



Better investment environment for sunflower sector development

I4ID's support to the Agriculture Non-State Actors Forum (ANSAF), a membership-based local NGO that focuses on influencing policy and practices affecting smallholder farmers, to inform government decisions about the appropriate level of edible oil tariffs influenced the decision to increase edible oil tariffs from July 2018. Within 18 months, the tariff policy changes led to a significant shift in investment into the sunflower sector stimulating jobs and investment in smallholder farmer production in Tanzania.

This case study presents the experiences of the Institutions for Inclusive Development (I4ID) Programme's partnership in improving the investment environment for the sunflower sector industry. It documents the lessons learnt by Palladium, SNV in Tanzania, BBC Media Action, and ODI UK throughout four years of programme implementation (2017-2020). Supported with UKAid and IrishAid funding to address several service delivery and economic issues, the partnership contributed in:

- strengthening inclusivity and accountability practices in Tanzania's institutions for long-term social progress and economic growth; and
- enabling the delivery of equitable services to benefit women, young people, people living in poverty, and vulnerable groups across Tanzania.

The challenge

Over the past 10 years, sunflower production in Tanzania has expanded rapidly due to the buoyant domestic and international market. However, there remained untapped potential in the industry that could significantly improve the livelihoods of smallholder farmers.

Reviewing the findings of a sunflower sector scoping study by I4ID, local stakeholders agreed that constraints on productivity and inclusive sector growth persist due to market failures and coordination issues.

These include:

- Competition from cheaper products derived from imported crude palm oil. A few large manufacturing and processing companies dominate the local market, which constrains



Locally processed sunflower oil in Mbeya: lack of investment constrains the development of downstream industries (Julie Adkins/SNV in Tanzania).

Market failures and coordination issues constrain sector growth of the sunflower industry in Tanzania.

the sector from benefiting from high domestic demand for edible oils.

- Poor access to quality inputs, particularly high yielding seed, which would benefit processors (enriched oil yield) as much as farmers (higher crop yield). Imported high yield seeds are too expensive for smallholder farmers, but seed companies have little incentive to invest in larger volumes or in domesticating seed production without a larger market for their product.
- Constraints on finance and growth for small scale processors which restricts investment in productivity to, for example, improve oil yields through better sunflower seed crushing technology.

Imported edible oil is the second biggest drain on foreign reserves (after gasoline), so the pressure to transform edible oils as net foreign currency earner for Tanzania kept it on the agenda.

Sunflower sector growth also attracted increasing attention from government since it fitted in well with the national industrialisation agenda priorities, including agri-processing to stimulate agricultural production and reduce reliance on imports.

However, although a supportive tariff policy could protect the industry from cheaper imported palm oil, and encourage investment in production, lobbying from some of the larger companies with

vested interests in import and distribution had been effective in discouraging such tariffs.

I4ID's engagement

I4ID aimed to strengthen the voice of citizens affected by the edible oil tariff issue, through ANSAF and its member organisations, and encourage policy makers and politicians to use evidence and consultation for informed policy making that would improve the livelihoods of smallholder farmers and create additional jobs in sunflower production and processing.

I4ID's flexible approach enabled us to respond to a window of opportunity to address divergent interests in edible oil tariff policy

I4ID seized the opportunity to assist ANSAF when the Permanent Secretary at the Ministry of Finance asked them for objective evidence to inform the debate about the appropriate level of tariffs to dampen competition from imported palm oil.

This debate had been dominated on the one hand by the association of small-scale processors (TASUPA) who wanted an increase in tariffs, but lacked the capacity to provide strong evidence based economic analysis, and on the other hand, by the Confederation of Tanzanian Industries (CTI) who were heavily influenced by the members engaging in importing and processing palm oil, who wanted lower or zero rate tariffs.

For I4ID, this was seen as an important entry point to engage in the sector as this appeared to be an opportunity to:

- strengthen the voice of citizens affected by the issue, through ANSAF and its member organisations e.g. TASUPA and SUFA, which represented local processors and farmers respectively;
- help broker policy solutions that could unlock sector investment and growth; and
- encourage policy makers and politicians to use evidence and consultation for better informed and more inclusive policy making.

In partnership with ANSAF, I4ID engaged a consultant from the Overseas Development Institute (ODI) UK to develop a study on the impact of the Crude Palm Oil (CPO) tariff on the domestic edible oil sector.

This study confirmed the findings from similar assessments by other stakeholders, including the Tanzania Private Sector Foundation (TPSF), that the 10% tariff imposed on CPO in 2016, had no major impact on the production of domestically processed sunflower oil.

However, there was good evidence that an extension of the tariff on CPO and on imported sunflower oil for a limited period, could send strong signals to the market to encourage investment in greater domestic production and backward linkages. The study and this recommendation were submitted to the Permanent Secretary, Ministry of Finance.

Systems change approach and results

Bearing in mind the divergent interests in the tariff policy, I4ID invested in brokering and broadening alliances, coordination, alignment, and media engagement to increase policy impact.

I4ID sought to broaden alliances by linking up with parallel studies that were being commissioned with a focus on large-scale production,¹ and a more academic analysis.²

By investing in this kind of coordination and alignment, the broader alliance was able to present evidence to the different critical stakeholders including the Planning Commission, the Ministry of Finance, and at the annual National Agricultural Policy (NAP) Conference, where the studies dominated the first day of proceedings.

Thus, I4ID was able to build a much bigger audience of influencers and potential champions, while providing a consensus viewpoint informed by a broad cross-section of affected actors, including producers, big and small-scale industry and agriculture policy experts.

Following the NAP conference, a range of influential voices were engaged to provide added energy to the recommendations. More than five media channels reported the former Prime Minister Pinda's call for a ban on the importation of edible oil, including local newspapers - Mwananchi, and IPP Media (Nipashe), with further coverage replayed on social media.

Soon after, the President suggested that the government may increase support to domestic production, and increase protection from imported palm oil, which became front page news in the Citizen newspaper. I4ID had supported ANSAF by facilitating engagements with TV and radio and in the use of social media. Sunflower was discussed on all major TV and radio shows for two weeks in a row.

The study was also presented to the Industry and Trade, Agriculture and Budget parliamentary committees, prior to the budget sessions in April 2018. Interestingly, the Committee for Trade and Finance had already made its mind up to advocate for the removal of the CPO tariff, after representations from CTI. ANSAF's presentations were well received, providing some balance to the debate, now influenced by the President's statement.

¹ Read, for example, USAID's *Case Study Update: Driving New Investments into Agriculture in Tanzania's Edible Oils Sector* in 2019, https://www.agrilinks.org/sites/default/files/27_feb_2020_isp_km_edible_oils_case_study_update.pdf.

² Under the Aspire programme, Tanzania's Ministry of Agriculture and the Michigan State University conducted analyses on sunflower value chain development in the country. See policy brief summary here, <https://www.canr.msu.edu/fsp/outreach/presentations/09.03.2018-aspire-dalberg-edible-oil-policy-brief.pdf>.



Drying sunflower seeds (Julie Adkins/SNV in Tanzania).

Changes in tariff policy shifts investment into the sector which stimulated jobs and investment in smallholder farmer production, after just 18 months.

The government announced an increase in edible oil import tariff rates from 10% to 25% for crude oil and 35% for semi-refined and refined oil in the budget speech in June 2018.

The tariff changes aimed to promote local production and processing of edible oils, protect domestic producers, generate employment and increase income for farmers in the agriculture and other sectors.

The tariff increase was also expected to incentivise local importers to reduce their reliance on imported raw materials and instead invest in the growth of local sunflower and palm oil production.

Subsequently, the Dalberg study: Progress Review of Industrialisation in Tanzania's Sunflower Sector provided sufficient evidence that the change in tariff policy had led to a significant shift in investment into the sector, which was already stimulating lots of jobs and investment in farmer level production.³

The report noted that developments in the sector bode well for future production and processing with the most noticeable promising signs including:

- private investments in sunflower seed production have led to a 60% price drop of hybrid sunflower seed available to smallholder farmers;
- a range of medium and large sunflower processing investments have been made or are underway;
- large investors are engaging in sunflower contract farming schemes with smallholder farmers;
- sunflower farmers, many of whom are women, have experienced improved access to finance and seeds; and
- sunflower oil production and consumption may have risen, but hard data is needed.

Window of opportunity to address seed multiplication constraints, a question of timing?

ANSAF's next priority was to bring together actors to address the market failure around seed supply.

At that time however, although I4ID was able to find a private sector seed company with enough interest to engage on the issue, their perceived constraints to collaborative engagement with

³ For more information on the Dalberg study, read *Progress Review of Industrialization in Tanzania's Sunflower Sector* at https://pdf.usaid.gov/pdf_docs/PA00WCBJ.pdf.

government research institutions obstructed progress. It was therefore decided to discontinue support.

The government and regulatory agencies later became much more supportive of private sector sunflower seed multiplication, likely due to subsequent Presidential statements and the implementation of the new tariff policy.

Previously, it had taken private sector up to seven years to get a new variety of sunflower seeds approved. Silverlands, which started R&D in January 2018, was able to get two varieties of seeds approved and was on the market by August 2019, a total of only 20 months!

for broad based consensus. On the other hand, ANSAF's efforts to advocate for increased access to higher yielding sunflower seed, showed results only after the change in tariff policy and consequent increased investment.

Lessons

Addressing a problem that is already receiving a high level of political attention, and around which supportive political stakeholders or champions can be convened, is more likely to generate the necessary momentum and to succeed.

Opposition from divergent vested interests can be overcome provided the initiative has the support of high-level and influential political leaders and influential non-state actors such as ANSAF.

Improving coordination is important as it builds relationships and trust. Examples include the joint meetings with Dalberg and MSU and the meetings with the ministry staff and MPs.

Building alliances in a situation of divergent vested interests requires staff who can think and work politically and have good networking, convening and brokering skills. A good sense of the political context was reflected in I4ID's approach to media engagement where it analysed rather than directly challenged the government's position.

Finding windows of opportunity to support emerging change initiatives (positive deviation) is more likely to be successful since it builds on local ownership and commitment. The Ministry of Finance, acknowledging the divergent interests in tariff policy, recognised the need for evidence-based policy change. ANSAF, a trusted sector partner, was well placed to successfully address this need and to build local alliances

About I4ID

Institutions for Inclusive Development (I4ID) is a programme implemented by Palladium, SNV, BBC Media Action and ODI UK, funded by UKAid and IrishAid. Between 2017 and 2020, I4ID partners piloted new and innovative approaches to introduce inclusive growth approaches and better public services to benefit the largest number of people possible in Tanzanian society.

This case study was put together by staff from the I4ID team, including Julie Adkins (SNV), who edited this brief for SNV.

About SNV in Agriculture

SNV contributes to sustainable change in Agriculture through market-based approaches. We contribute to systems change by kick-starting and strengthening agricultural markets in selected commodities. We deploy our tested tools and approaches – such as using a food systems lens to identify key bottlenecks, developing inclusive business models, working with public-private partnerships and launching innovative finance – to address the root causes of why markets fail to meet the needs of people living in poverty.

This approach helps farmers to grow more food sustainably, while creating jobs at different stages of value chains and putting women and youth at the centre of development. SNV also strengthens the climate resilience of farms and markets. We help farmers and agri-businesses to expand their businesses by working with financial institutions to make financing available on reasonable terms and by working with farmers and agri-businesses to develop sound business cases.

Our agriculture projects will contribute to achieving the SDGs through inclusive value chains, sustainable nutrition for all, and climate and business. We use our balancing benefits approach to close the gender gap. This approach addresses the root causes of unequal development, such as inequitable norms, and unequal access to resources and market opportunities.

SNV

SNV is a not-for-profit international development organisation that makes a lasting difference in the lives of people living in poverty by helping them raise incomes and access basic services. We focus on the Agriculture, Energy, and Water, Sanitation, and Hygiene (WASH) sectors and have a long-term, local presence in over 25 countries in Asia, Africa and Latin America. Our team of more than 1,300 staff is the backbone of SNV.

Systems change case studies

SNV projects directly benefit millions of people. At the same time, our projects also drive systems change – strengthening institutions and kick-starting markets to help many more people work their way out of poverty, well beyond the scope of projects.

In this series, SNV documents and explores lessons on the way it achieves systems change, with special attention to four key parameters of success:

- leveraging finance,
- kick-starting/shifting markets,
- adoption of improved approaches by government and others,
- shifting values, norms and mindsets.

The growing number of case studies will cover a variety of geographic contexts, (sub-) sectors and development challenges.

Cover photo

Sunflower seed processing in action (SNV/ Jackma Enterprises Company Ltd.)

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SNV, 'Better investment environment for sunflower sector development', *I4ID systems change case study*, The Hague, SNV, 2021.