the Food Security Policy Innovation Laboratory, contract number AID-OAA-L-13-00001. The views expressed in this paper are those of the authors and not those of USAID. The authors alone are responsible for the contents of this paper.

EXECUTIVE SUMMARY

This paper studies fertilizer subsidy schemes in Tanzania from 2003/04 through 2015/16 to give an understanding of the key factors that led to the design and reform of various fertilizer subsidy programs in Tanzania over time. The paper also serves as a case study to test the hypotheses from the Kaleidoscope Model of the key drivers of agricultural policy change. The analysis is based on a combination of key informant interviews and secondary literature.

Focusing events played a key role in introducing fertilizer subsidies in Tanzania's policy agenda: Firstly, the 2002/03 drought led to the return of fertilizer subsidies in 2003/04, while the international food price crisis of 2007/08 led to the scaling up of an existing pilot fertilizer voucher scheme into the large-scale National Agricultural Input Voucher Scheme (NAIVS) in 2008/09. The advocacy of the president among others was the second key factor that led to a large-scale subsidy approach on the agenda (NAIVS).

The choice of a fertilizer/seed subsidy was due to the cost-benefit (political, economic and social) of the need to react quickly to the focusing events. The private sector-friendly design of programs from 2002/03 and onwards, was driven by Tanzania's market-led development approach (ideology/beliefs) that is rooted in a 1999 national economic development strategy document. The specific design element of the use of vouchers in NAIVS was due to diffusion of ideas and experience from Malawi's targeted input voucher program. The programs continue to be adopted because of the support of key government veto players and of course lack of strong opposition.

The large-scale NAIVS received sufficient budget support from both the government and the World Bank making its implementation a success. Additionally, the government channeled the subsidized fertilizer through the existing private sector fertilizer supply chain. Thus, the private sector fertilizer importers, distributors and agro-dealers became the key implementing veto players. The participation of the players was based on the belief that such programs would increase sales in the short-term and potentially increase the smallholder farmer demand for market-priced fertilizer in the long-term.

Evaluations and criticism from the key players led to significant reforms to the program design. Changes in available funding (both external and domestic) led to changes in the NAIVS scale. NAIVS was eventually stopped in 2014/15 partly due to the perception that material conditions had changed enough to merit a different approach (i.e. focus of subsidies on credit for fertilizer). Nonetheless, when the follow-on approach was not successful, the government returned NAIVS in 2015/16.

ACRONYMS

ACT	Agricultural Council of Tanzania
AFSP	Accelerated Food Security Project
AGMARK	Agricultural Market Development Trust
AGRA	Alliance for a Green Revolution in Africa
AIS	Agricultural Inputs Section of the Directorate of Crop Development, MAFC
AMCOs	Agricultural Marketing Cooperative Organizations
ASDP	Agricultural Sector Development Program
CNFA	Citizens Network for Foreign Affairs
CSOs	Civil Society Organizations
DALDO	District Agriculture and Livestock Officer
DAP	Di-ammonium Phosphate
ESRF	Economic and Social Research Foundation
FSDT	Finance Sector Deepening Trust
FSP	Food Security Policy
GDP	Gross Domestic Product
KM	Kaleidoscope Model
LGA	Local Government Authority
MAFC	Ministry of Agriculture, Food Security and Cooperatives (2003 to 2015)
MALF	Ministry of Agriculture, Livestock, and Fisheries (2016-present)
MKUKUTA	National Strategy for Growth and Reduction of Poverty
MoF	Ministry of Finance (2003 to 2015)
MFP	Ministry of Finance and Planning (2016-present)
MRP	Minjingu Rock Phosphate
NAIVS	National Agricultural Input Voucher Scheme
NBS	National Bureau of Statistics
NMB	National Microfinance Bank
NVSC	National Voucher Steering Committee
OPV	Open Pollinated Variety
SA	Structural Adjustment
SACCOs	Savings and Credit Cooperative Organizations
SSA	Sub Saharan Africa
TAFSIP	Tanzania Agriculture and Food Security Investment Plan
TSH	Tanzanian Shilling
TASAF	Tanzania Social Action Fund
URT	Government of the United Republic of Tanzania
VVC	Village Voucher Committee

Table of Contents

1. INTRODUCTION	1
2. METHODS: THE KALEIDOSCOPE MODEL AND POLICY PROCESS TOOLS	2
3. RETURN OF FERTILIZER SUBSIDIES IN 2003/04	5
3.1 Agenda Setting: URT’s return to fertilizer subsidies	5
3.2 Design	7
3.3 Adoption	8
3.4 Implementation	9
4. CONTINUATION OF UNTARGETED FERTILIZER SUBSIDIES (2004/05 to 2006/07)9	
4.1 Agenda Setting: Continuation of fertilizer subsidies	9
4.2 Design	9
4.3 Adoption	10
4.4 Implementation	10
4.5 Evaluation & Reform.....	11
5. PILOT TARGETED AGRICULTURAL INPUT VOUCHER SCHEME (2007/08).....	11
5.1 Agenda Setting.....	11
5.2 Design of pilot targeted voucher scheme	12
5.3 Implementation of pilot targeted voucher scheme	13
6. NATIONAL AGRICULTURAL INPUT VOUCHER SCHEME (2008/09 – 2013/14)	13
6.1 Agenda Setting for NAIVS: Why continue with fertilizer subsidies?	13
6.2 Design of NAIVS.....	15
6.3 Adoption of NAIVS.....	15
6.4 Implementation of NAIVS.....	16
6.4.1 Factors enabling successful implementation.....	16
6.4.2 NAIVS implementation process	17
6.5 Evaluation and Reform	20
6.5.1 Shift from targeting only high potential zones to also targeting medium/lower potential zones	20
6.5.2 Shift in who decides which agro-dealers participate in the program (2012/13)	20
6.5.3 Scale of program declines in 2012/13 and program extended beyond initial exit year	21
7. MAFC PILOTS AN ALTERNATIVE FERTILIZER SUBSIDY PROGRAM WHILE CONTINUING NAIVS	23
7.1 MAFC begins training component of Agricultural Credit Subsidy Program in 2012/13	23
7.2 First attempt to pilot ACSP (2013/14)	24
7.3 NAIVS not continued in 2014/15	24
7.4 Second attempt to pilot ACSP (in 2014/15).....	24
7.5 NAIVS returns in 2015/16	25
7.5.1 Agenda setting & design	25
7.5.2 Adoption & Implementation	26
7.5.3 Evaluation & Reform.....	26
8. CONCLUSIONS.....	26
REFERENCES	29
APPENDIX TABLE 1. POLICY CHRONOLOGY OF FERTILIZER SUBSIDY PROGRAMS IN TANZANIA FROM 2003/04 to 2015/16.....	33

APPENDIX TABLE 2. STAKEHOLDER INVENTORY for NAIVS, 2015/16	39
Appendix Table 3. Kaleidoscope model hypothesis testing	41
Appendix Table 4. Summary of Kaleidoscope model hypothesis testing	45
FIGURE 2. POLICY PROCESS MAPPING of NAIVS (2013/14).....	46
APPENDIX A. ANNUAL BUDGET PROCESS	48
APPENDIX B: MODIFICATIONS MADE TO THE URT PILOT FERTILIZER SUBSIDY VOUCHER SCHEME	51
APPENDIX C: ASSUMPTIONS UNDERLYING THE DESIGN OF ACSP	53

1. INTRODUCTION

As has been recognized by donors and African governments alike in recent years, one of the keys to reducing rural poverty and improving the nutritional status of rural households in Tanzania is to achieve wide-spread improvements in food crop productivity among smallholder farmers. Prior to the international food price crisis of 2007/08, maize yields in Tanzania remained low, averaging between 800-900 tons/ha nation-wide, despite Tanzania's favorable agro-ecological potential (NBS, 2004). Subsequently, maize production stagnated during the 2000s and did not keep pace with population growth (World Bank, 2009). While there are likely to be a range of factors which contribute to low maize yields in Tanzania, an obvious constraint is the fact that as of 2007/08 (NBS, 2008), few smallholders outside of the Southern Highlands region used inorganic fertilizer on maize or improved maize seed.

In 2008/09, with financial and technical support from the World Bank, the government of the United Republic of Tanzania (URT) dramatically scaled up their existing pilot targeted agricultural input voucher scheme, which was thereafter called the National Agricultural Input Voucher Scheme (NAIVS). NAIVS had two main goals: (1) to improve farmer access to inorganic fertilizer for use on maize/rice and improved maize/rice seed; (2) to provide a rapid, sustained and predictable increase in smallholder farmers' effective demand for inorganic fertilizer and improved maize/rice seed so as to promote longer-term investment by the private sector fertilizer and seed supply chains (World Bank, 2009).

The initiation of NAIVS in 2008/09 coincided with a resurgence of government-led fertilizer subsidy programs during this time period across a growing number of Sub Saharan African (SSA) countries including Ghana, Kenya, Malawi, Nigeria, Rwanda, and Zambia. The publically-stated goal of many of these programs is to induce higher levels of smallholder fertilizer use, which are assumed to lead to improvements in food crop productivity and thus higher household incomes and improved food security. However, the degree to which an input subsidy program raises total smallholder fertilizer use depends on the extent to which receipt of subsidized fertilizer crowds-out(in) the quantity of commercial fertilizer that a smallholder would theoretically have purchased at the market rate in the absence of a subsidy (Ricker-Gilbert, Jayne, and Chirwa 2011).

According to a review of similar programs, NAIVS was the most private-sector friendly of the various large-scale input subsidy schemes recently implemented (2000-2014) in countries like Ghana, Kenya, Malawi, Nigeria, Rwanda, and Zambia (Wanzala et al, 2013). Given that the design, scale and outcomes of 'large-scale' fertilizer subsidy programs differ considerably across countries and particularly over time (Jayne and Shahid, 2013), begs the question of how Tanzania designed and implemented a 'smarter' and more efficient large-scale subsidy scheme relative to other countries. As is now well recognized, sound technical analysis – in this case, use of the 'smart' criteria of Morris et al (2007) for input subsidy programs – is usually a necessary but not a sufficient condition for the adoption and implementation of better-designed policies, let alone improved policy outcomes. Instead, there is an increasing recognition that a more in-depth and refined understanding of how policy change occurs, as well as bottlenecks to achieving better policy implementation and outcomes, is a prerequisite for strengthening agricultural and food security policy.

In order to provide a framework for better understanding agricultural and nutritional policy processes, a team of colleagues from the Food Security Policy (FSP) Innovation Lab¹ developed a model of policy change that builds upon existing operational hypotheses within the international donor community and draws on academic scholarship from public administration and political science. The resulting Kaleidoscope Model (KM) offers testable hypotheses covering the five key stages of the policy cycle: agenda setting, design, adoption, implementation, and evaluation and reform (Resnick et al. 2015).

In this paper, we apply the KM for agricultural and food security policy change to the case of fertilizer subsidy schemes in Tanzania from 2003/04 through 2015/16 to achieve several goals.

First, we aim to better understand the policy process history of the design of NAIVS (and earlier subsidy programs in Tanzania) and reforms of the initial design over time, so as to highlight the key factors that led Tanzania to design and implement a relatively ‘smarter’ large-scale fertilizer subsidy program relative to the programs in other countries during that same time period (Wanzala et al, 2013). Second, this case is one of six conducted by the FSP team in order to assess the extent to which the operational hypotheses of the KM are robust to a range of applied case studies.²

Third, this case study is one of three that will be used to compare the national policymaking processes and identify key drivers of policy change related to large-scale fertilizer subsidy programs in Ghana, Tanzania, and Zambia (FSP, 2015). The FSP team will use this three-country cluster to produce a separate paper that compares differences in policy processes (also termed ‘institutional architecture’) and fertilizer subsidy program outcomes across the three countries. The goal of this comparison will be to gain a clearer understanding of the factors driving policy change in fertilizer subsidy programs across these countries, which may help to provide insights into how policy processes can help such programs become more effective.

The analysis presented in this paper is based on two main sources: first, secondary literature, and second, semi-structured interviews predominantly conducted in July/August 2013, March 2014, November/December 2014, March and September 2015, and February/March 2016 with knowledgeable stakeholders including the government, donor, civil society, and research communities.³ Section 2 below provides further details on the analytical methods used. Section 3 discusses the return of fertilizer subsidies in 2003/04, while Section 4 addresses the continuation of this first program type through 2006/07. Section 5 describes the initiation of a pilot targeted agricultural input voucher scheme in 2007/08, while Section 6 describes its scaling up from 2008/09 – 2014/15. Section 7 then describes how MAFC sought to implement an alternative fertilizer subsidy program while also continuing NAIVS. Section 8 provides conclusions.

2. METHODS: THE KALEIDOSCOPE MODEL AND POLICY PROCESS TOOLS

¹ The FSP partner institutions include Michigan State University (MSU), the International Food Policy Research Institute (IFPRI) and the University of Pretoria (UP).

² Three studies are on large-scale fertilizer subsidy schemes, and three are on micronutrient interventions.

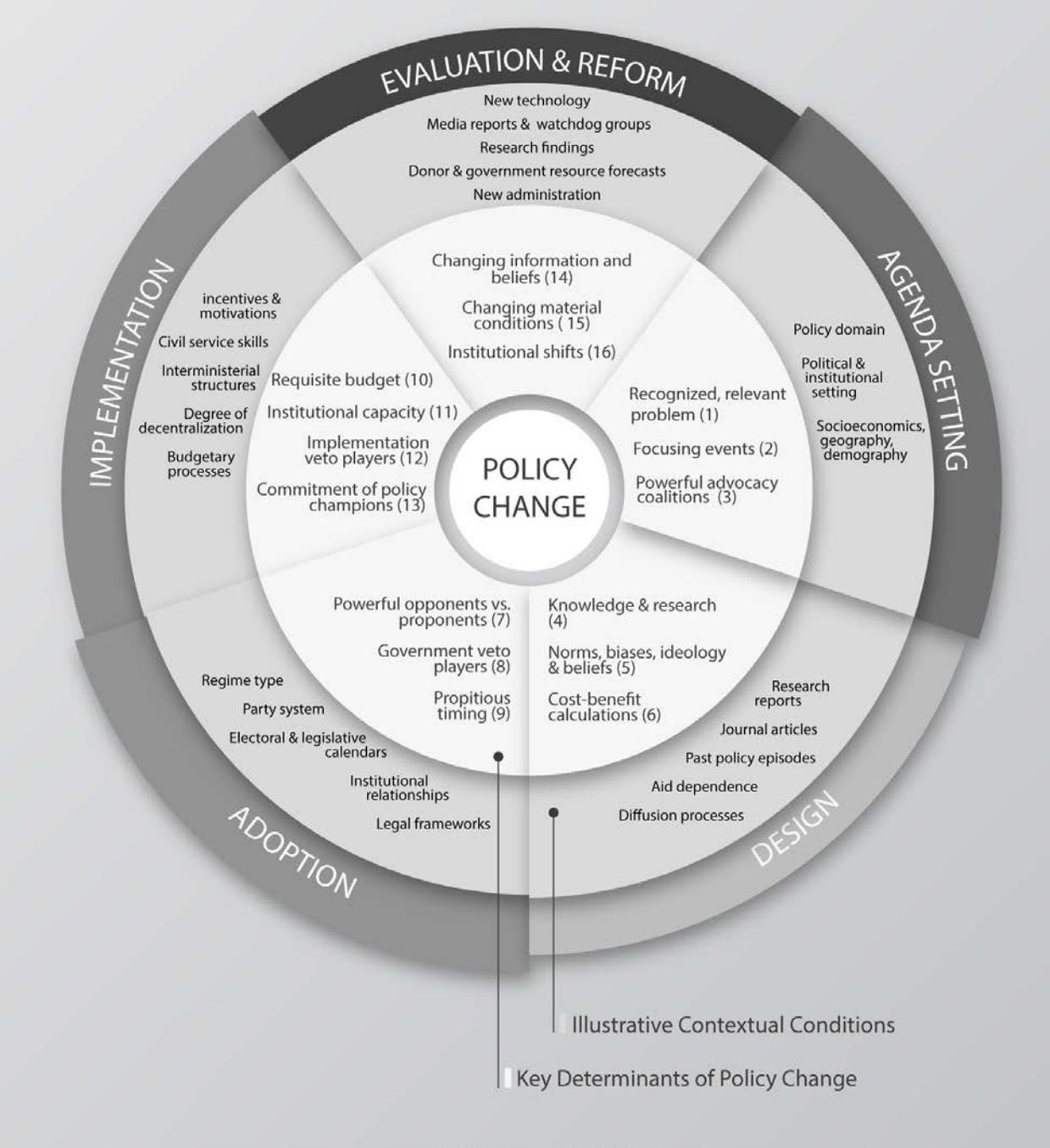
³ Some interviewees requested not to be personally identified. Where relevant, we have only listed their institutional affiliation or their stakeholder category, e.g. “importer” or “donor.”

The KM framework is intended to help answer the question of why a policy change occurs in one geographic locale but not another, in one policy arena but not another, or at one time period but not another. It also helps answer the question of why policy modalities intended to address the same underlying problem (low smallholder food crop productivity) may differ significantly in their design and scale both across countries and over time. As Hall (1993) highlights, policy change is rarely one overarching outcome but rather consists of smaller policy changes related to design, adoption, and implementation over time. By looking at all key stages of the policy process, the KM offers a better understanding of when and why smaller changes sometimes cumulate and result in larger outcomes while others do not. In doing so, the KM can help pinpoint bottlenecks to policy change and identify whether improved policies are hindered by limited access to relevant evidence, low government and/or private sector capacity, insufficient political support, inadequate financial resources, etc.

While many factors ultimately influence policy change, the KM identifies a subset of 15 variables that are necessary and sufficient for policy change to occur. These are labeled as “key determinants of policy change” in the figure presented in Figure 1. It is important to note that not every variable in a given policy process stage is hypothesized to be necessary and sufficient – only one or more of them (results of hypothesis testing are found in Appendix Table 3 and 4). Applications of the KM are bolstered by a practical toolkit that centers around five, mutually reinforcing tools:

- **Policy chronologies:** Help identify key actions, actors and dates for each stage of a policy during a specified time frame; Facilitate process tracing and causal analysis by indicating whether certain events precipitated or not subsequent policy changes (Appendix Table 1).
- **Agricultural policy mapping:** Identifies key institutions and frameworks, regulations, norms, communication conduits, protocols, financial and administrative procedures within the agricultural sector (see Appendix A for annual budget process).
- **Policy-specific mapping:** Focuses on a specific policy domain or modality (e.g. fertilizer subsidies, seed safety, and land reform) and distinguishes the roles of key actors (policy formulation, administration, oversight, or knowledge sharing) and the nature of the relationships among them and with respect to the policy (see Figure 2 in Appendix).
- **Stakeholder mapping:** Identifies perceived winners and losers of specific policies and their preferences related to the design and implementation of those policies (Appendix Table 2).
- **Circle of influence graphics:** Aligns stakeholders in a two dimensional space to map their preferences vis-à-vis a policy with their degree of power and influence to make decisions; the main government veto players, key implementing veto players and other policy actors are placed in the center of the circle. Other stakeholders are aligned closer (further) from the center based on how much influence they have (see Figure 3 in Appendix).

Figure 1: The Kaleidoscope Model of Policy Change

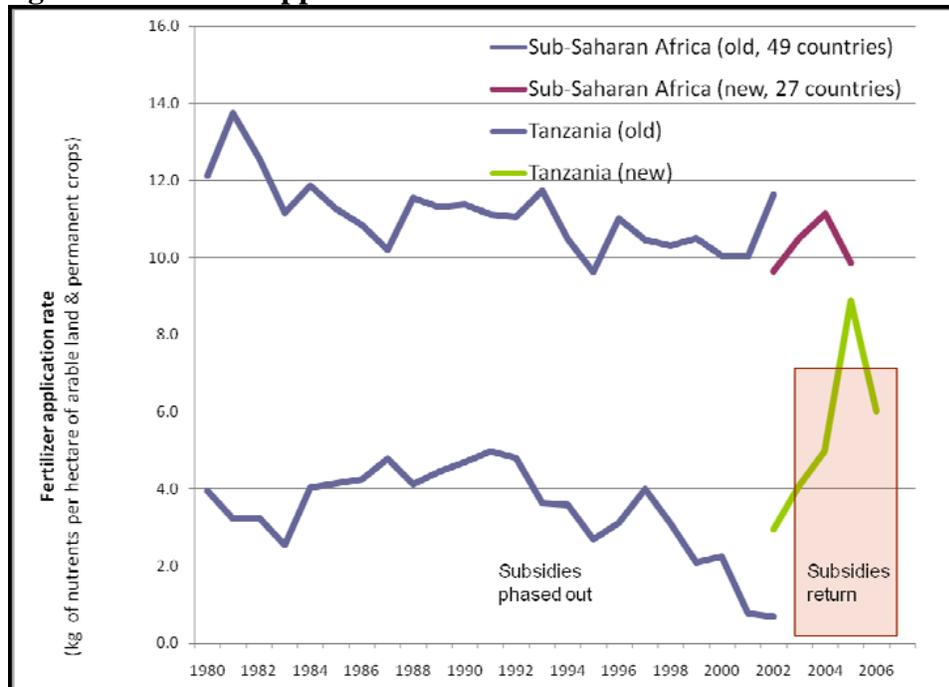


3. RETURN OF FERTILIZER SUBSIDIES IN 2003/04

3.1 Agenda Setting: URT's return to fertilizer subsidies

Agricultural input subsidies first began in Tanzania in 1967 as part of President Julius Nyerere's ujamaa "African socialism" model of economic development, which consisted of a villagization policy, collectivization of all productive activities and state control of the provision of education, health and infrastructure (Coulson, 1982). Like other sub-Saharan African (SSA) countries, a Tanzanian government parastatal maintained a monopoly on the importation and distribution of fertilizer and seed, and both were highly subsidized. The economic crisis of the mid-1980s led to a Structural Adjustment (SA) programs in 1986 that implemented a wide range of economic reforms. This began with liberalization of agricultural and other markets, removal of domestic price controls, and reform of state monopolies. However, input subsidies were not phased out completely until 1994 (Putterman, 1995). After the state had phased out subsidies, overall fertilizer use on food crops declined significantly. For example, in the early 1990s (prior to the end of fertilizer subsidies), 70% of fertilizer was used for food crops, but by the end of the decade (when subsidies had been phased out) it had fallen to 32% (MAFC, 2006). In addition, before the withdrawal of subsidies, Tanzania's average fertilizer application rate hovered around 4 kg per hectare of area cultivated to annual or perennial crops, which was less than half the SSA average, yet it fell quickly after subsidies were phased out (Figure 2). Thus, unfortunately, the goal of structural adjustment of 'getting the prices right' was not sufficient by itself to stimulate widespread market-led smallholder demand for commercial fertilizer use on staple crops.

Figure 2. Fertilizer application rates for Sub-Saharan Africa and Tanzania, 1980-2006.



Source: Minot (2009), from FAO.

That said, after fertilizer subsidies ended in 1994, several private firms quickly entered the market, importing stocks from international fertilizer manufacturers and selling from wholesale depots in

Dar es Salaam or through their own depots inland (ACT 2012). Some even began developing their own retail networks, and by 1998 there were 13 private sector fertilizer importers in Tanzania (Ibid, 2012). These supply chains developed due in part to the use of market-priced fertilizer on maize in the higher potential Southern highlands and Northern regions, though most fertilizer was used on cash crops such as tobacco and horticultural crops like carrots, onions, potatoes, etc. (NBS, 2004). As of the late 2000s, the majority of farm input supply companies remained concentrated in urban areas or in rural zones with significant concentrations of commercially-oriented farmers (ACT, 2012). Thus, there were millions of smallholder farmers in rural areas that lacked cash crops that did not have access to quality, affordable and timely agricultural inputs such as inorganic fertilizer, improved seed and other agro-chemicals with which to raise their crop productivity (Ibid, 2012). Subsequently, during the immediate post-SA period, food crop productivity was very low, and maize and rice yields remained stagnant due to limited use of improved inputs such as fertilizer and improved seed (World Bank, 2014). Food crop production only kept pace with population growth by area expansion (Ibid, 2014). However, prolonged crop (maize) cultivation without proper fertilization and/or appropriate crop/soil management practices can result in stagnant/falling yields over time as soils become mined of macro and micro nutrients (Marenya and Barrett, 2009; Snapp et al, 2015).

However, due to a number of factors, in 2003/04, URT decided to begin subsidizing fertilizer again. First, low food crop productivity, caused in part by limited use of fertilizer on food crops⁴, by that time had officially become a highly relevant problem for maintaining food security for both rural and urban households and generating economic growth. For example, in 1999, the URT adopted the Tanzania Development Vision 2025, in which the URT highlighted the role of agriculture sector in national development and identified agriculture as the key driver of economic growth (URT, 1999). This commitment to agricultural sector was reconfirmed in the 2001 National Strategy for Growth and Reduction of Poverty (URT, 2001) – its acronym is MKUKUTA in Swahili -- which also added reducing household food insecurity as a key policy goal. Thus, in the early 2000s, the URT was publicly committed to addressing key constraints to food insecurity and agricultural sector growth.

Second, Tanzanian food crop production fell dramatically in 2002/03 due to a long drought that hit most of the country's uni-modal rainfall areas from January to March 2003 (FEWSNET, 2003a). Given that these areas produce 80% or more of the country's maize, it was not surprising that the government's Food Security Information Team found in August 2003 that 47 of the country's 52 districts were likely to experience severe food shortages, which would affect approximately 2 million people between October 2003 and March 2004 (FEWSNET, 2003b). In addition, the return of the large grain borer (*Prostephanus truncatus*) resulted in the destruction of significant quantities of stored maize in recent years and infested un-harvested maize in 2003 (Ibid,

⁴ It is important to note while inorganic fertilizer can be an effective means by which to improve smallholder grain productivity (depending on agroecological conditions and appropriate use), it is well known that fertilizer is but one of many inputs and/or soil/plot management practices that can raise grain productivity – such as use of improved seed and plot-level crop and soil fertility management practices, as found empirically by recent research (Mather et al, 2016a). It is also important to note that access to such other complementary inputs and/or access to knowledge of appropriate soil/plot management practices via extension agents were also adversely affected by structural adjustment in Tanzania.

2003b). The combination of drought and insect damage thus created a focusing event that pushed the issue of low smallholder maize productivity squarely onto the URT agricultural policy agenda.

3.2 Design

In response to this imminent national food security crisis, the URT released stocks from its national grain reserve to try to reduce domestic maize prices (FEWSNET, 2003b). However, the shortfall between the 2002/03 production and consumption needs was large enough that the URT decided late in 2003 that additional action needed to be taken. During a Parliamentary session in November 2003, the URT announced that it would implement a fertilizer subsidy program for the 2003/04 season, noting that the removal of fertilizer subsidies had resulted in fertilizer becoming unaffordable for many farmers in the higher-potential interior regions of the country.⁵ The goal of the subsidy program was to increase fertilizer use in the Southern highlands region so as to ensure increased national maize production in 2003/04.

Although there are various strategies that a government can use to promote increased staple crop productivity, there are several reasons why implementing a subsidy program was perhaps the only option URT had given the urgency to do something to help farmers improve their yields. First, while evidence from South-East Asia is clear that the returns to expenditure (in terms of economic growth and poverty reduction) on investments like rural roads, agricultural research and development, and extension are considerably higher than those of agricultural subsidies (Fan et al, 2008; EIU, 2008), there is a considerable lag between when those investments are made and when benefits are realized. By contrast, subsidizing agricultural inputs provides a way to make such technologies affordable to smallholder farmers for their immediate use. That is, if smallholder staple food production needs to be raised as soon as possible, the political and economic cost/benefit of a fertilizer subsidy was much preferable to more traditional public goods given that subsidies could conceivably increase farmer staple crop productivity quickly in the short-term.

Second, with respect to distribution of fertilizer, at this point in time, there was somewhat limited knowledge and information available to URT that could inform the design of a program intended to dramatically increase smallholder fertilizer use. For example, in 2003/04, there were primarily only three active (or previously used) models of fertilizer distribution in SSA for staple food crops:

- i. Government monopoly over input distribution;
- ii. Complete liberalization of input distribution (i.e. rely on the private sector to supply fertilizer, and on farmers to be able to purchase it);
- iii. Dual-channel systems where the government continued to operate a parastatal, even after structural adjustment, albeit on a small scale, while allowing the private sector to import and distribute fertilizer with no restrictions.⁶

⁵ From Parliamentary Hansard of speech by the Minister of Agriculture to Parliament in 2012 to present the 2012/13 MAFC budget, p.15.

⁶ For example, although neighboring Zambia went through structural adjustment programs like many other SSA countries, they only partially liberalized their agricultural input and output markets (Jayne et al, 2002). Although

Given URT's public commitment to pursue market-led development (i.e. beliefs and ideology), as described in the Tanzanian Development Visions 2025 (URT, 1999), Tanzania had completely dismantled their agricultural input parastatal during structural adjustment. Thus, option (i) was not feasible, as URT no longer had the institutional capacity to handle the physical importation, wholesaling and retailing of subsidized fertilizer. This was an especially acute constraint given that the fertilizer that would be subsidized for the coming main season in the uni-modal rainfall zones needed to be in the country in order for it to reach farmers for November-February planting season. Option (ii) is what Tanzania was already using -- complete liberalization of agricultural input markets. However, the post-SA period in Tanzania did not result in a significant supply response by smallholders and increased demand for technologies such as fertilizer. This is seen in the dramatic decline in total fertilizer use after subsidies were withdrawn (Figure 1), and the fact that as of the Agricultural Census of 2002/03, only 13% of smallholder maize producers applied inorganic fertilizer to maize (Mather et al, 2016b).

The design that MAFC ended up using was generated quickly by the Agricultural Inputs Section (AIS) of the Directorate of Crop Development of MAFC given the very limited time available between the announcement of the subsidy (mid-November) and when farmers would normally plant maize or rice in the Southern highlands (Nov-Feb). What MAFC decided to do was as follows.⁷ First, they continued to allow the private sector to import, wholesale and retail fertilizer at market rates without restrictions. Second, MAFC negotiated with several of the larger fertilizer importers, who had been supplying fertilizer to distributors located in interior regional capital since liberalization of agricultural input markets. MAFC and the importers and distributors agreed that URT would reimburse the distributors for their cost of transporting a limited quantity of fertilizer from the port to regional capitals in the Southern highlands region, and add a limited amount such that the subsidy received by farmers would be approximately 30% of the market price in that region. Participating distributors and agro-dealers then promised to pass on the cost savings to farmers, for the specified quantity of fertilizer whose transportation costs had been covered by the government (as well as an additional though small subsidy). Participation was clearly in the interests of importers, distributors and agro-dealers, as this program widened their market and thus would increase their volume of sales. The subsidized fertilizer had no targeting criteria apart from the geographic targeting of the Southern highlands regions, which is where the majority of the country's maize is produced. This private-sector friendly design thus reflected URT's beliefs and ideology, cost/benefit reality at the time, and lack of institutional capacity to import and distribute inputs (the latter a function of beliefs and ideology).

3.3 Adoption

Official adoption of the program was aided by the fact that there were several strong proponents for the program, including the Minister of MAFC and Parliament, and few if any opponents. There were also no government veto players who were against the program.

they did remove restrictions on private sector importation and delivery of fertilizer, the parastatal was not completely shut down (as in Tanzania), though its operations were scaled down significantly.

⁷ Program description based on interviews with Dr. Susan Masagasi, and Mr. Frank Kamhabwa, both of who were within AIS/MAFC when this program was begun, and they were among the group that designed the 2003/04 fertilizer subsidy scheme.

3.4 Implementation

The fiscal year of the URT runs from July to June, thus the 2003/04 budget had already been approved by Parliament earlier in 2003. Thus, the government's response to the rapidly deteriorating food security situation in the country in late 2003 meant that there was not much funding available for this program in 2003/04. In 2003/04, only two Billion Tanzanian Shillings (TSH) was spent on the program the first year – approximately 1-2% of the total MAFC budget. Thus, obtaining sufficient budget resources to implement the program that year was not a constraint. As noted above, the government opted for the private sector to physically handle the subsidized fertilizer, as the government did not have the institutional capacity to do this. Thus, institutional capacity for implementation was not a constraint. In addition, the primary implementing veto players – MAFC and fertilizer supply chain actors participating in the program – were supporters of the program as well as committed policy champions.

4. CONTINUATION OF UNTARGETED FERTILIZER SUBSIDIES (2004/05 to 2006/07)

4.1 Agenda Setting: Continuation of fertilizer subsidies

In 2004/05, although the concern about spiking food staple prices had subsided following a reasonable harvest in 2003/04, the problem of low food crop productivity and very low fertilizer use on food crops remained a relevant policy problem. In addition, it is clear from MAFC Minister speeches to Parliament that this program remained an important policy tool for the Ministry in the following years,⁸ and private sector fertilizer supply chain actors remained committed to the program (as it expanded their market and thus sales). In addition, MPs from regions outside the Southern highlands requested that the program be expanded to cover other regions.⁹ Thus, the program continued to enjoy support from a powerful advocacy coalition of MAFC, Parliament and private sector fertilizer importers.

4.2 Design

The design of this program remained the same from 2004/05 through 2006/07. Although the political and economic costs of 'not acting' in the face of an impending food price spike had dissipated by 2004, the underlying cost/benefit facing the government in terms of trying to achieve a rapid increase in fertilizer use by smallholder staple crop producers remained the same. That is, the government minimized its costs by allowing the private sector to physically handle and distribute the fertilizer, with the government role limited to coordinating how much fertilizer would be subsidized and where, and re-paying distributors for their transport cost.

This arrangement thus addressed URT institutional capacity limitations of fertilizer distribution and the URT commitment to pursue market-led development (i.e. beliefs & ideology). In addition, the program design remained the same through 2006/07, as there appears to have not been new knowledge or information of either problem with the design or alternative designs until 2007.

⁸ Hansards of MAFC Minister budget presentations to Parliament from 2004/05 to 2006/07, available at <http://www.kilimo.go.tz/speeches/budget%20speeches/budget%20speeches.htm>

⁹ Interviews with various key informants.

4.3 Adoption

From the second year of this program through 2006/07, the program had to be approved through the regular budget process that MAFC and other ministries use (see Appendix A for details on the annual budget process). While the Minister of MAFC must contend with those of other ministers for budget resources, we noted above that agricultural sector had become a priority sector for economic growth since the Tanzanian Development Vision 2025 (1999) and also a key towards the reduction of poverty and household food insecurity in the National Strategy for Growth and Reduction of Poverty (URT, 2001). That said it is perhaps difficult to find a government opponent against a program as small as this, which was not even 5% of the MAFC budget for the first few years, then approximately 17% of the MAFC budget in its final year (2006/07). Secondly, although the agricultural sector employs the vast majority of Tanzanians, the share of the national budget going to the agricultural sector was never higher than 7% in these years.

Second, the program was accepted by key government veto players, including the implementing Minister, the Minister of Finance, the Cabinet, President, and Parliament. As in many SSA countries, the Tanzanian executive branch is considered to be relatively stronger than the Tanzanian national legislative body (Parliament) (Tripp, 2000; Chang, 2005). However, recent changes in Parliament's role in the budget process have made Parliament a stronger check on the power of the executive branch. For example, Parliament provides input at various stages of the annual budget process (Appendix A), is able to request funding shifts within and across ministries, and votes to approve the budget. In addition, as is noted below, Parliament's influence led to significant changes in the design of input subsidy programs on several occasions.

The only opponents to the untargeted fertilizer subsidy program from 2003/04 to 2006/07 of which we are aware were donors (Cagley et al, 2009), who simply voiced their opposition by not providing funding for the program. In summary, given the absence of government veto players who opposed the subsidy program, and with no powerful opponents, the program continued to be approved by the cabinet and Parliament through 2006/07.

4.4 Implementation

The program scaled up over time (Table 1) and included additional regions, and by 2006/07 represented approximately 17% of the MAFC budget (MAFC, 2007). Subsidized seeds were also added to the program in 2006/07. Until 2006/07 the program remained quite small, thus funding availability was not an issue, and the main policy champions MAFC and private sector fertilizer actors remained committed to the program. Likewise, with no design change apart from a gradual scaling up, for the first four years of the program, there appeared to be no institutional capacity constraints from the government or private sector perspective for the delivery of the subsidized fertilizer.

Table 1. Quantity of fertilizer subsidized and cost of subsidy to government by year, 2003/04 to 2006/07

Agricultural year	Quantity of fertilizer subsidized (MT)	Cost to GoT of subsidy (Billion Tsh)
2003/04	39,387	2.0
2004/05	81,766	7.2
2005/06	63,000	7.0
2006/07	108,703	21.0

Source: Hansards of MAFC Minister budget presentation to Parliament.

4.5 Evaluation & Reform

After several years of program implementation, several institutional flaws began to be noticed by MAFC and CSOs such as the Agricultural Council of Tanzania (ACT)¹⁰. First, the program was not succeeding in providing smallholders with access to subsidized fertilizer in large part because there was no institutional constraint to enforce the participating agro-dealers to pass on the full (or any) of the subsidy of the limited quantity of subsidized fertilizer to farmers.¹¹ Second, there were some institutional constraints at the agro-dealer level as some many agro-dealers lacked sufficient financial resources to acquire an inventory of subsidized fertilizer and seeds, and they also had limited information and knowledge to guide farmers on how to make profitable and productive use of these subsidized inputs (ACT, 2012).

Dissemination of farmer discontent with hearing about a subsidy program but not themselves gaining access to subsidized prices was aided by an annual stakeholder forum at the end of the most seasons, where farmer groups, agro-dealers, distributors, importers, MAFC officials discussed the program.¹² In response to such complaints, the Directorate of Policy & Planning (DPP) of MAFC assessed the situation in 2007 and the ensuing report (MAFC, 2007a) recognized that the farmers' complaints were valid: many agro-dealers were not in fact passing on subsidies to smallholder farmers. This report represented new information about the program's performance that resulted in changing the previous views of government veto players and champions regarding this approach to subsidizing fertilizer. MAFC thus concluded that the program was not cost-effective as it was not reaching a large number of farmers or improving their access to fertilizer (World Bank, 2009).

5. PILOT TARGETED AGRICULTURAL INPUT VOUCHER SCHEME (2007/08)

5.1 Agenda Setting

¹⁰ ACT is an umbrella association that acts as a representative for a large number of farmer and agri-business associations. ACT initiates, facilitates, and participates in stakeholder-government dialogue and provides independent research.

¹¹ According to study done by MAFC (2007b) and interviews with Susan Masagasi (ACT) and Janet Bitegeko (ACT). This view is also cited in a Hansard of the Minister of Agriculture's (Stephen Wasira) speech to Parliament regarding the 2008/09 budget, p.59.

¹² Interview with Susan Masagasi, who worked within the MAFC Directorate of Ag Inputs Directorate during this program.

Planning for the 2007/08 MAFC budget preceded the 2007/08 international food price crisis. Nevertheless, the problem of low food crop productivity and very low fertilizer use on food crops remained a relevant policy problem, especially considering that in 2007 MAFC learned that their untargeted subsidy program had largely not reached the intended recipients. Second, by this point in time, the 2006 Africa Fertilizer Summit in Abuja had re-focused African policymakers on the role of fertilizer in facilitating a ‘Green Revolution’ for Africa. However, neither of these factors necessitate that a government use a subsidy scheme to promote increased fertilizer use on food crops. Nevertheless, by this point in time, MAFC and now the primary non-state actor (ACT) representing the agricultural sector were strong advocates of continuing with a fertilizer subsidy program, albeit with a different design.

5.2 Design of pilot targeted voucher scheme

As noted above, new information provided in 2007 about problems with the untargeted subsidy scheme from 2003/04 to 2006/07 led MAFC and other actors to seek an alternative program design. Additional new information came in the form of the diffusion of new ideas from Malawi’s targeted fertilizer subsidy program to Tanzania, which at that point in time was claimed to be quite successful. After learning about this program, ACT obtained funding from NORAD to organize a study tour for MAFC officials to visit Malawi in 2007 to study the Malawi voucher scheme up close, as ACT believed that the voucher approach would help solve the problem of how to ensure that smallholders actually receive a subsidized price for fertilizer.¹³

Upon returning from this trip, MAFC and ACT together took the new information regarding Malawi’s targeted voucher approach for delivering fertilizer subsidies and adapted it to Tanzania’s context. For example, while the Malawi program used a government parastatal to physically handle the importation, wholesaling and retailing of subsidized fertilizer as well as the distribution of subsidy vouchers (to farmers who met targeting criteria), the Tanzanian government preferred a more private-sector friendly approach, for several reasons. First, the URT remained officially committed to market-led agricultural sector development (ideology), which as noted above were made official in the TDV 2025 (URT, 2009) and MKUKUTA (URT, 2001) URT development strategy documents. This commitment was further strengthened by two more recent strategy documents: the Agricultural Sector Development Program (URT, 2006)¹⁴ and the Kilimo Kwanza (Agriculture First) Resolution of 2009,¹⁵ the latter of which was a joint URT and private sector commitment to a public-private partnership to facilitate market-led agricultural sector growth. Second, Tanzania’s private sector fertilizer supply chains were reasonably developed already in key maize producing regions, thanks to demand from both cash crops like coffee and Irish potatoes as well as from some maize farmers. In addition, MAFC did not have the institutional capacity or budget to re-form a parastatal to implement a targeted voucher scheme via a government supply

¹³ Interviews with Susan Masagasi (ACT) and Janet Bitegeko (ACT).

¹⁴ Three of the key goals of ASDP were to create a favorable environment for commercial activities, enhance public-private roles in strengthening support services, and facilitate market efficiency for inputs and outputs.

¹⁵ For the ‘Kilimo Kwanza Resolution’. See:

[http://www.gafspfund.org/sites/gafspfund.org/files/Documents/KILIMO_KWANZA_RESOLUTION - FINAL%5B1%5D.pdf](http://www.gafspfund.org/sites/gafspfund.org/files/Documents/KILIMO_KWANZA_RESOLUTION_FINAL%5B1%5D.pdf) The 10 pillars of Kilimo Kwanza can be found at:

<http://www.tzonline.org/pdf/tenpillarsofkilimokwanza.pdf>

chain approach. Thus, as with the untargeted approach, the costs/benefits of a government supply chain approach were simply too high for MAFC to consider.

Thus, under the Tanzania pilot targeted voucher scheme, the role of the private sector was to import, wholesale, and retail fertilizer that would be obtained at a subsidized price by farmers who received a voucher, from participating agro-dealers. The role of the government was limited to distributing vouchers to farmers who met the target criteria, coordinating with private sector actors to ensure that the appropriate supply and types of fertilizer would arrive at the same villages where vouchers would be distributed, and re-paying agro-dealers for the 50% of the market price of a limited quantity of fertilizer (two 50 kg bags) that a voucher recipient could obtain. This program design was developed by MAFC along with ACT, Alliance for a Green Revolution in Africa (AGRA) and Citizens' Network for Foreign Affairs (CNFA) (MAFC, 2007c; ACT, 2012).

5.3 Implementation of pilot targeted voucher scheme

In 2007/08, the voucher based subsidy was piloted in two districts (World Bank, 2014). Fiscal requirements of the program were not difficult to meet as the program was very small at this point and was funded by MAFC.¹⁶ Institutional capacity for implementation was also deemed sufficient on both the government and private sector sides. An indicator of MAFC's capacity to plan the program is evidenced by the fact that they convened an agricultural input stakeholders' meeting in 2008 in order to review the guidelines for the new targeted voucher scheme.¹⁷ The key implementing veto players – MAFC and private sector fertilizer supply chain actors – both had strong incentive for the program to be successful, and those two groups plus non-state actors such as ACT made for a number of committed policy champions.

6. NATIONAL AGRICULTURAL INPUT VOUCHER SCHEME (2008/09 – 2013/14)

6.1 Agenda Setting for NAIVS: Why continue with fertilizer subsidies?

The international food-price crisis occurred during the roll-out of Tanzania's small pilot targeted voucher scheme (2007/08).¹⁸ Although international food prices declined somewhat in 2008, maize prices were still high in Tanzania and Kenya due to a poor short season maize harvest in both Tanzania and Kenya (World Bank, 2009). Given the continuation of high prices, the URT approached the World Bank in 2008 to request funding to scale-up the URT's existing pilot targeted voucher scheme in order to avoid potentially widespread food insecurity in various parts of the country (Ibid, 2009). The international food price crisis, followed by continued high maize prices in Tanzania thus served as a critical focusing event that led URT to seek to rapidly scale-up the size of their existing targeted voucher scheme.

¹⁶ MAFC (2008) and interview with Dr. Andrew Msolla, Tanzania country manager of AFAP (African Fertilizer and Agribusiness Partnership). In 2007/08, he served as the Assistant Director of the Ag Inputs Section of MAFC.

¹⁷ MAFC (2007a).

¹⁸ The World Bank Food Price Index rose by 60 percent in the course of just a few months of 2008, and international prices of maize, rice, and wheat increased by 70 percent, 180 percent, and 120 percent, respectively, compared to the mid-2007. These price spikes were unexpected, and the impact on developing countries was large, as the World Bank estimated that they kept or pushed 105 million people into poverty in low-income countries.

<http://www.worldbank.org/en/results/2013/04/11/global-food-crisis-response-program-results-profile>

The World Bank responded by negotiating the Accelerated Food Security Program (AFSP) with the URT, which consisted of three components, each designed to help improve short-and/or longer-term food security in Tanzania. The largest component was the National Agricultural Input Voucher Scheme (NAIVS), which took the existing Tanzanian private-sector friendly targeted voucher scheme, made some slight modifications, and scaled it up rapidly beginning of 2008/09 season.

Another factor that led to NAIVS was that as of 2008/09, low staple crop productivity remained a serious and increasingly relevant policy problem. For example, average yields of major staple food crops such as maize and rice had remained mostly stagnant over the last 20 years, and staple crop production has managed to keep pace with population growth primarily through continued expansion of planted area (World Bank, 2014). However, this continuing underlying problem became a much higher-profile policy issue following the Abuja Declaration of 2006 and the 2007/08 international food price crisis, for not only URT but also for donors such as the World Bank, FAO, etc. As of 2007/08, the percentage of smallholders using fertilizer on maize/rice had not risen above the level (13%) observed in the 2002/03 Agricultural Census (Mather et al, 2016b), and much of this fertilizer use on maize was concentrated in the high potential Southern highlands and Northern zones, where population densities and rainfall are high.

A third factor that put the issue of low staple crop productivity at the top of the MAFC agenda was the role of powerful advocates of large-scale fertilizer subsidy schemes, which included President Jakaya Kikwete of Tanzania. While high-level URT officials such as President Kikwete, the Minister of Finance and Minister of MAFC were the primary advocates of scaling-up the fertilizer subsidy scheme in Tanzania in response to the international food price crisis., It is important to note that the World Bank also played a role in putting large-scale fertilizer subsidy programs back on the policy agenda of various countries during that period.¹⁹ Although the World Bank was known since the structural adjustment era for its strong resistance to funding subsidy schemes, the Bank actually changed its position on agricultural input subsidies *prior* to the international food price crisis. For example, in early 2007, the World Bank moved away from a blanket opposition to subsidy schemes, noting that short-term support for ‘smart’ subsidies were an appropriate intervention to help promote adoption of new technologies (such as fertilizer and improved seed in cereal production) (Morris et al, 2007).

Once the international food crisis price spike hit, the World Bank and other donors sought strategies to fund interventions that could provide a quick response to improve crop productivity, such as subsidizing targeted fertilizer/seed voucher schemes and irrigation system rehabilitation, etc. For example, in 2008, the World Bank (IBRD & IDA) created the Global Food Crises Response Program (GFCRP), a fast-track source of funding to provide financial support for social protection programs, technical and financial assistance with food price policy and market stabilization actions/investments to mitigate the adverse impacts of high and volatile food prices on the poor, and support for programs to facilitate domestic food production and marketing response. After learning about the GFCRP, President Kikwete asked the URT Minister of Finance to approach the World Bank to request financial assistance to respond to the continuing challenge

¹⁹ Interview with Dr. Karen Brooks, currently with IFPRI, but who was the Agricultural Sector Manager for the World Bank Tanzania office from 2004-2012.

of high maize prices in Tanzania by scaling-up URT's existing pilot targeted fertilizer voucher program.²⁰

6.2 Design of NAIVS

The most obvious difference between the URT pilot targeted voucher scheme and NAIVS is that NAIVS was designed to be scaled-up rapidly to reach about 2 million smallholder farm households. This was because URT and World Bank believed that the economic costs of not proceeding with a program that could rapidly improve smallholder maize/rice producers' access to fertilizer and improved seed would be quite large (World Bank, 2014).

While the basic design of the pilot voucher scheme of 2007/08 and NAIVS were the same, the World Bank insisted on clarifying several aspects of the design of NAIVS to ensure that it use new information about subsidy schemes (from Morris et al, 2007) so that the program would be as private-sector friendly as possible.²¹ The two main design features clarified by the World Bank included the household-level targeting criteria to be used to determine a household's eligibility to receive subsidized fertilizer for up to three years, and the composition of a 'village voucher committee' that would determine which farmers met the criteria and would be offered the chance to participate in the program.²² According to the NAIVS household targeting criteria, to be eligible for receipt of 3 years of fertilizer and seed vouchers, a farmer had to: (a) be a full-time farmer who resides in the village; (b) not cultivate more than one hectare of maize or rice; (c) be willing and able to co-finance the purchase of the subsidized input package at planting time; (d) be willing to follow the recommendations for fertilizer/seed use given by URT extension agents; (e) have used little to no fertilizer and/or improved seed for maize or rice over the last five years. Preference was to be given to female-headed households (World Bank, 2009).

As noted above, the combination of the ideological commitment of URT to market-led development and thus the lack of URT institutional capacity to distribute fertilizer themselves led to a private-sector friendly pilot targeted voucher scheme. On paper, NAIVS was clearly the most private-sector friendly large-scale agricultural input voucher program that was implemented in SSA before or soon after the international food price crisis (Wanzala et al., 2013), as it embodies considerably more criteria of a 'smart' subsidy program (Morris et al., 2007) than programs during the same time period implemented in Ghana, Malawi, Kenya, Zambia, Nigeria, Senegal, etc.

6.3 Adoption of NAIVS

Perhaps the strongest factor facilitating the adoption of NAIVS was the propitious timing of the international food price crisis, which made rapid response to the problem of low food crop productivity an urgent issue for URT. In addition, the URT fiscal year begins in July, which in theory provides sufficient time for MAFC and private sector fertilizer importers to deliver vouchers and fertilizer to the main maize-growing regions of the country, whose planting period is from November to January. Second, the power of proponents was considerably more than that

²⁰ Interview with Dr. Madhur Gautam, World Bank, who was the World Bank Tanzania office Team Leader of AFSP during its first few years.

²¹ Interview with Dr. Madhur Gautam.

²² See Appendix B for details

of any opponents, as the President, Minister of Finance and Minister of MAFC were strongly in favor of the program, and any other potential government veto players (Cabinet, Parliament) approved it. In addition, we are not aware of opponents to NAIVS with the exception of donors who decided not to contribute funding (such as USAID, DFID).

6.4 Implementation of NAIVS

6.4.1 Factors enabling successful implementation

In 2008/09, NAIVS scaled up the 2007/08 pilot (that had reached two districts) and expanded the targeted voucher scheme to 58 districts distributed across 11 Regions, reaching approximately 780,000 farmers (World Bank, 2014). By 2012/13, approximately US\$300 million was invested in providing more than 2.5 million smallholder farmers with a 50 percent subsidy on one package of maize or rice seed, and 2-3 bags of fertilizer, enough seed and fertilizer to meet a blanket recommendation application rate for one acre of maize or rice (Ibid, 2014). The magnitude of this scale-up resulted in NAIVS becoming the largest line-item in the MAFC budget, where it accounted for about 35-40% of the annual MAFC budget. Adequate funding for a program of this size was enabled by a combination of local and international donor commitments. Local commitment by the URT to fund a program of this size was aided by afore-mentioned Tanzania Development Vision 2025 (1999 and the National Strategy for Growth and Reduction of Poverty (2004) each of which made improving household food security and/or agricultural sector growth key development goals (World Bank, 2014). URTs signing of the Maputo Declaration on Agriculture and Food Security (July 2003) also helped MAFC advocate for a larger share of the URT budget. While URT received considerable funding for the Agricultural Sector Development Program from donors beginning in 2006/07 (project support as well as a basket fund), NAIVS was not funded by ASDP.²³

Donor financial commitment to NAIVS came primarily from the World Bank, as the AFSP provided \$160 million, and a few other international donors²⁴ contributed \$30 million (World Bank, 2009). Contributions from two organizations within what is generally called the “World Bank” - the International Development and Reconstruction Bank (IRDB) and the International Development Assistance (IDA) -- contributed a little above 50% of the costs of NAIVS from 2008/09 to 2012/13, with URT providing the remainder.

Because the government role within NAIVS was to distribute vouchers from the national to the village level across most regions of the country²⁵, the program’s success required sufficient district-level government administrative capacity. This appears to have been sufficient, given Tanzania’s long history of decentralizing/devolving decision-making to the district level, which had most recently received attention via the Local Government Reform Program (LGRP) of 1998 (Mollel and Tollenaar, 2013). Evidence of district-level administrative capacity is seen in the fact that the program not only relied upon districts to over-see ward and village-level voucher

²³ Nevertheless, it is possible that MAFC budget support from ASDP helped indirectly provide MAFC with funding for NAIVS.

²⁴ The other donors included the Japan (JICA), and Irish Aid (World Bank, 2009).

²⁵ Vouchers went from the national/central level to regions, then to districts, wards, and villages.

distribution, but to also negotiate district-specific subsidy rates with fertilizer supply chain actors who had been selected to deliver the subsidized fertilizer to a given district.²⁶

Given the lack of institutional capacity of the government to import/distribute/retail fertilizer, URT and World Bank's preference for a private-sector friendly program, implementation of NAIVS required the support of key implementing veto players – the commitment to participate by current private sector fertilizer and seed importers, distributors, and agro-dealers. It is not surprising that both the large and small fertilizer importers (and the distributors and agro-dealers they worked with at the time) participated in NAIVS, as it represented an opportunity to not only greatly expand their sales during the years of NAIVS. In addition, the private sector-friendly program design was expected to grow the market for commercially-priced fertilizer and seed demanded by smallholder maize/rice farmers.²⁷

As noted above, private sector fertilizer supply chains had already penetrated some areas of the higher potential regions of the Southern highlands and Northern zone due to smallholder demand for commercial fertilizer from both cash crops and maize. Thus, the private sector already had the institutional capacity to service areas for NAIVS in which they were already working. They were also willing to expand into other areas, given the opportunity it presented for them to increase sales volume not only during NAIVS but potentially beyond the life of fertilizer subsidies. That said, URT, World Bank and other non-state partners helping to design NAIVS (ACT, AGRA, CNFA) recognized before NAIVS began that there were not enough existing agro-dealers in business as NAIVS to distribute the quantity of subsidized fertilizer (and improved seed) envisioned, both to areas already reached by the private sector and areas unreached at the time. They also recognized that new agro-dealers would require training in proper fertilizer and seed storage and use, as well as to ensure they had sufficient business/financial skills needed to process the vouchers and repay the distributors or importers who gave them fertilizer and seed on credit (for both subsidized and commercial fertilizer and seed) (World Bank, 2009; ACT, 2012; World Bank, 2014). Thus, one component of AFSP was designed to fund training of existing and new agro-dealers, which was implemented by CNFA working with the Agricultural Market Development Trust (AGMARK), AGRA, ACT and the Finance Sector Deepening Trust (FSDT) (World Bank, 2009; ACT 2012). Thus, AFSP provided funds to increase the institutional capacity of existing and new agro-dealers needed to expand the spatial reach of NAIVS.²⁸

6.4.2 NAIVS implementation process²⁹

6.4.2.1 Introduction

The policy process for the approval of the budget required for NAIVS each year is described in Appendix A below. The policy process of NAIVS implementation from 2012/13 to 2013/14 is

²⁶ That is, the objective was for eligible and selected farmers across the regions targeted by NAIVS to all receive a 50% subsidy on two bags of fertilizer, yet because the costs of transporting fertilizer vary considerably across the country, the actual subsidy paid to agro-dealers (later, importers) who received vouchers from participating farmers needed to be adjusted from district to district based on transportation costs from the port.

²⁷ Interviews with fertilizer importers.

²⁸ URT also made a Memorandum of Understanding with the National Microfinance Bank (NMB) for the redemption of NAIVS vouchers, given that NMB was the only commercial bank with a branch in most districts of the country (ACT, 2012).

²⁹ This section draws heavily from World Bank (2009) and World Bank (2014).

shown in Figure 1 in the Appendices (this is slightly different from the original process given changes noted in section 6.5.2 below).

6.4.2.2 National Voucher Steering Committee

No independent Project Implementation Unit was established to manage NAIVS. Instead, the management and implementation of NAIVS used already existing structures within MAFC. However, given the scope of coordination required, the National Voucher Steering Committee (NVSC) was formed to provide coordination policy guidance, oversight, and coordination functions required for successful NAIVS implementation, M&E and potential reform over time (Figure 1). The NVSC meets at least once per quarter, and is chaired by the Permanent Secretary (PS) of MAFC. It includes representatives from government (MoF, PMO-RALG, directors of relevant MAFC departments, the National Micro-Finance Bank (NMB)), CSOs (representatives of national farmer organizations, NGOs,), and the private sector fertilizer and seed supply chains. The last group includes the Tanzanian Fertilizer Society (TFS), which represents all fertilizer importers and many fertilizer wholesalers, the Tanzania National Agro-Dealer Association (TANADA, formed in 2010), and Tanzanian Seed Trade Association (TASTA).

The NVSC takes the general geographic and household-level targeting criteria agreed upon by MAFC and the World Bank, and applies this to guidelines for allocation of vouchers at all levels, from national to village level. It also regularly reviews the integrity of the voucher system, approves annual work plans and budgets as well as quarterly Interim Financial Reports, and addresses all implementation issues. The NVSC meets quarterly and applies this to the distribution of vouchers at all levels (from national to regional, district, ward and village levels). NVSC also reviews the integrity of the voucher system, approves annual work plans, and addresses all management and implementation issues.

6.4.2.2 NAIVS-National Forum

To further ensure transparency and legitimacy, all key decisions of the NVSC are reviewed by the National NAIVS Stakeholder Forum, composed of all key stakeholders (includes those in the NVSC plus regional and district level government officials). This forum meets annually to review the program's performance in the previous year and discuss and endorse decisions affecting the implementation and effectiveness of NAIVS for the following year. These issues include the criteria for geographical allocation of vouchers, the technical design of the vouchers (including the level of subsidy), assessments of progress in implementing NAIVS, and endorsement of the annual work plan and budget. The forum's broad membership is intended to encourage the participation of all concerned groups and to ensure transparency in implementing the voucher system.

6.4.2.3 Agricultural Inputs Section, Directorate of Crop Development, MAFC

AIS coordinates day-to-day implementation of NAIVS and assigned qualified staff to work closely with relevant departments/sections of MAFC for planning, fertilizer and soil nutrition management, seed, accounts, procurement, communications and M&E.³⁰

6.4.2.4 Regional, District, Ward and Village Voucher Committees

NAIVS is implemented at the Local Government Authority (LGA) level, with the involvement and participation of numerous institutions at all stages. The principal institutions include: **Regional**

³⁰ Please see World Bank (2009) section 57 for more details.

Voucher Committees (RVCs), which support districts and monitors the implementation of the voucher scheme in the region. Each RVC is chaired by the Regional Commissioner (RC) and includes members from the Regional Secretariat, farmer groups & 2 CSOs, fertilizer/seed supply chain actors, and a representative from the National Microfinance Bank (NMB) located in the respective region. The RVCs allocate vouchers to districts based on established criteria and estimates of demand for agricultural inputs (based on historical data). It also compiles NAIVS progress reports from the districts to submit to the NVSC Secretariat.

District Voucher Committees (DVCs) are made up of representatives of farmer groups, importers/wholesalers/agro-dealers, and community based groups from that district, district MPs, a representative from the local branch of NMB, the district agricultural and livestock officer (DALDO), and the District Commissioner in each participating district (LGA). The DVCs allocate vouchers to Wards and Villages based on established criteria, and informs Village Governments about their respective voucher allocation, monitors implementation at the village level, and prepares and submits implementation progress reports to their RVC for transmittal to AIS at the national level.

Ward Voucher Committees (WVCs) are responsible for distributing the vouchers to selected villages (as decided by DVCs). They also monitor implementation of the input voucher scheme in wards targeted by NAIVS. The membership of WVCs includes the Ward Executive Officer (Chairperson), Ward Extension Officer (Secretary), Ward Community Development officer, and one farmer group representative.

The Village Council in consultation with the Village Assembly organizes the election of a **Village Voucher Committee (VVC) for each village** targeted by NAIVS. Each VVC consists of three men and three women who are charged with recommending eligible farmers and submitting the list to the Village Assembly for approval. After approval, VVC issues vouchers to the approved farmers and also monitors the use of inputs by voucher recipients. It reports regularly to the Village Council and Village Assembly. Eligibility criteria for VVC membership, roles and responsibility of VVC are clearly described elsewhere (World Bank, 2009).

6.4.2.5 Role of smallholders who are eligible and selected for voucher receipt

After vouchers are issued to farmers, it is the responsibility of each farmer to find a participating agro-dealer (who is either in or will visit the village during the planting period) and can supply the desired input at an agreed time and place. The farmer ‘redeems’ the voucher and pays a ‘top-up’ fee to the agro-dealer (approximately 50% of the market price of the fertilizer type) for each of two fertilizer vouchers, and receives a bag of seed at 100% subsidy.

6.4.2.5 Role of fertilizer and seed supply chain actors and NMB

Agro-dealers send redeemed vouchers (signed by farmers and village officials) and the farmer financial contribution (top-up payments) to the wholesaler from whom they received their fertilizer and/or seed. Wholesalers then send vouchers and farmer contributions to the importer(s) from which they received fertilizer (or seed companies for seed). Importers then take the vouchers to NMB. NMB verifies the authenticity of the vouchers, records the transaction, and informs MAFC that the transaction has been completed. They then repay the importers the value of the vouchers once sufficient funds are released to them from the MoF.

Several months prior to the planting period, importers and wholesalers discuss the fertilizer/seed required for NAIVS with AIS, so they can import what is required in time, and plan with wholesalers and agro-dealers they choose to work with when/where the inputs are to be delivered for use in NAIVS (through established or new private sector channels). Agro-dealers are then informed by wholesalers or importers of their responsibilities to redeem vouchers and sell subsidized (and commercial) fertilizer and seed during the season.

6.4.2.6 Summary of NAIVS implementation process

As noted in the sections above, a key aspect of NAIVS implementation is that decisions regarding voucher distribution from the national to the household level involve not simply government officials, but representatives from farmer groups, CSOs, local community groups, private sector fertilizer/seed supply chain actors, and local representatives from NMB (Figure 1). Second, there are quarterly meetings of the NVSC at which issues or problems may be raised by any stakeholder. This implies that the NVSC meets well before the forthcoming year of the program, which has helped enable stakeholders to provide feedback that has influenced the design and implementation of the program over time.

6.5 Evaluation and Reform

6.5.1 Shift from targeting only high potential zones to also targeting medium/lower potential zones

When NAIVS began in 2008/09, the original plan was to target 65 high potential districts (in 12 regions) (World Bank, 2009). However, in implementation, NAIVS expanded to 74 districts in 2009/10 (World Bank, 2010) and 87 districts (in 24 regions) in 2010/11, including districts with medium/lower potential (World Bank, 2014). Although the predominant share of vouchers continued to be distributed to the original 12 regions, every other rural region in the country began to receive at least small numbers of vouchers (Ibid, 2014). The Ministry recognized that the level of productivity gain achieved by distributing improved inputs in drier regions of the country would likely be lower than in the higher rainfall zones³¹, but they were under political pressure from Members of Parliament (MPs) in non-targeted regions to make the program more universal.³²

6.5.2 Shift in who decides which agro-dealers participate in the program (2012/13)

At the beginning of NAIVS, district-level officials had the primary discretion of which agro-dealers operating in their district could participate in NAIVS. Thus, wholesalers and importers supplying the agro-dealers with fertilizer largely had to work with agro-dealers selected by government officials each year. After several years of this arrangement, importers argued for MAFC to enable them and/or the distributor they work with in a given district be allowed to select which agro-dealers they would work with in that district, for a number of reasons.³³ In short, importers needed to be able to trust agro-dealers to both provide proper information to farmers about the fertilizer (with the hope that farmers would likely have a good experience using the fertilizer and perhaps buy it at a commercial price in the future) and to repay both the top-up and subsidy amounts of all the fertilizer they received from wholesalers and importers. While there were agro-dealers who performed as expected, there were enough 'bad apples' that made importers

³¹ Although NAIVS was expanded to semi-arid regions such as Singida and Dodoma, it was only targeted to villages that had sufficient irrigation, as per interview with Dr. Andrew Msolla.

³² World Bank (2014), Mwaijande (2014), and a number of interviews.

³³ Importers and distributors prefer to select the agro-dealers through which they sell their products because they typically have to provide the inputs on credit and they rely on agro-dealers to be effective representatives of their products – both of which imply that the importers can trust the agro-dealers in these areas.

to want control over which agro-dealers they would work with to distribute fertilizer via NAIVS. For example, after several years of NAIVS, importers had gained enough information via repeated transactions with both wholesalers and agro-dealers to know who to trust and who not to trust.³⁴

In summary, faced with a demand for an institutional change in the program design from a key implementing partner (private sector fertilizer importers), MAFC agreed that beginning with the 2012/13 season, importers participating in NAVIS would (a) have primary discretion in selecting which agro-dealers they would work with in a given district; (b) that agro-dealers would send both the top-up fees and NAIVS vouchers to wholesalers, who would send them to importers, and importers would redeem the value of the vouchers directly from the government.

6.5.3 Scale of program declines in 2012/13 and program extended beyond initial exit year

As noted above, the NAIVS program began in 2008/09, with a plan to provide 2.5 million smallholder farm households each with three consecutive years of assistance (vouchers providing them with subsidized fertilizer and improved seed for maize/rice production). Thus, the plan was for the 730,667 households receiving vouchers in the first season to then receive vouchers for two consecutive years after that season (Table 2). After receiving vouchers for three years, households were to then ‘graduate’ from NAIVS (i.e. no longer receive vouchers). As the program scaled up (and as the 2008/09 voucher recipients ‘graduated’ from the program), other eligible households willing and able to pay the 50% top-up fee for 2-3 50kg bags of fertilizer would then begin to receive vouchers. The number of vouchers distributed was scheduled to peak in 2010/11. Thereafter, the number of recipients would decline as the remaining targeted recipients graduated from the program. The World Bank had planned for their financial commitment to NAIVS to be completed during the 2013/14 cropping season.

Table 2. Number of households that received NAIVS vouchers (planned vs. actual)

Agricultural Year	# of smallholder households intended to receive a NAIVS voucher	
	Planned	Actual
2008/09	740,000	730,667
2009/10	1,500,000	1,511,900
2010/11	2,040,000	2,011,000
2011/12	1,800,000	1,779,867
2012/13	1,000,000	940,783
2013/14	500,000	932,100

Source: World Bank (2014)

However, there were two main diversions from that original plan.³⁵ First, as noted above, URT expanded the program beyond the original focus of 12 higher-potential regions to include some

³⁴ This section based on World Bank (2014), interviews with fertilizer importers, Mr. Salum Mkumba (chairperson of the Tanzania Fertilizer Society), and Dr. Andrew Msolla.

³⁵ This paragraph based on World Bank (2014).

vouchers for 12 additional regions. While the majority of vouchers continued to be targeted toward the high potential zones originally selected, by 2012/13, roughly 40 percent of the vouchers were being distributed to other zones. Second, a significant number of VVCs did not adhere to the policy of ‘graduating’ voucher recipients after three years: in some villages, farmers received vouchers for four or even five years (World Bank, 2014).³⁶

As scheduled, the number of vouchers distributed in 2012/13 fell dramatically from the number distributed in 2011/12 (Table 2). However, in 2013/14, MAFC distributed twice as many vouchers in 2012/13 relative to the quantity originally planned and budgeted for (Ibid, 2014). Yet, World Bank funding had largely been spent by 2012/13, and other donors who had provided some minimal funding towards NAIVS, for example JICA did not offer to continue funding for NAIVS beyond 2013/14. In addition, the amount of funding that MAFC received from the Ministry of Finance of URT relative to the amount that had been approved for MAFC’s budget at the beginning of the 2012/13 and 2013/14 fiscal years was significantly reduced (Table 3). For example, the percentage of MAFC’s recurrent budget received relative to the amount that had been approved by Parliament fell from 93.8% in 2011/12 to 82.6% in 2012/13, and then to 69.8% in 2013/14.³⁷ Perhaps due to reductions in the budget that MAFC actually received in those two years, by the end of 2014, private sector fertilizer importers had not yet been fully repaid on time for the fertilizer they had imported (at full cost) for distribution as subsidized fertilizer (via NAIVS) in the 2012/13 and 2013/14 seasons.³⁸

Table 3. MAFC budgeted amount approved and received by fiscal year, 2008/09 to 2014/15

	2008/09 ¹	2010/11	2011/12	2012/13	2013/14	2014/15
Budgeted/Approved	----- Billion Tanzanian Shillings -----					
Recurrent	143.49	190.333	190.333	176.555	271.469	291.737
Development-Local funds	2.51	3.416	3.416	13.978	92.458	62.317
Development-Donor funds	17.35	100.535	100.535	106.135		
Total	163.53	294.284	294.286	296.668	363.927	354.054
Received						
Recurrent	141.6	179.761	178.588	145.810	189.523	243.193
Development (local & donor)	19.11	100.473	90.426	57.054	68.466	40.241
Total	160.71	280.234	269.014	202.864	257.989	283.434
% received relative to amount approved						
Recurrent	98.7%	94.4%	93.8%	82.6%	69.8%	83.4%
Development (local & donor)	96.2%	96.7%	87.0%	47.5%	74.1%	64.6%
Total	98.3%	95.2%	91.4%	68.4%	70.9%	80.1%

Source: MAFC annual reports from 2008/09 to 2014/15 at <http://www.kilimo.gov.tz>

³⁶ We have heard that some VVCs claim that they did not graduate farmers because other eligible farmers were not able to pay the 50% top-up, but there is no evidence we are aware of to assess to what extent this was the case.

³⁷ The budget for NAIVS each year was within ‘recurrent’ spending of MAFC’s annual budget (not the ‘development budget’), which contains a number of ‘ring-fenced’ expenditure items such as continuing to pay to train extension agents (each year), grain purchases made by the National Food Reserve Agency (NFRA), NAIVS, etc.

³⁸ Interviews with fertilizer importers.

7. MAFC PILOTS AN ALTERNATIVE FERTILIZER SUBSIDY PROGRAM WHILE CONTINUING NAIVS

7.1 MAFC begins training component of Agricultural Credit Subsidy Program in 2012/13

The Agricultural Inputs Section (AIS) of MAFC generated the initial design for an Agricultural Credit Subsidy Program (ACSP) in 2012/13, which was viewed by some within MAFC as the ‘eventual follow-on program’ to NAIVS for several reasons.³⁹ First, as noted above, when NAIVS was launched in 2008/09, one of the program’s main goals was to provide maize/rice smallholder farmers who had not purchased these inputs in the last five years to have better physical access to these inputs and a subsidized price for fertilizer so as to have a relatively lower-risk opportunity to experiment with the net returns⁴⁰ to use of these inputs – for a limited amount of time. By 2012/13, NAIVS had already reached hundreds of thousands of smallholder maize and rice farmers, most of whom had not used inorganic fertilizer or improved seed before in maize or rice production (World Bank, 2014). Thus, NAIVS had appeared to have largely fulfilled its primary goal of introducing smallholder maize/rice producers to inorganic fertilizer and improved seed, reducing the riskiness of using these inputs due to farmers’ inexperience with observing the net returns to fertilizer and improved seed on their own fields.

Second, MAFC believed that NAIVS had enabled enough smallholders to gain experience with fertilizer use on maize/rice, but that they still faced difficulties in purchasing fertilizer at market prices due to credit constraints (insufficient collateral and very high interest rates) as well as smallholder insufficient availability of cash during the planting period.⁴¹ Given these credit constraints faced by smallholder maize/rice producers, MAFC believed that smallholders could benefit from a few years of subsidized interest rates for group loans for the purchase of fertilizer/seed for use on maize/rice.⁴² ACSP was designed for the following reasons:

- 1) To provide smallholder maize/rice producer groups with subsidized interest rates for ag input loans that they could continue to access fertilizer, build their savings (from the higher average net returns that are generated when using improved ag inputs), and enable farmer groups to gain experience in obtaining and repaying loans for ag inputs.
- 2) This program would also give community and/or larger commercial banks experience in discovering which farmer groups they could trust to repay loans.
- 3) MAFC thought that if ACSP functioned as planned, MAFC/URT could spend less money subsidizing ag inputs and actually help more smallholders acquire fertilizer and improved seed for use on maize/rice.

³⁹ Interview with Dr. Andrew Msolla, one of the chief architects of the initial ACSP design.

⁴⁰ In economic/financial terms, the net returns to an input such as fertilizer are measured as the change in maize/rice quantity produced per acre*price of that grain, less the price of fertilizer per acre. If the net returns are positive, this implies that fertilizer use by that farmer is profitable.

⁴¹ See Appendix C for more details

⁴² The remainder of this section is based on based on the ACSP design document (AIS/MAFC, 2013), and ex ante assessment of the ACSP design by Mather et al (2015), and discussions with Dr. Andrew Msolla.

The solution to smallholder credit constraints proposed by the initial design of ACSP was to ensure that farmer groups known as AMCOs (Agricultural Marketing Cooperative Organizations) SACCOs (Savings and Credit Cooperative Organizations), who agree to use improved inputs (fertilizer, improved seed, etc.) for maize/rice production receive a loan for a limited quantity of such inputs through existing private sector financial sector institutions (i.e. large commercial banks or small community banks), through multiple forms of guarantees.⁴³ These guarantees, as well as large government subsidy of the interest rate paid by AMCOs (who would pay 4% instead of the market interest rate of 20%), were assumed to reduce the risks faced by banks of lending to small and medium-holder farmers, and thus improve access to capital needed by farmers to gain access to improved inputs such as fertilizer and improved seed that can improve crop productivity.

Although MAFC implemented NAIVS in 2012/13, in that year, they also began preparatory training needed to implement a pilot of the ACSP. This training was targeted to executives, leaders, and members of AMCOs to enable them to successfully obtain and manage loans under ACSP.⁴⁴

7.2 First attempt to pilot ACSP (2013/14)

Implementation: In 2013/14, MAFC met with a number of large commercial banks to explain the proposed design of ACSP to them and see if they would be willing to participate. Some of these banks agreed to participate, but only if URT paid them the 50% loan guarantee up-front as collateral (i.e. before loans were made to AMCOs).⁴⁵ That did not happen, thus the commercial banks (key implementing veto players) pulled out of the program that year. For 2014/15, the Ministry planned to continue to negotiate with commercial banks to see if they would agree to participate in ACSP.

7.3 NAIVS not continued in 2014/15

Reform: MAFC decided not to continue NAIVS in 2014/15 for several reasons. First, by the end of 2013/14, MAFC felt as though the subsidy had accomplished one of its main original goals of introducing millions of smallholder maize/rice producers to inorganic fertilizer and improved seed.⁴⁶ Thus, changes in material conditions also contributed to NAIVS not continuing in 2014/15. For example, prior to NAIVS, there was assumed to be a large knowledge constraint to smallholder use of fertilizer and improved seed in smallholder maize/rice production, which created significant farmer risk of purchasing such inputs at market rates for use on maize/rice. That is, farmers in many areas had not used these inputs on maize/rice or seen neighbors or demonstration plots using them, thus they were not confident that the financial net returns to fertilizer use on maize/rice would be sufficiently positive. Second, as noted above, MAFC had insufficient funds to fully repay fertilizer importers after the 2012/13 and 2013/14 main seasons.

7.4 Second attempt to pilot ACSP (in 2014/15)

⁴³ See Appendix C for more details

⁴⁴ Hansard of speech to Parliament by Minister of MAFC, Honorable Christopher Chiza April 2013 (p.29-30) regarding the 2013/14 MAFC budget. MAFC budget speech hansards available at www.kilimo.gov.tz

⁴⁵ Hansard of speech to Parliament by Minister of MAFC, Honorable Christopher Chiza May 2014 (p.24) regarding the 2014/15 MAFC budget.

⁴⁶ Interview with Dr. Andrew Msolla.

In 2014/15, MAFC again tried to implement a pilot ACSP. In the process, they identified 4,990 legally registered AMCOs that contained 974,030 members.⁴⁷ However, out of these households, only a small number of cooperatives (712 coops representing 56,715 households) were deemed creditworthy by NMB bank, CRDB, and community banks. Thus, in 2014/15 ACSP only managed to reach a little over 10% of the number of households that NAIVS was originally intended to reach in its last year (its lowest scale). In his 2015/16 MAFC budget speech to Parliament, the Minister of MAFC noted that a low number of loans had been made by ACSP, in part due to lack of farmer groups.

There are a number of reasons why the ACSP pilot in 2014/15 reached so few households. First, just like in 2013/14, most commercial banks were not willing to take the risk of making ag input loans to smallholder maize/rice producers belonging to an AMCO without the 50% URT ‘loan guarantee’ being delivered up-front in cash before the main cropping season began.⁴⁸ This left small community banks and SACCOs as other potential lenders, yet only some areas even have community banks, and such banks generally do not have enough capital to make significant loans for an extended period of time (as is required for an ag input loan, which the farmer cannot repay until after maize/rice harvest). For example, the National Panel Survey (NPS) of 2010/11 (NBS, 2012) shows that only 0.5% (0.7%) of Tanzanian maize (rice) growers in that year received a loan for agricultural inputs from their local SACCO.⁴⁹ Second, although a large number of AMCOs were created prior to structural adjustment to help smallholder farmers obtain services like extension, agricultural inputs, and access to output markets, many of those AMCOs that are not concentrated on staple crop production (and not production/sale of cash crops like tobacco, coffee, horticultural crops, etc.) appear to be cooperatives on paper yet are not actually enabling members to access those services (post-SA).⁵⁰

7.5 NAIVS returns in 2015/16

7.5.1 Agenda setting & design

MAFC M&E and independent reports (World Bank, 2014) noted that average maize yields had improved during the years of NAIVS, and this improvement was largely attributed to NAIVS.⁵¹ Thus, by 2015/16, low food crop productivity was still a highly relevant policy problem. MAFC decided to return to NAIVS in 2015/16 as a key way to address that policy problem for a number of reasons. First, by early 2015, MAFC had updated information on ACSP, their intended ‘follow-on’ program to NAIVS, which strongly suggested that ACSP could not be implemented anywhere near the intended scale if commercial and community banks were expected to make the loans to farmer groups. This left MAFC in the position of having one type of fertilizer subsidy program type (NAIVS) that they trusted to be able to reach a relatively large number of smallholders in 2015/16.

⁴⁷ This paragraph based on Hansard of speech by Minister of MAFC Hon. Stephen Wasira to Parliament regarding the proposed 2015/16 MAFC budget, p.21-22.

⁴⁸ Mather et al (2015)

⁴⁹ Like most micro-finance institutions, SACCOs generally are only able to make loans that last a month or two given low levels of liquidity. See section 5.2 of Mather et al (2015) for more details.

⁵⁰ This paragraph based on section 5.2 of Mather et al (2015).

⁵¹ Hansard of speech to Parliament on MAFC 2014/15 budget by Minister of MAFC, Honorable Christopher Chiza May 2014 (p.21-22); World Bank (2014).

Second, although the implementation of NAIVS from 2008/09 to 2013/14 had improved the material conditions regarding ‘smallholder maize/rice producer *experience* with improved inputs’, smallholder access to credit for ag inputs to be used on maize/rice was still a significant constraint. Thus, bringing back NAIVS was to address the remaining and highly relevant policy problem of very limited credit access for smallholder maize/rice growers than ACSP. Third, MAFC championed the return of NAIVS as being “in line with strategic goals identified in Tanzania’s Kilimo Kwanza Resolution (2009) and the Abuja Fertilizer Summit Declaration (2006).”

7.5.2 Adoption & Implementation

In addition to support from MAFC, the Cabinet and Parliament supported the return of NAIVS in 2015/16. Thus, there were no government veto players opposed to the return of NAIVS that year. While no international donors were willing to provide financial support for NAIVS after 2013/14, MAFC proposed to implement NAIVS again, and the MFP and Parliament approved the request to spend 78 billion TSH on NAIVS in 2015/16. This provided sufficient budgetary allocation for NAIVS to reach 999,926 maize and rice farmers throughout the country (except Dar es Salaam Region) that year. In addition, the major private sector fertilizer importers involved in NAIVS in previous years (key implementing veto players) agreed to participate again.

It remains to be seen whether the financial short-falls in the funding actually received by MAFC from 2012/13 to 2014/15 continue in 2015/16 (i.e. requisite budget resources), as that could constrain MAFC options for continuing a program like NAIVS, at least at the same scale.

7.5.3 Evaluation & Reform

In 2015, MAFC asked the Policy Analysis Group⁵² for guidance on how a program like NAIVS compares with alternative policies and expenditures to stimulate smallholder productivity and agricultural sector growth. IFPRI & MSU has recently begun an empirical study to address this specific question, so as to provide new information as requested by MAFC leadership.

8. CONCLUSIONS

The first and main goal of this paper is to better understand the policy process history of fertilizer subsidy programs in Tanzania since 2003 so as to highlight key factors that led Tanzania to design and implement a relatively ‘smarter’ large-scale fertilizer subsidy program relative to the programs in other countries during that same time period (Wanzala et al, 2013). To do this, we apply the conceptual framework of the Kaleidoscope Model of policy change (Resnick et al, 2015), which provides testable hypotheses covering the five key stages of the policy cycle: agenda setting, design, adoption, implementation, and evaluation and reform. Our findings of the key drivers of policy change at each stage are as follows.

Agenda setting: With respect to getting the problem of low food crop productivity on the policy agenda of URT, focusing events have been instrumental to bringing URT to consider swift action to improve maize/rice food crop productivity. For example, the return of URT fertilizer subsidies in 2003/04 was in response to a severe drought the previous year and the rapid scaling up of NAIVS in 2008/09 was in response to the 2007/08 international food price crisis as well as the continuation

⁵² This group is composed of donor-funded ag policy-related research projects, local think tanks and local university faculty who work on ag policy, as well as representatives from MAFC and donors.

of high maize prices in 2008/09 in Tanzania and Kenya. In the case of NAIVS, there was a very powerful advocacy coalition putting this issue and the design choice of fertilizer subsidies on the agenda. This included the President of Tanzania and donors such as the World Bank who had signaled to developing country governments even before the food price crisis that they had shifted their position on funding programs that contained subsidies intended to promote adoption of new technologies.

Design: The initial return of URT to untargeted fertilizer subsidies in 2003/04 was due to a number of factors. First, the cost-benefit calculation (in economic and political terms) of longer-term methods of improving food crop productivity (ag research, extension, improved road and marketing infrastructure) were clearly not favorable relative to a fertilizer and seed subsidy program, which could theoretically improve subsidy recipients' staple crop yields that same season. In addition, subsidizing fertilizer had been a key strategy to address this policy problem in the pre-structural adjustment era in Tanzania (and many other countries), thus it did not require a change in ideology or beliefs to bring back input subsidies.

The movement by MAFC in 2007/08 towards targeted subsidies was the result of both changes in information regarding untargeted subsidies as well as a diffusion of ideas and experience from Malawi's targeted input voucher program.

Adoption: URT's fertilizer subsidy programs since 2003/04 have all had the support of key government veto players. While the relatively small untargeted scheme beginning in 2003/04 was championed by MALF, a key proponent of the initiation of a large-scale subsidy scheme (NAIVS) was the President. Thus, these programs enjoyed the support of strong proponents and did not face strong opposition.

Implementation: Although the untargeted fertilizer subsidy programs from 2003 to 2007 did not receive any financial support from international donors, it was quite insignificant that URT was able to implement it with some of its sufficient budgetary resources. Because URT decided in 2003 to channel subsidized fertilizer through existing the private sector fertilizer supply chain, this made supply chain actors like private sector fertilizer importers, distributors and agro-dealers key implementing veto players. These actors participated in this and later subsidy programs as they believed that such programs would increase their sales in the short-term and had the potential to increase the longer-term smallholder farmer demand for market-priced fertilizer.

The much larger NAIVS program that began in 2008/09 not surprisingly required a much larger budget, which was made possible from sufficient budget support by the World Bank, which funded a little more than half of the program through 2013/14. As with the smaller and untargeted subsidy programs from 2003-2007, the much larger NAIVS program was also supported by private sector supply chain actors (key implementing veto players). Because NAIVS covered a wide number of regions and districts, district-level government capacity was required in order to ensure proper implementation at the district, ward and village levels. This capacity appears to have been sufficient due to URT's previous capacity building efforts towards decentralization.

Evaluation and Reform: From the return of fertilizer subsidies in 2003 through 2013/14, local research/advocacy groups, government M&E, independent research and regular stakeholder meetings contributed new information and/or diffusion of ideas that contributed to changes in the

design of fertilizer subsidy programs in Tanzania over time. For example, the untargeted subsidy scheme of 2003-2007 was abandoned for a ‘smarter’ targeted voucher approach based on a combination of new knowledge and information from stakeholder feedback, local research and government M&E that together concluded that the untargeted design was not achieving its goals of increasing fertilizer use efficiently. Second, the targeted voucher approach that followed was based on a modification of Malawi’s voucher scheme, thus was due to diffusion of knowledge from a neighboring country’s experience. Third, by 2012/13, fertilizer importers had gained new information from several years of implementing NAIVS that led them to request (and obtain) a change in the program to enable them to choose the agro-dealers in each district that would sell their fertilizer through NAIVS, rather than district officials.

NAIVS was then stopped in 2014/15 for two reasons: firstly, due to the perception that material conditions had changed enough to merit a different approach (i.e. focus of subsidies on credit for fertilizer). Second, MAFC had faced insufficient funding in the two years prior (2012/13 and 2013/14). However, when the intended ‘follow-on’ subsidy program to NAIVS was not able to be implemented at a desirable scale, this resulted in changing knowledge and information, that led MAFC to return to NAIVS in 2015/16, although at a smaller scale than before given that international donor financial support was no longer available.

REFERENCES

- ACT. 2012. "Distribution, Access and Application of Agricultural Inputs, Final Report." Study commissioned by Agricultural Council of Tanzania (ACT) and conducted by Match Maker Associates Ltd.
- Aloyce G. M., Gabagambi D. M. and Hella J. P. 2014. "Assessment of operational aspects of the input supply chain under national agriculture input voucher scheme (NAIVS) in Tanzania." *Journal of Development and Agricultural Economics* 6(3), pp. 94-104.
- DOI: 10.5897/JDAE2013.0516
- Bertelsmann Stiftung. 2008. Bertelsmann Transformation Index: Tanzania Country Report. Gütersloh, Germany.
- Cagley, J.H., Gugerty, M.K., and R.Plotnick. 2009. "Political Economy of Fertilizer Policy in Tanzania." Evans School Policy Analysis and Research (EPAR), University of Washington, Seattle. Prepared for the Farmer Productivity Team of the Bill & Melinda Gates Foundation.
- Coulson, A. 1982. *Tanzania: A Political Economy*; London: Clarendon Press
- DAI/MAFC, 2013. "Mapendekezo ya muundo wa ufikishaji wa pembejeo kwa wakulima kwa utaratibu wa mikopo kwa wakulima." Directorate of Agricultural Inputs (DAI), Ministry of Agriculture, Food Security and Cooperatives. Dar es Salaam.
- Economist Intelligence Unit (EIU). 2008. Lifting African and Asian Farmers out of Poverty: Assessing the Investment Needs. Research Report for the Bill and Melinda Gates Foundation. New York: The Economist Intelligence Unit.
- Fan, S., A. Gulati, and S. Thorat. 2008. Investment, Subsidies, and Pro-Poor Growth in Rural India. *Agricultural Economics* 39.2: 163-170.
- FEWNSET. 2003a. FEWSNET Tanzania Food Security Report, April 2003.
- FEWNSET. 2003b. FEWSNET Tanzania Food Security Report, August 2003.
- FSP (Food Security Policy Innovation Lab). 2015. Conceptualizing drivers of agriculture and nutrition policy change through the Kaleidoscope Model." FSP Policy Brief. http://fsg.afre.msu.edu/fsp/Resnick_RISE_2015.pdf
- HakiElimu and Policy Forum. 2008. "Understanding the Budget Process in Tanzania: A Civil Society Guide." HakiElimu, Dar es Salaam, Tanzania. Available at: http://www.policyforum-tz.org/files/EnglishUnderstandingtheBudgetProcessinTanzaniaCSOGuide_0.pdf
- Hall, Peter. 1993. "Policy Paradigms, Social Learning and the State: The Case of Economic Policy Making in Britain." *Comparative Politics*, Vol. 25: 275–296.
- Hyden, Goran 1999. "Top-Down Democratization in Tanzania". *Journal of Democracy*. 10:142-155.

- Jayne, T.S. and R.Shahid. 2013. "Input subsidy programs in sub-Saharan Africa: a synthesis of recent evidence." *Agricultural Economics* 44 (2013) 547–562.
- Jayne, T.S., J. Govereh, A. Mwanuamo, J.K. Nyoro. 2002. "False Promise or False Premise? The Experience of Food and Input Market Reform in Eastern and Southern Africa." *World Development* Vol. 30, No. 11, pp. 1967–1985.
- MAFAP (Monitoring African Food and Agricultural Policies). 2013. "Review of food and agricultural policies in the United Republic of Tanzania 2005-2011." MAFAP Country Report Series, FAO, Rome, Italy.
- MAFC, 2006. "National Fertilizer Strategy Report." Ministry of Agriculture, Food Security & Cooperatives, United Republic of Tanzania, Dar es Salaam.
- MAFC. 2007a. Annual budget report 2006/07. Ministry of Agriculture, Food Security & Cooperatives, United Republic of Tanzania, Dar es Salaam.
- MAFC. 2007b. "Study on the Effectiveness of Fertilizer Transport Subsidies in Agricultural Production." Directorate of Policy & Planning, Ministry of Agriculture, Food Security & Cooperatives, United Republic of Tanzania, Dar es Salaam.
- MAFC. 2007c. Terms of reference for Voucher Team. Ministry of Agriculture, Food Security & Cooperatives, United Republic of Tanzania, Dar es Salaam.
- MAFC. 2008. Annual budget report 2007/08. Ministry of Agriculture, Food Security & Cooperatives, United Republic of Tanzania, Dar es Salaam.
- Malhotra, Kriti. 2013. "National Agricultural Input Voucher Scheme (NAIVS 2009–2012), Tanzania: Opportunities for Improvement." REPOA Brief #40. REPOA, Dar es Salaam.
- Marenya, P.P., Barrett, C.B., 2009. State-conditional fertilizer yield response on Western Kenyan farms. *American Journal of Agricultural Economics* 91 (4), 991–1006.
- Mather, D., B. Waized, D.Ndyetabula, A.Temu and I.Minde. 2016a. "The effects of NAIVS on private sector fertilizer and seed supply chains in Tanzania." GISAIA/Tanzania Working Paper #3.
- Mather, D., B. Waized, D.Ndyetabula, A.Temu and I.Minde. 2016b. "The profitability of inorganic fertilizer use in smallholder maize production in Tanzania: Implications for alternative strategies to improve smallholder maize productivity." GISAIA/Tanzania Working Paper #4.
- McKie, Kristin and Nicolas van de Walle. 2010. "Toward an Accountable Budget Process in Sub-Saharan Africa: Problems and Prospects," *Social Research*. Vol.77(4): 1281-1310.
- Minot, N. 2009. "Fertilizer Policy and Use in Tanzania", a paper presented at the Fertilizer Policy Symposium of the COMESA African Agricultural Markets Programmes (AAMP), Livingstone, Zambia

- Mollel, H.A., A. Tollenaar. 2013. “Decentralization in Tanzania: Design and Application in Planning Decisions”, *International Journal of Public Administration*, 36:5, 344-353, DOI:
- Mwaijande, F. 2014. “Performance Evaluation of National Agricultural Inputs Voucher Subsidy.” Ministry of Agriculture, Food Security and Cooperatives, Government of the United Republic of Tanzania, Dar es Salaam.
- NBS (National Bureau of Statistics). 2003. National Sample Agricultural Census 2002/03, Crops Report.
- Mukangara. 2005. Tanzania Country Report. Parliaments of the South Series: South African Institute of International Affairs.
- NBS. 2008. National Sample Agricultural Census 2007/08, Crops Report.
- NBS. 2012. Tanzania National Panel Survey 2010/11. Dar es Salaam: United Republic of Tanzania.
- Pan, L. and L. Christiaensen. 2012. “Who is Vouching for the Input Voucher? Decentralized Targeting and Elite Capture in Tanzania.” *World Development* 40(8): 1619–1633.
<http://dx.doi.org/10.1016/j.worlddev.2012.04.012>
- Poulton, C., A.Dorward, and J.Kydd. 1998. “The Revival of Smallholder Cash Crops in Africa: Public and Private Roles in the Provision of Finance.” *Journal of International Development* 10(1): 85-103.
- Putterman, L. 1995. “Economic reform and smallholder agriculture in Tanzania: A discussion of recent market liberalization, road rehabilitation, and technology dissemination efforts.” *World Development*, 23 (2): 311-326.
- Ricker-Gilbert, J., T.S. Jayne, and E. Chirwa. 2011. Subsidies and Crowding out: A Double-Hurdle Model of Fertilizer Demand in Malawi. *American Journal of Agricultural Economics* 93.1: 26–42.
- Ricker-Gilbert, J., Jayne, T. and Shively, G. 2013. ”Addressing the ‘Wicked Problem’ of the Input Subsidy Programs in Africa”, *Applied Agricultural Economic Perspectives and Policy* 35.2: 322–40
- Skarstein, R. 2005. “Economic liberalization and smallholder productivity in Tanzania. From promised success to real failure, 1985 – 1998”, *Journal of Agrarian Change*, 5(3), 334–362.
- Snapp, S., Jayne, T.S., Mhango, W., Benson, T., Ricker-Gilbert, J. 2014. “Maize Yield Response to Nitrogen in Malawi’s Smallholder Production Systems.” International Food Policy Research Institute (IFPRI) Malawi Strategy Support Program Working Paper #9.
- TNBC (Tanzania National Business Council). 2009a. “The Kilimo Kwanza Resolution”.
[http://www.gafspfund.org/sites/gafspfund.org/files/Documents/KILIMO_KWANZA_RESOLUTION - FINAL%5B1%5D.pdf](http://www.gafspfund.org/sites/gafspfund.org/files/Documents/KILIMO_KWANZA_RESOLUTION_FINAL%5B1%5D.pdf)

TNBC. 2009b. “Ten Pillars of Kilimo Kwanza.” Available at: <http://www.tzonline.org/pdf/tenpillarsofkilimokwanza.pdf>

Therkildsen, O. and F. Bourgouin. 2012. Continuity and change in Tanzania’s ruling coalition: legacies, crises and weak productive capacity.” DIIS Working Paper 2012:06.

Tripp, A. M.. 2000. “Political Reform in Tanzania: The Struggle for Associational Autonomy”. *Comparative Politics*. 32:191-214.

URT. 1995. Tanzanian Development Vision 2025. Planning Commission United Republic of Tanzania.

URT. 2001. National Strategy for Growth and Reduction of Poverty (MKUKUTA). Planning Commission United Republic of Tanzania.

URT. 2006. Agricultural Sector Development Programme (ASDP): Support Through Basket Fund. URT Programme Document.

URT. 2010. National Strategy for Growth and Reduction of Poverty II (MKUKUTA II). Ministry of Finance and Economic Affairs United Republic of Tanzania.

Wang, V. 2005. “The Accountability Function of Parliament in New Democracies: Tanzanian Perspectives.” Working paper 2005:2. Chr. Michelsen Institute Development Studies and Human Rights. Bergen, Norway.

Wanzala, M., P. Fuentes, S. Mkumbwa. 2013. “Practices and Policy Options for the Improved Design and Implementation of Fertilizer Subsidy Programs in Sub-Saharan Africa”. NEPAD Policy Study.

World Bank. 2009. Accelerated Food Security Program of the United Republic of Tanzania under the Global Food Crisis Response Program Emergency Program Paper, Report No: 48549-TZ, Washington D.C.

World Bank. 2010. “Aide Memoire—United Republic of Tanzania—Accelerated Food Security Program (Credit 4619-TA) Mid-term Review.” Mimeo, World Bank, Washington, DC.

World Bank. 2014. Public Expenditure Review: National Agricultural Input Voucher Scheme (NAIVS).

APPENDIX TABLE 1. POLICY CHRONOLOGY OF FERTILIZER SUBSIDY PROGRAMS IN TANZANIA FROM 2003/04 to 2015/16

Date	Event / report / policy action	Policy process stage	Determinants of policy change	External/ Domestic	Economic, Political,
1998	Local Government Reform Program (LGRP) begins	Implementation	Improves district-level government's institutional capacity	Domestic	Institutional
1999	URT Tanzania Development Vision 2025	Agenda setting	officially made ag sector growth a key to economic growth (i.e. achieving sector growth officially becomes a highly <u>relevant policy problem</u>)	Domestic	Economic
2001	URT National Growth & Poverty Reduction Strategy (2001)	Agenda setting	reiterates importance of ag sector growth & officially adds food insecurity as a relevant policy problem; provides support for MAFC share of URT budget	Domestic	Economic
2002/03	Severe drought in Tanzania	Agenda setting	Focusing event	Domestic	Economic
2002/03	MoA estimates of fertilizer importation & maize production; continued low and stagnant grain yields since end of SA	Agenda setting	This evidence made household food insecurity a <u>relevant policy problem</u>	Domestic	Economic
2003	URT signs Maputo Declaration	Agenda setting	Declaration notes that ag sector growth is a <u>relevant policy problem</u> & lends support to MAFC efforts for a larger share of URT budget	Domestic / External	Political / Economic
Nov 2003	Program design devised by MAFC in discussions with private sector fertilizer supply chain	Design	Limited new <u>information</u> in 2003 with which to design a fertilizer subsidy program; URT <u>ideological commitment</u> to market-led development results in MAFC designing a private-sector friendly approach to fertilizer subsidies	Domestic	Economic

Date	Event / report / policy action	Policy process stage	Determinants of policy change	External/ Domestic	Economic, Political, etc
Nov 2003	Government & Parliamentary resolution to begin an untargeted subsidy scheme	Adoption	<u>Proponents</u> (MAFC, fertilizer importers); no strong opponents. <u>Government veto players</u> did not oppose	Domestic	Political
Nov 2003- Feb 2003	Implementation of untargeted fertilizer subsidy program for 2003/04 main season	Implementation	<u>budget</u> for program is very small & funded by URT; <u>implementing veto players</u> (priv sector fertilizer supply chain) support program	Domestic	Economic / Political
2003/04 to 2006/07	Continued implementation of untargeted fertilizer subsidy program	Adoption	MPs from regions not targeted in 2003/04 request subsidies (<u>Government veto players</u>)	Domestic	Political
2003/04 to 2006/07	Program scale increases over time	Implementation	Program still relatively small in MAFC budget so <u>sufficient funding</u> from URT	Domestic	Economic
2007	MAFC M&E release report on program / ACT members voice concerns over program performance	Evaluation & Reform	MAFC & ACT conclude that program has a number of problems, such as subsidized price not being passed on to farmers (<u>changing knowledge & information</u>)	Domestic	Economic
2007	ACT initiates study tour for MAFC & ACT staff to visit Malawi to study GoG targeted fertilizer voucher program	Evaluation & Reform	MAFC & ACT conclude that Malawi voucher scheme can be modified for Tanzania context and help ensure subsidies reach targeted farmers (i.e. <u>changing knowledge/info</u>)	External / Domestic	Economic

Date	Event / report / policy action	Policy process stage	Determinants of policy change	External/ Domestic	Economic, Political, etc
2007	Pilot of URT targeted fertilizer voucher program	Agenda setting	Low food crop productivity (linked to low fertilizer use) still a relevant policy problem	Domestic	Economic
2007		Agenda setting	<u>Powerful advocates</u> (MAFC & leading CSO, ACT)	Domestic	Political
2007		Design	Program is still private sector friendly due to government ideology; cost-benefit suggests that targeted vouchers will be much more efficient than untargeted program	Domestic	Political / Economic
May 2007		Adoption	Initiated by MAFC, approved by <u>government veto players</u>	Domestic	Political
2007/08		Implementation	<u>Budget allocation</u> is sufficient as pilot is small	Domestic	Economic
2007/08		Implementation	<u>Implementing veto players</u> (private sector fertilizer supply chain) support program	Domestic	Economic
Early 2007	World Bank, FAO, etc modify their position on ag input subsidies	Agenda setting	World Bank indicates that they are now willing to consider funding ag sector subsidy programs if certain conditions are met (<u>changes funding options</u> for initiating subsidy programs)	External	Economic
June 2007	International food price crisis begins	Agenda setting	Focusing event	External	Economic
2008	President Kikwete initiates official MoF approach to W.Bank to request funding to scale-up URT's targeted voucher program	Agenda setting	Powerful advocates (President Kikwete, MoF, MAFC)	Domestic	Political

Date	Event / report / policy action	Policy process stage	Determinants of policy change	External/ Domestic	Economic, Political, etc
2008/09	grain prices remain high in Tanzania & Kenya due to short season drought	Agenda setting	Focusing event	Domestic / External	Economic
2008/09	MAFC, ACT, AGRA & World Bank coordinate on design of NAIVS	Design	W.Bank <u>knowledge</u> & <u>ideology</u> regarding what makes a 'smart' subsidy incorporated into the already private-sector friendly URT targeted voucher scheme design	External / Domestic	Economic / Institutional
May 2008	NAIVS 2008/09	Adoption	Powerful proponents (President, MAFC), support of government veto players	Domestic	Political
2008/09		Implementation	Sufficient budget resources given strong URT commitment & W.Bank funding	Domestic / External	Economic
2008/09		Implementation	Implementing veto players (private sector fertilizer supply chain) support program	Domestic	Economic
2008/09		Implementation	<u>Required district-level government institutional capacity is adequate</u> given capacity building efforts to aid decentralization begun in 1998	Domestic	Economic
2010/11	Expansion of NAIVS from 12 regions to 24	Adoption	MPs from regions not targeted in 2008/09 request NAIVS vouchers for their region (<u>Government veto players</u>)	Domestic	Political / Economic

Date	Event / report / policy action	Policy process stage	Determinants of policy change	External/ Domestic	Economic, Political, etc
2012/13	NAIVS 2012/13 -- Shift in who selects agro-dealers in a district that will work with a participating importer	Evaluation & Reform	After four years of NAIVS, private sector importers (implementing veto player) learn that they cannot sufficiently trust agro-dealers selected by district-level government officials in repayment of what they owe importers and in appropriately representing the importers' product to smallholders (i.e. <u>changing knowledge & info</u>). They voice this concern to MAFC.	Domestic	Economic
		Implementation	From 2012/13 onward, fertilizer importers (<u>implementing veto players</u>) given primary say in which agro-dealers they work with in a given district	Domestic	Economic
		Implementation	By end of FY, MoF has released only 82.6% (47.5%) of the approved recurrent (development) budget for MAFC. NAIVS is in the recurrent budget, and fertilizer importers are not repaid in full on time	Domestic	Economic
2012/13	Agricultural Credit Subsidy Program (ACSP)	Agenda setting	NAIVS original ending year is 2013/14, and MAFC feels that NAIVS is achieving its main goals (smallholders gain valuable knowledge about the net returns to fertilizer use on maize/rice), but that access to credit for an ag input loan remains a key constraint to sustained smallholder fertilizer use on maize/rice (i.e. <u>relevant policy problem</u> even after several years of NAIVS).	Domestic	Economic
	MAFC designs ACSP as a 'follow-on' program to NAIVS	Design	MAFC design for ACSP assumes private sector bank participation (<u>ideology</u>), and their <u>cost-benefit</u> assumptions of continuing NAIVS is perceived to be lower than piloting & scaling up ACSP.	Domestic	Economic
	ACSP -- MAFC begins initial capacity building needed for ACSP	Implementation	<u>Institutional capacity</u> already exists for trainees in that farmer coops exist (on paper at least); MAFC provides training to coop leaders on how to interact with banks to negotiate an ag input loan	Domestic	Institutional

Date	Event / report / policy action	Policy process stage	Determinants of policy change	External/ Domestic	Economic, Political, etc
2013/14	NAIVS continues, but at a scale double the size originally budgeted for this year	Implementation	By end of FY (June 2014, MoF has released only 69.8% (74.1, 70.9%) of the approved recurrent (development, total) MAFC budget. NAIVS is in the recurrent budget, and fertilizer importers are again not repaid in full on time	Domestic	Economic
2013/14	MAFC tries to pilot ACSP	Implementation	Large commercial banks (implementing veto players) do not agree to participate in ACSP unless URT provides its 50% loan guarantee up-front, which URT does not do	Domestic	Economic / Institutional
2014/15	NAIVS not implemented	Implementation	As of May 2014, MAFC feels that NAIVS has already achieved its main goals, it still owes fertilizer importers a significant amount from the 2012/13 & 2013/14 NAIVS years, donor funding ended in 2013/14, & they believe that ACSP can reach more smallholders with less URT funds than NAIVS	Domestic / External	Economic
2014/15	MAFC pilots ACSP	Implementation	Most commercial banks (implementing veto players) again do not agree to participate in ACSP; those that do only find a small number of farmer cooperatives that are credit-worthy, and only about 10% of households receive loans relative to the # that received a NAIVS voucher in 2013/14	Domestic	Economic / Institutional
		Evaluation & Reform	MAFC realizes that as currently designed, ACSP cannot reach anywhere near as many farmers as NAIVS (i.e. <u>changing knowledge</u>)	Domestic	Economic
2015/16	NAIVS returns	Implementation	Largest fertilizer importers (<u>key implementing veto players</u>) agree to participate again in NAIVS	Domestic	Economic

APPENDIX TABLE 2. STAKEHOLDER INVENTORY for NAIVS, 2015/16

Category	Stakeholder group / institution	General position on fertilizer subsidies	Position on NAIVS in 2015/16	Desired changes in design or implementation
Government veto players	President	support	support	--
	Cabinet	support	support	--
	Ministry of Finance	conditional support ¹	support	--
	Ministry of Agriculture (MAFC)	support	support	Willing to pilot e-vouchers if donors will provide support
	Parliament	support	A majority of MPs support	Some MPs are concerned about alleged corruption, delays in voucher and/or input delivery, and want end of program or new design to address these concerns
Implementing veto players	Fertilizer importers	support	support	More timely payment by URT of the subsidized portion of program fertilizer
	Fertilizer wholesalers	support	support	--
	Tanzania Agro-Dealer Association (TANADA)	support	support	--
Policy opponents	Agricultural Non-State Actors Forum (ANSAF)	does not support	does not support	Prefers for URT to instead invest more in public goods like ag research, extension, capacity building, etc
	USAID, DFID	did not support ag input subsidies during this time period	does not support	--
	W.Bank, JICA, etc	supported NAIVS from 2008/09-2013/14 but wanted NAIVS to be a limited term subsidy, and believes that NAIVS has already largely fulfilled its original goals	stopped financial support in 2013/14 as scheduled	--

APPENDIX TABLE 2. STAKEHOLDER INVENTORY for NAIVS, 2015/16, cont.

Category	Stakeholder group / institution	General position on fertilizer subsidies	Position on NAIVS in 2015/16	Desired changes in design or implementation
Policy neutral	Agricultural Council of Tanzania	support	conditional support	If NAIVS is to continue, e-vouchers should be used to help reduce potential for corruption
	Some local researchers	support	conditional support	Aloyce et al (2014), Malhotra (2013), & Mwaijande (2014) suggest design changes to reduce delays in voucher delivery, and a need for better extension access and appropriate fertilizer recommendations for recipient villages, and e-vouchers to help reduce cases of corruption. Also suggest need for improved farmer awareness of eligibility criteria & eventual URT exit plan.
	Other local researchers & international researchers ²	Support but agree with local researchers and the original designers of NAIVS that it should be a limited term subsidy program and that NAIVS has already largely fulfilled its original goals.	advise spending shift from NAIVS to a number of complementary public goods (Mather et al, 2016b), but conditional support for NAIVS if URT continues with it	If URT decides to continue NAIVS, there are a number of ways to potentially improve its efficiency, based on innovative approaches recently implemented in Nigeria and Burundi, as described in Mather et al, 2016a.

Notes: 1) MoF has approved NAIVS since 2008/09 when it has been proposed by MAFC, though actual release of 'recurrent' funding by MoF to MAFC depends on overall URT revenue & actual donor funds available. 2) Pan & Christaenson (2012) offer conditional support (in 2012), though they note that the program goals of increasing grain production and reducing household-level food insecurity would not logically use the same targeting criteria. They also report some level of elite capture of vouchers based on a survey in Kilimanjaro region in 2009, and they offer some recommendations for improving scrutiny of village voucher committee distribution of vouchers.

Appendix Table 3. Kaleidoscope model hypothesis testing

Element of Policy Process	Determinants of Policy Change	Hypotheses	Untargeted fertilizer subsidies 2003-2007	Pilot targeted voucher program (2007/08)	NAIVS 2008/09 to 2011/12	NAIVS 2012/13 to 2013/14	pilot ACSP 2013/14	NAIVS 2015/16
Agenda setting	Recognized, relevant problem	Empirical conditions, backed by credible documentation, interpreted by policymakers as problems	URT -- Tanzania Development Vision 2025 (1999) lists ag sector growth as objective; and National Strategy for Growth & Poverty Reduction (MKUKUTA, 2004) adds household food insecurity as a challenge Evidence -- consistently low smallholder maize yields (main staple food crop) (MoA annual M&E of crop production) and declining fertilizer use since SA ended subsidies in 1994 (FAO), as of 2002/03	Same as before	Same as before	Same as before	low fertilizer use on food crops was constrained not only by farmer inexperience with using it, but also by limited access to credit for most smallholders	Same as before
Agenda setting	Focusing event	A well-defined event that prompts public attention to a problem or that creates a window of opportunity for policy change	Drought in 2002/03		•International food price crisis (2007/08) followed by poor harvests in 2008 in TZ and Kenya			
Agenda setting	Powerful advocates	Strong individuals, organizations, or companies were supporting a new or changed policy to key decision makers.	Ministry of Ag (MoA), fertilizer importers	• Domestic: MoA, CSO representing farmers & agribusiness (ACT)	•Domestic: President's office; MoA, fertilizer importers; CSOs •International -- World Bank:	•Domestic: President's office; MoA, fertilizer importers; CSOs •International -- World Bank:	Domestic: MoA	•Domestic: MoA, some fertilizer importers;
Design	Knowledge, research and ideas	Evidence-based knowledge shapes feasible design (new, existing, local, international).	• Limited ideas with which to design the program in 2003: MoA officials designed it on very short notice and recognized that the the largest single domestic price component of fertilizer was transport from port to regional capitals, thus they decided to subsidize transportation for limited quantities of fertilizer per region	•Based on the MoA study tour of the Malawi targeted voucher scheme, they took the basic voucher concept but used private sector fertilizer/seed supply chain to import, wholesale and retail the subsidized fertilizer	• Wbank took the basic MoA pilot scheme design; modified the targeting administration procedures	•Fertilizer importers began to select the agro-dealers with which they worked in each district		same design as in 2013/14

Appendix Table 3. Kaleidoscope model hypothesis testing, continued

Element of Policy Process	Determinants of Policy Change	Hypotheses	Untargeted fertilizer subsidies 2003-2007	Pilot targeted voucher program (2007/08)	NAIVS 2008/09 to 2011/12	NAIVS 2012/13 to 2013/14	pilot ACSP 2013/14	NAIVS 2015/16
Design	Norms, biases, ideology, beliefs	Widespread beliefs shape feasible designs (not based on evidence, no proof but widely felt)	•GoT was committed since SA to market-led ag sector development, thus it worked with the private sector fertilizer supply chain rather than creating a separate government supply chain	Same as before	Same as before, although the Wbank ideology of 'smart' (market-friendly) subsidies was more thoroughly included in design		Idea was to leverage more resources and reach more farmers with less government funding by convincing commercial banks to lend to farmer groups if the banks were backed up by a credit guarantee by GoT	
Design	Cost-benefit and risk calculations	Known costs and expected benefits (political, economic, social) determine preferred design.		• Targeted voucher scheme was perceived by GoT and CSOs to be a more effective way to ensure that smallholder farmers actually received subsidized fertilizer prices compared with the untargeted approach.		Fertilizer importers wanted lower risk in lending fertilizer to agro-dealers on credit -- they lowered this risk by selecting agro-dealers themselves	Farmer groups required to pay 20% upfront in order to reduce possibility of moral hazard; commercial banks backed up by 50% credit guarantee from government to shield banks from risk (in theory)	After perceived failure of ACSP, NAIVS design looked relatively better again for MoA
Adoption	Powerful opponents vs. proponents	•For a policy to be adopted, supporters must be relatively more powerful than opponents. •For a policy to not be adopted, opponents must be relatively more powerful than supporters.	•Proponents: GoT, private sector fertilizer supply chain actors; •Opponents: Donors	•Proponents: GoT, private sector fertilizer supply chain actors;	•Proponents: GoT, private sector fertilizer supply chain actors; •Opponents: Some donors; some CSOs and MPs that point to implementation problems	•Proponents: GoT, private sector fertilizer supply chain actors; •Opponents: Some donors; some CSOs and MPs that point to implementation problems; ANSAF	Proponents: GoT	•Proponents: GoT, private sector fertilizer supply chain actors; •Opponents: Some donors; some CSOs and MPs that point to implementation problems; ANSAF
Adoption	Government veto players	•For adoption, government agents with ultimate decision-making power must be supportive or neutral. •For a policy to be vetoed, government agents with ultimate decision-making power must be an opponent.	Government veto players supportive or neutral	Government veto players supportive or neutral	Government veto players supportive or neutral	Government veto players supportive or neutral	Government veto players supportive or neutral	Government veto players supportive or neutral
Adoption	Propitious timing	Supporters wait for opportune moments (political, economic, social) to push policy change. What was it? (i.e election)						

Appendix Table 3. Kaleidoscope model hypothesis testing, continued

Element of Policy Process	Determinants of Policy Change	Hypotheses	Untargeted fertilizer subsidies 2003-2007	Pilot targeted voucher program (2007/08)	NAIVS 2008/09 to 2011/12	NAIVS 2012/13 to 2013/14	pilot ACSP 2013/14	NAIVS 2015/16
Implementation	Institutional capacity	Government, organizations, or companies were available and able to implement and manage the new policy or program as it was intended	Insufficient capacity: There was no design element that would enforce the goal for fertilizer retailers to pass on the savings from subsidized transport in the price that farmers paid for 'subsidized' fertilizer (program relied upon agro-dealer honesty to do this).	<ul style="list-style-type: none"> Public sector had capacity at central and district level (decentralization) to distribute vouchers and coordinate with private sector fertilizer suppliers Private sector fertilizer supply chain was fairly well-developed in some regions due to fertilizer demand from cash crops (coffee, tobacco, horticulture) and some demand from maize/rice 	Same as with pilot	same as before	Insufficient capacity: Few farmer groups reached because few farmer coops focused on maize or rice are credit-worthy and/or active	Same as before
Implementation	Requisite budget	Government or donors provide fund sufficient to carry out the new policy or program as intended	Funding sufficient as program not very large	Pilot was very small	W.Bank provided approximately 50% of the funding; GoT the remainder	W.Bank funding was lower as planned in these years, but MoA budget share actually received relative to approved fell; importers not fully repaid on time in both years		No donor support. GoT was able to fund the program at about half of the scale reached previously.
Implementation	Key implementing veto players	Private sector actors have both incentives and willingness to implement the policy program	Private sector fertilizer supply chain actor participate	Private sector fertilizer supply chain actor participate	Private sector fertilizer supply chain actor participate	by late 2014, importers had still not been fully paid from 2012/13 and 2013/14, thus they demanded to be repaid before proceeding with another round of NAIVS	key implementing actors (commercial banks) refused to participate on a significant scale due to perceived risks of farmer default and lack of up-front URT credit guarantee	Private sector fertilizer supply chain actor participate
Implementation	Commitment of policy champions	Strong individuals, organizations, or companies continued to publicly support the program	MoA, fertilizer companies	MoA, fertilizer companies, ACT	President, MoA, fertilizer companies, ACT, W.Bank	President, MoA, fertilizer companies, ACT	MoA	President, MoA, fertilizer companies

Appendix Table 3. Kaleidoscope model hypothesis testing, continued

Element of Policy Process	Determinants of Policy Change	Hypotheses	Untargeted fertilizer subsidies 2003-2007	Pilot targeted voucher program (2007/08)	NAIVS 2008/09 to 2011/12	NAIVS 2012/13 to 2013/14	pilot ACSP 2013/14	NAIVS 2015/16
Evaluation & reform	Changing info and beliefs	New learning emerges that impacts how decisionmakers believe the policy/program should be structured (social or evidence-based learning)	<ul style="list-style-type: none"> Studies in 2006/07 by both ACT and MoA found that the untargeted subsidies were not being passed on to farmers in the form of lower prices for 'subsidized fertilizer' ACT organized study tour of the Malawi targeted voucher program for MoA officials as a potential solution for the challenge of ensuring that subsidies are received by the intended recipients (smallholder farmers) 			<ul style="list-style-type: none"> <u>Change in institutional arrangement</u> -- importers demanded that they be given the right (and received it) to select the agro-dealers with which they would work in a given district (instead of district officials selecting the agro-dealers) 	Outcome of pilot shows MoA that the design is not feasible (few farmer groups focused on food crops exist; commercial banks not willing to participate on significant scale)	
Evaluation & reform	Institutional changes	Changes in institutional architecture or staffing bring new players, new ideas, new priorities to the policy arena.						
Evaluation & reform	Changing conditions (resources, institutional architecture, problem status)	Something about the environment has changed in a way that influences the need or functioning of the policy		<ul style="list-style-type: none"> <u>Change in problem status:</u> International Food Price Crisis (2007/08) combined with poor rains in TZ and Kenya in late 2008 and early 2009 <u>Change in donor resources -</u> in response to the food price crisis, the World Bank dropped their resistance to supporting fertilizer subsidies, and created a special fund for 'smart' input subsidy schemes (and other safety net schemes) 	<ul style="list-style-type: none"> <u>Change in donor resources --</u> World Bank indicated at beginning of NAIVS that it would only provide funding for limited number of years. MoA scaled down program 	<ul style="list-style-type: none"> <u>2013/14 was the end of donor resources; in both years, MoA budget actually received fell--</u> by the end of 2013/14, URT had not been able to fully repay debts to importers from previous two seasons. 		

Appendix Table 4. Summary of Kaleidoscope model hypothesis testing

Element of Policy Process	Determinants of Policy Change	Untargeted fertilizer subsidies 2003-2007	Pilot targeted voucher program (2007/08)	NAIVS 2008/09 to 2011/12	NAIVS 2012/13 to 2013/14	pilot ACSP 2014/15	NAIVS 2015/16
Agenda setting	Powerful advocates	+	+	+	+	+	+
	Focusing event	++		++			
	Recognized, relevant problem	+	+	+	+	+	+
Design	Knowledge, research and ideas		++	+	+		
	Norms, biases, ideology, beliefs	+	+	+	+	+	+
	Cost-benefit and risk calculations		+			+	+
Adoption	Powerful opponents vs. proponents	+	+	+	+	+	+
	Government veto players	+	+	+	+	+	+
	Propitious timing						
Implementation	Institutional capacity	-	+	+	+	-	+
	Requisite budget	+	+	++	-		
	Key implementing veto players	+	+	+	-	-	+
	Commitment of policy champions	+	+	+	+		+
Evaluation & reform	Changing info and beliefs	++	+	+	+	++	
	Institutional shifts						
	Changing conditions (resources, institutional architecture, problem status)		+	+	++		+

FIGURE 2. POLICY PROCESS MAPPING of NAIVS (2013/14)

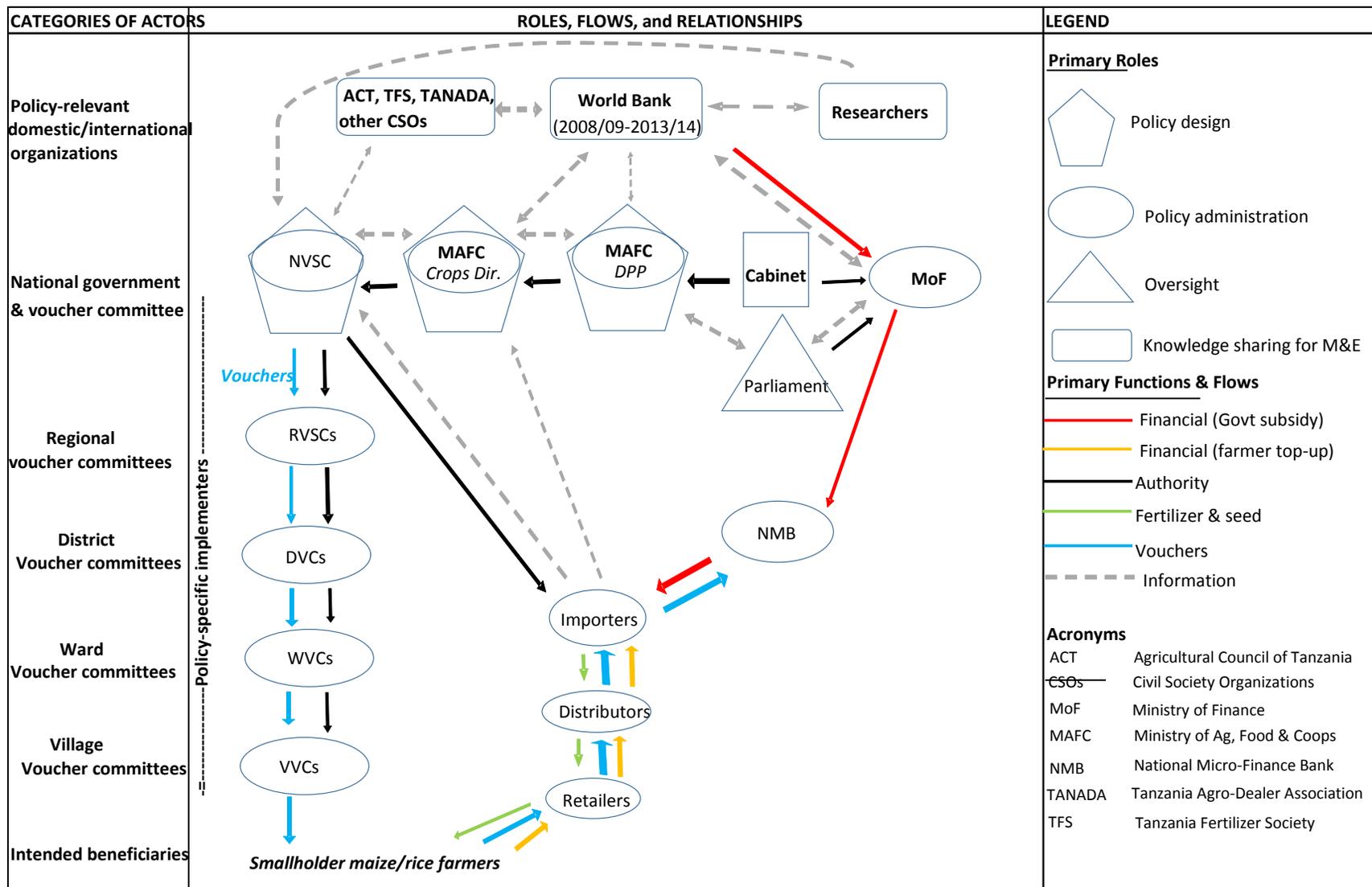
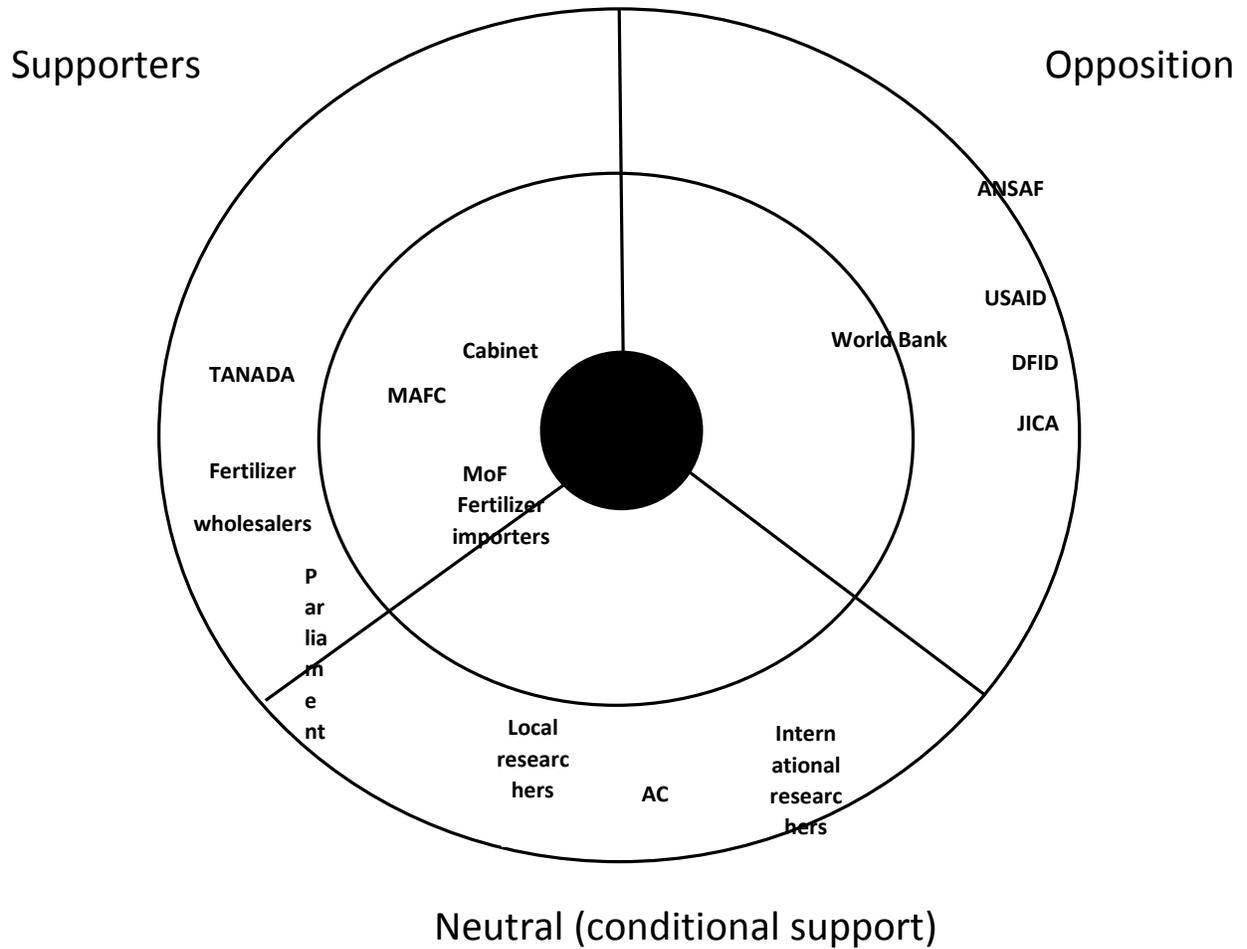


Figure 3. Circle of Influence, NAIVS 2015/16



APPENDIX A. ANNUAL BUDGET PROCESS⁵³

1). URT formulates budget guidelines (Nov-Jan)

- MoF makes macroeconomic forecasts of future growth, inflation, and export/import trends
- Government and donor consultations confirm donor financial commitments to budget support and/or sectoral support
- URT then formulates goals, objectives and budget priorities, based on the National Development Strategy (Development Vision 2025) and the 5-year Growth and Poverty Reduction Strategy (MKUKUTA 2); allocation across ministries is based on those PRS priorities and progress reports.
- Budget guidelines are then prepared by a committee comprised of reps from MoF, Planning Commission, Prime Minister's Office (PMO), Civil Service Dept. and PMO-RALG (Prime Minister's Office for Regional and Local Government). This contains:
 - Overview of macroeconomic performance and projections
 - Priority sector Medium Term Expenditure Framework, prepared by sector working groups and the Public Expenditure Review process, consistent with PRS targets, progress towards the targets, and costing
 - Expenditure ceilings by sector
 - Procedures for preparation and submission of draft budget to MoF

2). MOF then provides budget guidelines to each Ministry (Jan-Feb)

- MOF gives MDA (Ministries, Departments and Agencies) a budget ceiling

3). MDA (MAFC) meets internally to generate their priorities and a proposed budget (Feb-March)

- In the case of MAFC, the Directorate of Policy & Planning (DPP) coordinates the budget process within MAFC and liaises with MoF and the Cabinet.
- Directorates within MAFC consult with key private sector and CSO stakeholders
- MAFC Permanent Secretary (PS) calls meetings of department directors (all together)
 - Begins with top priority expenditures known as 'ring-fenced areas', such as current MAFC staff (including extension); training agricultural college students to serve as extension officers in the future; NAIVS; National Food Reserve Agency (NFRA); etc.
 - Every director has to defend what they have to offer to be financed, based on how they are linked to the national growth and poverty reduction strategy (MKUKUTA 2), the sector-level strategy (Agricultural Sector Development Strategies, or ASDP), and other strategies such as the Tanzania Agricultural and Food Security Investment Plan (TAFSIP; Tanzania's CAADP agreement), and Ministry initiatives (such as NAIVS).

⁵³ Based on materials on the MoF website, interviews with David Biswalo of the Budgeting Division of DPP/MAFC and Dr. Peniel Lyimo, former PS of MAFC, and a newsletter from Parliament on budget cycle changes made beginning in 2013/14 http://www.tanzania.go.tz/egov_uploads/documents/newsletter_june_2013_sw.pdf.

- The group tries to come to a consensus on the budget for each department
- This is based on performance reports every year of Ministry, generated by the MES (Monitoring, Evaluation & Statistics) division within DPP, lessons learned from previous years, and input from the Joint Annual Sector Review
- PS tries to reach a broad consensus among department directors, which often occurs, but either way, the PS takes the budget to the Minister
- PS meets with the Minister of MAFC to discuss the MAFC budget proposal
 - They then send the MAFC budget proposal to MOF

5). MOF and MAFC discuss the MAFC proposal (Feb-March)

- MAFC leadership are often called to discuss their proposal with MOF, and MOF may ask MAFC to defend and/or explain their budget proposal
- MOF may or may not adjust the original ceiling given to MAFC (up or down)
- MOF looks to see if MAFC complied to ceilings and priorities last year; if not, MOF is likely to ask MAFC to make modifications to their budget proposal
- MOF puts an advertisement in newspapers to announce that the annual URT budget process is starting, thus whomever wants to provide input on the process should contact a committee that sits with different groups (some of which may have their own proposals, in addition to requesting modifications to programs/policies from the previous years)
- As of 3-4 years ago, a significant change in the process was made that allows the Parliamentary Budget Committee to consult with MOF before the MOF sends the full budget proposal to IMTC. This enables Parliament to have more input into the budget levels across Ministries earlier in the process. This change was made to minimize differences between the executive branch and Parliament when the budget reaches Parliament
- MOF compiles proposals for each Ministry into a full URT government proposal, and sends this to the Inter-Ministerial Technical Committee

5). IMTC reviews the full URT budget and the budgets of each Ministry (March)

- IMTC chaired by the Chief Secretary of PMO (the 'head' PS among all PSs from each ministry)
- They discuss guidelines from MoF, each Ministry's budget, etc. in relation to previous performance and the National and Sectoral Development Strategies.

6). IMTC sends budget to the Cabinet (March-April)

- The Cabinet consists of the President, all Ministers, and the Prime Minister (PM)
- The Cabinet may ask for modifications to Ministry budgets

- Once the cabinet approves the overall budget, IMTC sends each Ministry budget to appropriate Parliamentary committees for their review

7). MAFC presents their budget to the Agricultural Committee of Parliament (April)

- MAFC leadership makes a presentation to the Agricultural Committee, which then engages MAFC leadership in discussion about the content, budget levels, etc.
- The Chairman of the Agricultural Committee combines the ACs comments and suggested revisions and may ask MAFC to make revisions to their budget proposal
- These comments are also submitted to the full Parliament

8) MAFC presents budget to full Parliament (May-June)

- MAFC leadership makes a presentation of their budget proposal to the full Parliament
- MPs often asks for clarification about the budget proposal after the presentation
- Afterward, MPs may also ask for non-governmental stakeholders to come to Parliament to clarify MP questions
- Parliament may request the executive branch to shift funding within a Ministry or across ministries; the executive branch may or may not make all the suggested modifications
- Parliament then votes to approve (or not) the budget, though in practice, it is approved

9). President signs the full URT budget (June)

- The URT budget process is completed when the President signs (approves) the full URT budget

10). Fiscal year begins 1 July

- MoF releases funding to ministries, based on their approved amounts that FY and other factors
- Depending on URT revenues and expenditure throughout the FY, and other factors, MAFC (or any other ministry or agency) may receive the amount that was approved for them to spend, or in some years less

APPENDIX B: MODIFICATIONS MADE TO THE URT PILOT FERTILIZER SUBSIDY VOUCHER SCHEME

There were two main modifications of URT's pilot fertilizer subsidy voucher scheme to which the World Bank and MAFC agreed. First, to avoid either 'elite capture' of vouchers at the village level and/or receipt of vouchers by farmers who could already afford market-priced fertilizer, the household-level targeting criteria was clarified such that vouchers would be targeted to farmers who: (a) cultivated no more than one hectare of maize or rice; (b) had not used commercial fertilizer in the last five years on maize or rice; and (c) could afford to pay 50% of the market price for two bags of fertilizer (enough for one acre of maize or rice). Program designers did not want subsidized fertilizer to displace or 'crowd-out' existing smallholder demand for commercially-priced fertilizer for use on maize or rice. Thus, conditions (a) and (b) were intended to ensure that vouchers did not go to farmers who were already capable of self-financing fertilizer for use on maize/rice. The reason for condition (c) is that both the World Bank and MAFC technocrats who designed NAIVS intended for it not to be an un-ending subsidy scheme, but rather an opportunity to provide a lower-risk environment for smallholders who could potentially afford market-priced fertilizer to have a three-year period during which to experiment with it on their own maize or rice plot (and to provide the private sector with a surge in demand for fertilizer that would ideally enable them to 'learn' in which areas they could make longer-term investments in infrastructure so as to lower fertilizer costs and improve fertilizer access in the longer-term). Thus, the NAIVS household-level targeting criteria was not specifically intended to reach the 'poorest of the poor', as those households⁵⁴ would not likely be able to afford fertilizer and/or improved seed once subsidies were phased out.

Second, the World Bank insisted that the village voucher committee for each participating village include not only elected village leaders, but also the extension agent serving the village as well as a number of farmers who would be elected to serve on the VVC.⁵⁵ Ideally, the extension agent and non-leader farmers would help have sufficient knowledge of their neighbors (and client farmers) so as to ensure that the eligibility criteria on paper would be implemented in practice. Third, both the World Bank and MAFC technocrats recognized that an exit strategy was needed so as to avoid the political economy challenge of phasing out such a large (and potentially popular) subsidy scheme.⁵⁶ The exit strategy was built into the project design and World Bank funding commitment, given that each farmer could obtain vouchers for a maximum of three years; IDA support through this Project will end after Year Three, though

⁵⁴ AFSP included additional funding to existing URT safety net programs to reach households that would not be eligible for fertilizer subsidies due to their inability to pay 50% of the market price of two bags of fertilizer (World Bank, 2014).

⁵⁵ Interview with Dr. Madhur Gautam.

⁵⁶ World Bank (2009), World Bank (2014), and interview with Dr. Andrew Msolla, who was within the Ag Inputs Section of MAFC from the beginning of NAIVS through mid-2013, and who served as the key MAFC official coordinating MAFC's input into the design of NAIVS and its implementation.

Government support would be needed for an additional 2-3 years to complete the three-year cycle for late entrants into the scheme (World Bank, 2009). Thus, NAIVS was originally intended to be implemented from 2008/09 through 2013/14 (World Bank, 2014).

APPENDIX C: ASSUMPTIONS UNDERLYING THE DESIGN OF ACSP⁵⁷

MAFC believed that NAIVS had enabled enough smallholders to gain experience with fertilizer use on maize/rice, but that they still faced difficulties in purchasing fertilizer at market prices for several reasons:

- 1) Very few Tanzanian smallholders have sufficient collateral to obtain a loan for ag inputs, with the exception of those who grow a non-storable cash crop that provides inter-linked credit tied to the sale of that cash crop to a nearby processor.⁵⁸
- 2) As in most other SSA countries, interest rates for loans made to Tanzanian smallholder agricultural or non-agricultural activities are 20% or more (very high), as explained elsewhere.⁵⁹
- 3) Many farmers lack sufficient cash during the main season planting period, but cannot get credit given lack of collateral and high interest rates.

Given these credit constraints faced by smallholder maize/rice producers, MAFC believed that smallholders could benefit from a few years of subsidized interest rates for group loans for the purchase of fertilizer/seed for use on maize/rice.⁶⁰ The solution to smallholder credit constraints proposed by the initial design of ACSP was to ensure that farmer groups known as AMCOs (Agricultural Marketing Cooperative Organizations) SACCOs (Savings and Credit Cooperative Organizations), who agree to use improved inputs (fertilizer, improved seed, etc.) for maize/rice production receive a loan for a limited quantity of such inputs through existing private sector financial sector institutions (i.e. large commercial banks or small community banks), through multiple forms of guarantees:

- 1) AMCOs (and/or SACCOs) seeking credit would first be vetted for risk of loan default by MAFC and the financial institution considering making a loan to the AMCO.
- 2) Qualified AMCOs would provide an upfront payment of 20% of the total value of their group loan to the bank who agrees to lend to them
- 3) The participating bank would then cover the other 80% of the value of the loan, and pay participating private sector agro-dealers 100% of the cost of the inputs requested the AMCO via the loan. Banks would be protected from AMCO loan default in two main ways:
 - a. Each AMCO would a contract with a pre-specified buyer (NFRA, Bak(i.e. National Food Reserve Authority (NFRA), Export Trading Group, Bakresa, World Food Program, contract farming, processing companies, etc.) This contract would also be co-signed by the output buyer and the bank. The contract would be intended to ensure that enough of the AMCO's maize/rice production that season was marketed through the pre-specified buyer, who would deduct the

⁵⁷ For a more detailed explanation of the initial design of ACSP, please see Mather et al (2015) and/or AIS/MAFC (2013).

⁵⁸ See Poulton et al, 1998 and/or section 5.3 of Mather et al, 2015.

⁵⁹ See section 5.2 in Mather et al, 2015.

⁶⁰ The remainder of this section is based on based on the ACSP design document (AIS/MAFC, 2013), and ex ante assessment of the ACSP design by Mather et al (2015), and discussions with Dr. Andrew Msolla.

value of the AMCO's group loan in order to repay the lenders (banks) for the 80% of the loan outstanding.

- b. URT would provide a guarantee of 50% of the 80% of each loan covered by a participating bank.
- c. The document also assumes that when necessary, banks would receive assistance from regional, district, ward, division and/or village leadership to help enforce AMCO re-payment of their ag input loan to the bank.

