

# Economic Growth Corridors Through a Value-Chain Lens: The Case of the Southern Agricultural Growth Corridor in Tanzania



Asmita Parshotam and Javier Revilla Diez

## 1 Introduction

The use of global value chains (GVCs) as one of the tools with which to establish economic growth corridors (EGCs) is a growing phenomenon across the Global South. EGCs have formed part of a movement using large-scale investment projects and traditional corridors to facilitate long-term, sustainable development in rural areas. EGCs have received widespread support from organisations such as the African Development Bank, the International Monetary Fund and the World Bank. An EGC is traditionally understood as an integrated network of infrastructure within a specific geographical area (one that can span across national borders), focussed on stimulating economic development and rooted in the understanding that economic development processes cannot occur simultaneously across all sectors and regions of a country (Dannenberg et al. 2018). Consequently, investment in and development of EGCs should rather commence in those sectors that offer a high potential to induce growth in other ones through spillover effects (that is, agriculture, manufacturing and mining) and via investment in larger, capital-intensive projects—such as infrastructure development (Brand and Geyer 2017; Priemus and Zonneveld 2003; Weng et al. 2013).

Although EGCs are supposed to spur trade facilitation, address regional integration challenges and provide a basis for sustainable growth, this has not always been the case in fact. While the ‘first wave’ of EGCs focussed on large-scale infrastructure projects during the 1960s and 1970s, these projects were largely unsuccessful—owing

---

A. Parshotam

South African Institute of International Affairs, Johannesburg, South Africa

e-mail: [asmita.parshotam@wits.ac.za](mailto:asmita.parshotam@wits.ac.za)

J. Revilla Diez (✉)

Institute of Geography, University of Cologne, Cologne, Germany

e-mail: [j.revilladiez@uni-koeln.de](mailto:j.revilladiez@uni-koeln.de)

© Springer Nature Switzerland AG 2019

S. Scholvin et al. (eds.), *Value Chains in Sub-Saharan Africa*, Advances in African Economic, Social and Political Development,

[https://doi.org/10.1007/978-3-030-06206-4\\_5](https://doi.org/10.1007/978-3-030-06206-4_5)

to their unsustainability—and failed to boost economic development (Mold 2012). The current ‘second wave’ of EGCs across many developing countries has, therefore, shifted the focus away from pure infrastructure development to a more holistic approach, and one that in the African context of agricultural development also intends to incorporate smallholder producers. The new approach taken to EGCs considers key developmental aspects, and also integrates a variety of actors through multi-stakeholder initiatives—including private entities, civil society organisations and multilateral institutions (Baxter et al. 2017; Gálvez Nogales 2014).

The Southern Agricultural Growth Corridor (SAGCOT) in Tanzania reflects a new initiative under this second wave of EGCs, one underscored by agricultural development, while also incorporating smallholder farmers. Launched in 2010 SAGCOT is designed to address infrastructure challenges, and stretches from Dar es Salaam across southern Tanzania and into parts of northern Zambia. It has strong government support because of its linkages with Tanzania’s 2009 agricultural policy, ‘Kilimo Kwanza’, a public–private-led agricultural investment programme concentrated on modernising the agricultural sector and mobilising the private one towards increased investment. The project is still ongoing and, according to the World Bank (2018c), which is a large-scale financier for the project, it is due for completion only in 2021.

This chapter analyses SAGCOT against a backdrop of understanding the role that EGCs play as tools for developing GVCs with smallholder-farmer inclusion. It starts with a summary of the conceptual literature on GVCs, of global production networks (GPNs) and, in particular, of Kaplinsky’s (2000) understanding of power dynamics within GVCs. Thereafter SAGCOT is assessed, showing how it seeks to address existing inequalities and unfavourable power dynamics within GVC development. Potential shortfalls that SAGCOT might face are discussed. The chapter concludes with recommendations for policymakers, ones that are meant to ensure that SAGCOT ultimately becomes an inclusive and sustainable EGC.

## 2 GVCs and Smallholder Incorporation in EGCs

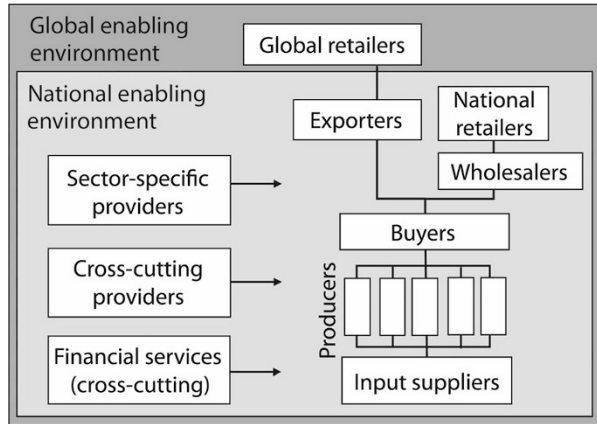
The comeback of EGCs in countries of the Global South is somewhat surprising. As Mold (2012) demonstrates, large infrastructure projects undertaken during the 1960s and 1970s were not able to boost economic development in Africa. Originally, EGCs were bundles of infrastructure that connected places to regional and/or global markets (Priemus and Zonneveld 2003). According to the neoclassical worldview, improved connectivity leads to falling transport costs. Consequently, economic actors, in our case farmers, are able to specialise and generate economies of scale. Comparable to a snowball effect, firms such as processors of food and suppliers of agricultural machinery settle at different places along the corridor—thus enhancing a process of spatial concentration along it. In the past these visions did not ultimately materialise though, because the expected snowball effect did not automatically ensue (Ascani et al. 2012; Mold 2012).

Interestingly, in the last few years, a new wave of corridor projects have become identifiable. More than 30 such projects in Africa are currently underway (Weng et al. 2013). These recent EGCs are more than solely infrastructure initiatives; they are strategically promoting value-added activities along specific GVCs. The basic idea is to localise different segments of the respective GVCs—like crop production, processing and related logistics—at distinct locations that serve as nodes along the EGC in question, thus connecting rural spaces with other nodes along the corridor—and even markets in Asia, Europe and North America too (Gálvez Nogales 2014). The integration of GVCs into EGCs has become very popular among development banks like the African Development Bank and the World Bank, donors like the German Corporation for International Cooperation and the United States Agency for International Development (USAID), and national governments alike—specifically as a way to increase agricultural outputs and to improve the livelihoods of farmers in rural areas. According to the advocates of the new-generation EGCs, scaling up towards agro-processing or value-added agricultural production holds the potential to improve the socio-economic conditions of smallholder farmers by accessing, in the long run, larger incomes—a process facilitated by policies that overcome trade barriers and boost the global competitiveness of domestic players (Campbell et al. 2018; Gálvez Nogales 2014).

The policy relevance of GVCs for EGCs is reinforced by public–private partnerships (PPPs), which have become an increasingly relevant tool for spurring economic development—particularly because many developing countries lack financial resources, and expect PPPs to compensate for this. As Dannenberg, Revilla Diez and Schiller put it, ‘instead of simply accepting contracts to construct infrastructure, today private companies (usually multinational enterprises [. . .]) are directly integrated in the planning and decision-making process of the corridors’ (2018: 139). The authors continue to explain that apart from the generally discussed advantages of PPPs, such as greater efficiency as well as financial, informational and technical support, public developers of EGCs also seek the right private partners—usually turn-key suppliers and lead firms in the respective GVCs—to be able to integrate domestic businesses into the larger GVC. But, at the same time, concerns about power asymmetries and the impacts on value-appropriation have grown (Dannenberg et al. 2018; Murphy 2008; Ouma et al. 2013).

GVCs are not only real-world phenomena and tools in development policy; they are also an analytical approach. The chain heuristic finds its origin in world-systems analysis (Hopkins und Wallerstein 1977). The GVC approach, first advanced by Gereffi and Korzeniewicz (1994), adopts the former’s product-specific focus of world-systems analysis and its chain perspective, whereas it breaks with the state-centred analysis and rigid distinction between core, periphery and semi-periphery (Bair 2005). It traces a line of economic activity from initial inputs up to final consumption, revealing the functional and geographical division of value-adding activities, cutting across national boundaries and trying to understand the structure of rewards between participants along the value chain. In the case of an agricultural one, the interrelated stakeholders are smallholder farmers, large-scale commercial farmers, processors of food, traders, wholesalers, exporters, retailers, input suppliers (most importantly for agro-chemicals, machinery and seeds) and consumers. These encompass different spatial scales, as indicated by Fig. 1.

**Fig. 1** GVCs in Agriculture. Source: Authors' own compilation, based on USAID (2014)



In his article ‘Globalisation and Unequalisation’, Kaplinsky uses value-chain analysis to understand the continuous inequality and unequal benefits accruing from globalisation—or, rather, the integration of given places into GVCs. He defines a GVC as ‘the full range of activities [that] are required to bring a product or service from conception, through the intermediary phases of production (involving a combination of physical transformation and the input of various producer services), delivery to final consumers, and final disposal after use’ (2000: 121). Value-chain analysis can incorporate various horizontal and vertical linkages between different value chains, intermediate goods and services. A wide range of activities as well as the use of value chains to spur industrialisation in developing countries have been studied, while also being responsive to the changing demands and requirements of the end market.

In spite of its merits, the GVC approach has been subject to considerable criticism. Most prominent objections come from the Manchester School, which provides an alternative approach: GPNs (Coe and Hess 2010; Henderson et al. 2002). The GPN approach combines the vertical perspective of GVCs and the horizontal one of the ‘new regionalism’ (Machacek and Fold 2014). By using a network heuristic, the GPN approach not only examines vertical chain participants but also the whole range of actors that surround the more narrow value chain. This broader approach is necessary because production networks and value chains not only reflect how firms in different locations are linked to one another but also the specific institutional and social contexts that they are embedded in. Beyond that, the GPN approach provides the very useful distinction of value creation, capture and enhancement (Henderson et al. 2002). According to Murphy and Schindler:

value creation comes with a firm and region’s ability to participate in and attract value-added activities demanded in international markets. Value enhancement refers to the processes of industrial upgrading and technological learning enabled through ties to GPN[s]. Value capture occurs when local institutions and non-firm actors are able to retain and channel the resources created through ties to GPN[s] into investments vital for long-run regional development. (2011: 64)

Coming back to GVCs as real-world phenomena, they are increasingly recognised for their ability to contribute towards pro-poor initiatives and to facilitate better linkages of small businesses with the larger marketplace (Webber and Labaste 2010). While this is part of an official narrative and has the support of multilateral development banks, the reality on the ground is more nuanced. Instead of accepting at face value the developmental contributions that GVCs make by virtue merely of their structure, Kaplinsky (2000) acknowledges value-chain analysis as an important tool for understanding how policies can impact inequality in the appropriation of rents. His analysis identifies three key elements so as to better understand how—despite the developmental aims of those who promote them—GVCs can actually reinforce inequality, as they continue to influence value creation, enhancement and capture:

- barriers to entry and rent, focussing on questions of access to production inputs and competition;
- governance, which is threefold: actors who define the rules for participation (legislative), those who ensure compliance with defined rules (judicial) and those who provide assistance to GVC participants to meet the operating rules (executive); and
- systemic efficiency, emphasising the need to enhance overall the efficiency of the GVC.

Concentrating on actors and power, the essential questions related to these analytical elements are: Who controls access to a particular GVC, and who benefits from this control? Who arranges and coordinates the various contributions to the GVC? Who ensures close cooperation within the GVC, to enable greater efficiencies?

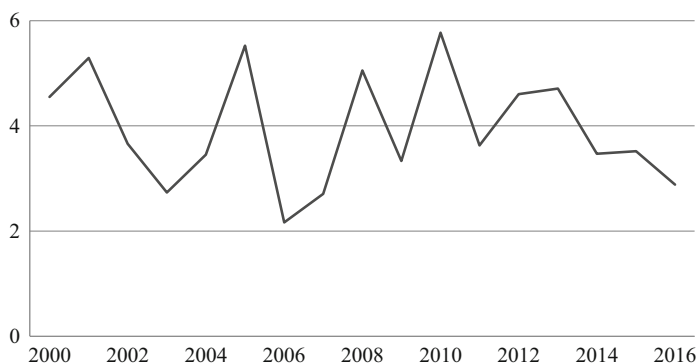
All these issues are important to understand the distribution of profits (rents) along GVCs, particularly in times of increased competition, which forces down gains as the number of rival companies grows and as more and more states lower entry barriers through the deregulation and liberalisation of markets. They also suggest why, despite sustained efforts, not all initiatives focussed on GVCs have brought about development, particularly in the Global South—where small businesses and producers remain largely excluded from the formal market. Consequently, efforts in the context of the second wave of EGCs have focussed on supporting farmers in upgrading their current operations by incorporating them into EGCs, GVCs and, as a consequence, the formal market. However, in order for this to work, serious financial, infrastructural and technical challenges need to be addressed; some critics suggest that commercialisation through EGCs and GVCs alone will not increase smallholder participation therein. Instead, these sceptics maintain that increasing subsistence farmers' outputs remains a critical measure for reducing their absolute poverty (Webber and Labaste 2010).

In this sense, there is growing acceptance among both donors and governments that large-scale farming should only be complementary to, and not replace, smallholder-led agricultural growth (Tumusiime and Matotay 2013). An inclusionary approach to smallholder farmers requires addressing the structural challenges that they face. These begin with infrastructural deficiencies: first of all, poor access

to roads and other transportation networks, which lead to high transport costs, as well as utility shortages (related to erratic power supplies and an absence of irrigation farming). In consequence, smallholder farmers suffer from limited/no access to the formal market. They are, moreover, unaware of market conditions such as food safety requirements and unable to sufficiently mitigate against crop disease, which causes volatilities in yield outputs (Arce and Caballero 2015). They also have low bargaining power with traders, for example because smallholders do not know the market prices for the products that they sell. Technical constraints—for instance, the absence of knowledge about new farming methods—and little/no access to financing from formal institutions, which view smallholder agriculture as a high-risk sector, are further such challenges (Tumusiime and Matotay 2013).

### 3 Investment and the Agricultural Sector in Tanzania

Tanzania is a low-income country (USD 877 per capita income in 2016) with a rather strong macro-economic performance: its gross domestic product has grown at an average of 6–7% per annum for the past decade now (World Bank 2017). In 2017, 66% of Tanzania’s total labour force was employed in the agricultural sector. These people and their families survive predominantly on subsistence farming (Epaphra and Mwakalasya 2017). As such, the agricultural sector is a lifeline for Tanzania’s economy, contributing up to 31% of GDP in 2016 (World Bank 2016). Tanzania is engaged in a growing number of PPP arrangements (one of which is SAGCOT). While there are considerable foreign direct investment (FDI) inflows, concerns have been voiced that erratic decisions from the government create an unpredictable economic climate that could make potential investors cautious about investing in Tanzania—as, for example, the Bureau of Economic and Business Affairs of the United States warns against. This may explain the fluctuation in annual FDI inflows shown by Fig. 2 below. These flows remain low at an overall level. According to Epaphra and Mwakalasya (2017), the net FDI inflow into agriculture was USD



**Fig. 2** FDI net inflow as a percentage of Tanzania’s GDP. Source: World Bank (2018b)

254 million in 2010, representing only 2.7% of all incoming FDI. The absence of an overarching legal framework for FDI and challenging business conditions have also made it difficult for investors (Parshotam 2014). Tanzania also does not perform well in global indexes for business and competition: it is currently ranked 113th in the World Economic Forum's (2018) Global Competitiveness Report and 137th in the World Bank's (2018a) Ease of Doing Business rankings.

With regard to the agricultural sector, the government has attempted to address these issues through a number of regulatory reforms such as the Private–Public Partnership Act of 2010 and the National Agricultural Policy of 2013. The latter identifies the private sector as made up of farmers, distributors, exporters and ‘all organisations directly involved in productive activities’ (Lugendo et al. 2016: 24). It has also created the Tanzanian Investment Centre (TIC), as a one-stop shop for investors. The TIC is the primary government agency tasked with facilitating foreign and local investment, creating linkages between investors and local communities with the goal of strengthening skills and technology transfers and providing a range of incentives to make investment in the agricultural sector more appealing (Parshotam 2014). These include, *inter alia*, the following:

- access to various services related to approvals, licenses and permits in the TIC's facilitation centre;
- the recognition of private property, and protection against any non-commercial risks;
- a 0% import duty on capital goods, raw materials and spare parts for investment projects in agriculture, animal husbandry and fishing;
- a 10% import duty for semi-processed goods; and
- value-added tax deferment on capital goods such as machinery and plants.

However, progress has been slow: a planned PPP centre is not yet operational and several PPPs currently in progress are yet to reach final completion. Despite its economic importance agriculture still records low levels of investment expenditure, which results from the sector's domination by smallholder farmers (60% of all farms comprise merely two hectares of land or less), low productivity rates, limited education and skills, and weak institutional arrangements—all of which together ultimately make the agricultural sector unappealing for investors (Epaphra and Mwakalasya 2017). Nevertheless investment in Tanzania's agricultural sector is growing, and large-scale projects are underway at present.

These include some donor-led initiatives such as USAID's Feed the Future Programme, which has three components to it: a maize and rice value-chain programme, one on sustainable horticulture for income and food security, and the Tanzania Agriculture Productivity Programme—which aims at increasing smallholder farmers' income through enhanced productivity and improved access to domestic and foreign markets. Private sector-led operations and investments include the likes of multilateral corporations such as Unilever as well as smaller regional companies like Mount Meru (a Kenyan firm with sunflower operations in Tanzania) and also Tanga Fresh, which sources part of its dairy supply from smallholder producers. The creation of agriculture-focussed government entities like

the Tanzania Agricultural Development Bank and the implementation of the National Horticulture Development Strategy (2012–2021) are encouraging, although not without criticism, and at least reflect the government’s commitment to the agricultural sector—particularly in light of Tanzania’s potential to be a regional food-producing powerhouse for both East and Southern Africa. Its location, accessibility to both regions through transport corridors and membership in the East African Community and in the Southern Africa Development Community serve it well in this regard.

What is, at first glance, striking about the development of the Tanzanian agricultural sector is the involvement therein of a variety of food and seed multinational corporations, such as Monsanto, SAB Miller, Syngenta, Tansed International and Unilever. Their participation results from the Tanzanian government’s reliance on PPPs to develop the country’s agricultural sector. However, key questions remain: Are multinational corporations willing and able to contribute to the wider aim of incorporating smallholder producers into GVCs? Can their profit interests be achieved without impacting negatively on the developmental concerns of farmers themselves? Are EGCs suitable to balance the need for commercialised, profit-driven agricultural production against smallholder farmers’ own interests? Considering the only early stage of SAGCOT’s implementation, answers to these questions cannot be given at present.

#### **4 PPPs and Smallholder Participation in SAGCOT**

As mentioned, EGCs now encompass multi-stakeholder initiatives—which is reflected in SAGCOT through the World Bank’s participation as a key financier, together with other donors. Oxfam defines SAGCOT as a ‘mega-PPP’, owing to its potential for macro-level implementation and changes to existing economic, legal and regulatory policies (Tumusiime and Matotay 2013). Mega-PPPs are characterised by their ability to offer comprehensive incentives to encourage investment, by their multi-stakeholder support base and by their potential for job creation. SAGCOT receives financial support from a wide range of partners. Contributions include USD 1 million from the Tanzanian government, USD 2.5 million a year over a 5-year period from USAID and USD 45 million from the World Bank (Jenkins 2012). If well executed, projects like SAGCOT offer local communities the chance for holistic socio-economic development in rural areas. In terms of its multi-stakeholder and governance structures, SAGCOT has a tiered approach to governance with the aim of facilitating foreign and local investment. It is based on five pillars, as summarised in a presentation given by Geoffrey Kirenga at the Tanzania Agribusiness Event in Den Haag, the Netherlands, on 31 March 2017:

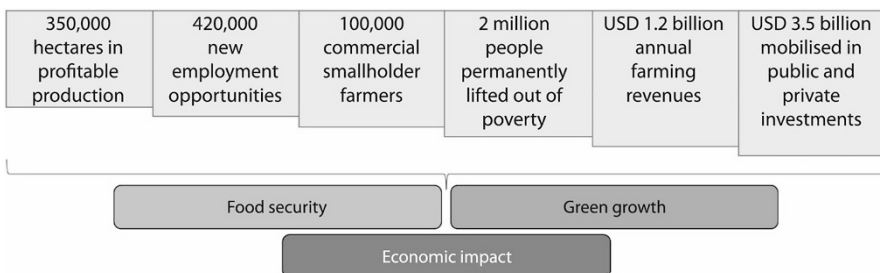
- partnership principles signed as a commitment to inclusive and sustainable investment;
- compact agreements between companies, farmers and local governments aiming at building inclusive GVCs;



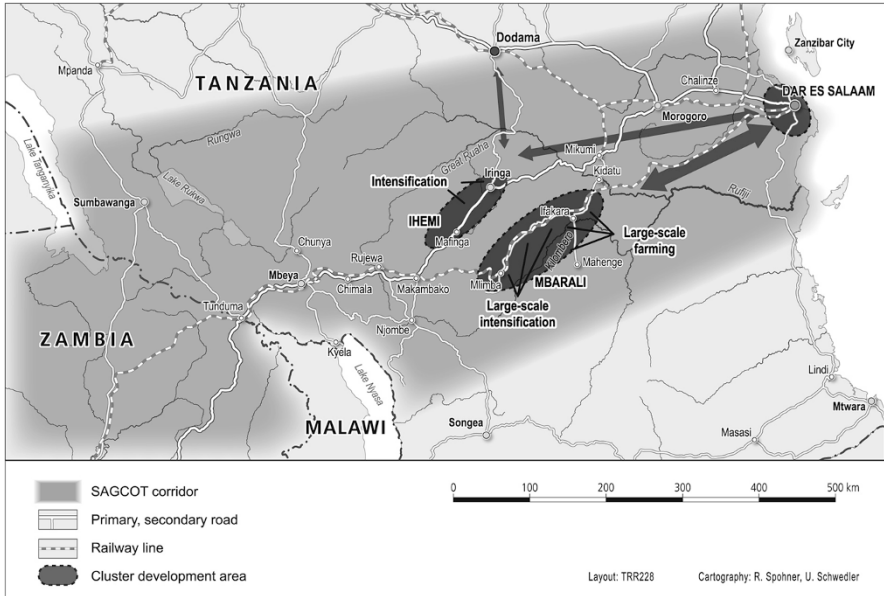
- a green reference group advising those involved in SAGCOT on green and inclusive growth (Willoughby 2014);
- a partnership accountability committee that consists of companies, donors, farmers and the government, and that serves the purpose of monitoring investment and policy commitments; and
- investment-specific arrangements (memoranda of understanding, steering committees and working groups) that facilitate individual investments.

Being an ambitious project, SAGCOT intends to create 420,000 jobs and also agricultural revenues of up to USD 1.2 billion (Jenkins 2012). Further objectives are summarised in Fig. 3 below. The corridor spans 287,000 square kilometres in Tanzania alone, and is characterised by three key features: encouraging investment in the EGC’s area, building capacity with the TIC and creating a matching grant fund in the form of the SAGCOT Catalytic Trust Fund (CTF)—which has been designed to provide innovative forms of financing, so as to reduce the risks and costs traditionally associated with the agricultural sector. The CTF is a loan that will ultimately be repaid by Tanzania to the World Bank, once the CTF becomes a legal entity.

Furthermore, a SAGCOT Centre has been established. It is responsible for providing information and coordinating investment initiatives among the involved companies, facilitating business—government dialogue and mobilising investors to make use of opportunities. The Centre is also involved in the reform of policies that matter to SAGCOT, as well as the implementation of best practices that will help improve productivity, farming and business-management skills among farmers (Jenkins 2012). Infrastructure development (electricity grids, railway lines and road corridors) is part of SAGCOT’s focus area, and aims to linking smallholder farmers to the port of Dar es Salaam—and, thus, to international markets. SAGCOT aspires to becoming a cross-cutting EGC, providing rural areas with infrastructure, logistics support and storage systems, creating viable GVCs for both smallholder farmers and commercial enterprises in these ways. Map 1 shows SAGCOT and existing transport infrastructure. Ultimately, the long-term goal is to facilitate smallholder producers’ outreach to global markets through long-term upskilling and agribusiness development (Flowers and Shuma 2016).



**Fig. 3** Objectives to be achieved by SAGCOT by 2030. Source: Authors’ own compilation, based on a presentation by Neema Lugangira at the Annual Agricultural Policy Conference, Dar es Salaam, 1 March 2017



**Map 1** SAGCOT and existing transport infrastructure. Source: Authors’ own compilation, based on AgDevCo and Prorustica (2011)

In order to fulfil this mandate, SAGCOT purports to kick-start a virtuous agricultural growth cycle that will provide a holistic, sustainable approach to agricultural development through its proposed creation of corridor clusters—meaning geographical concentrations of producers, suppliers, service providers and associated institutions. Six such clusters have been identified.<sup>1</sup> A recent SAGCOT report, in the possession of the authors, indicates investments to the value of USD 438 million being made by the private sector. These have taken place predominantly in the Iringa and Njombe Regions, where the first cluster—Ihemi Cluster—became operational in 2015. More recently, Mbarali Cluster, which comprises the Mbeya and Songwe Regions, was established. This was only launched in late 2017. The remaining clusters will be developed in a phased approach, in order to ensure that any lessons learned in the process can be implemented.

The six value chains on which SAGCOT concentrates are<sup>2</sup>:

- Dairy value chain: Domestic demand for milk has grown, and per capita consumption by 2020 will reach 100 L a year, up from the current level of 45 L per annum. Production is concentrated in Iringa Cluster. Currently, 1400 farmers are providing raw milk to a processing plant owned by the ASAS Group, which has organised smallholders into 60 groups through which collection and production

<sup>1</sup>Information on these clusters is available online at: [sagcot.co.tz/index.php/sagcot-clusters](http://sagcot.co.tz/index.php/sagcot-clusters).

<sup>2</sup>Information on these value chains is available online at: [sagcot.co.tz/index.php/value-chains](http://sagcot.co.tz/index.php/value-chains).

are undertaken. Support is provided to these farmers with regard to access to equipment, finance and technologies.

- **Potato value chain:** Potatoes contribute 40% of total income in Njombe. Productivity levels lag behind the regional average at seven tonnes a hectare. The envisaged partnership with smallholder farmers will work directly with 18 groups, and indirectly with 1520 people, via training programmes on business skills and good agricultural practices. Eventually, 11,000 farmers are targeted for such training schemes and for the demonstration of new technologies. These farmers will receive support in developing financial strategies to procure and utilise the inputs, services and technologies that major agribusiness companies have already introduced.
- **Rice value chain:** Rice-cultivation projects are supported by the European Union. SIKIA, a PPP targeting 125,000 smallholder farmers, aims at developing information services relating to cultivation techniques, weather and similar issues so as to increase the competitiveness of smallholders. Dutch, Kenyan and Tanzanian investors are involved. Three sub-projects focus on empowering female and young farmers on a wide range of financial services and post-harvest infrastructures.
- **Soya value chain:** Availability of soya seeds, domestic production and seed registration hamper this sector in Tanzania. Yet, plans cater for production occurring in Ihemi and Songe Clusters. The Clinton Development Initiative and its Anchor Farm Project seek to build an interlinked value chains in animal feed, maize and soya. With regard to soya, processors, retailers and smallholders are to be better interlinked. The Anchor Farm Project in Iringa Cluster was launched in 2013 as a commercial farm partnering with an estimated 3600 smallholders—that to provide them with access to quality inputs for maize and soya production, market access and training programmes (for instance on soil-management techniques).
- **Tea value chain:** Tea is one of Tanzania's biggest export crops. Approximately one-third is produced by smallholder farmers, mainly in the southern highlands. However, average yields are 40% lower than in Kenya due to limited productivity. Unilever is the major foreign investor here. The partnership of foreign investors and local farmers is to focus on production and processing, triggering investment along the value chain. Smallholder farmers are to be supported as suppliers of foreign companies.
- **Tomato value chain:** Tomatoes are the largest vegetable crop grown across Tanzania, but they suffer from poor resistance to disease and low yields. Darsh Industries, a tomato processor based in Ihemi Cluster, will work with partners to integrate more than 10,000 smallholder farmers into GVCs. A new tomato-processing centre was scheduled to commence operations already in 2015. Upon completion, this factory will have the capacity to process 200 tonnes of tomatoes a day. Project partners will work with farmers to raise their productivity in an environmentally responsible manner, including recycling of up to 90% of used water. Access to irrigation equipment is to be eased. The financial literacy of smallholders will be improved too.

As this all shows, a key intention of SAGCOT is to incorporate smallholder farmers into GVCs. Contract farming, direct sourcing of produce from farmers' associations or individual smallholders, and the aforementioned strategy on green and inclusive growth—which encompasses the socio-economic development concerns of farming communities—represent important steps towards distributing power within GVCs more equitably. This is particularly true if engaging with multinational corporations via cooperatives will afford smallholders the opportunity to access productivity improvements and technologies, providing the chance for skills development, increased productivity and market access—and thus mitigating against various risks (Bijman 2008). To this end, the SAGCOT Centre has brokered partnerships relating to issues such as crop cultivation, pasture management and seed technologies. What is more, SAGCOT supports new and risky long-term investments in agriculture, rural infrastructure, various related services and also technology development—most importantly, through the CTF. It provides smallholder farmers with financing to purchase machinery and technologies. Weather insurance for smallholder producers is available. Through a long-term infrastructure and development plan, SAGCOT shows potential for addressing some of the imbalances present in Kaplinsky's (2000) analysis, by providing farmers with the means to improve their efficiencies, engage in an agricultural growth cycle that rewards their upward mobility and that ultimately allow them to play a role in the governance of the respective GVCs through their close participation in agro-processing businesses. However, only accompanying monitoring will answer the question of whether the expected benefits for farmers will ultimately become a genuine reality.

## 5 Potential Challenges for SAGCOT

Mega-PPPs need to do more than merely link smallholder farmers to larger markets. Instead, they are an opportunity for sustainable, long-term development and permanent reduction of poverty in areas that benefit most from them. Hence, mega-PPPs must successfully address a wide range of issues including food security, mitigation against environmental damage, greater communication and transparency between agricultural companies and local communities, as well as the fair distribution of rents among producers, processors and retailers. While smallholders can be incorporated into GVCs within SAGCOT, these farmers must first integrate into local and regional markets through improved trading conditions as well as via greater quality and quantity to their outputs. To this end, the Agricultural Council of Tanzania and the Tanzanian Horticulture Association have signed memoranda of understanding with SAGCOT—an important step towards including therein civil society and sectoral stakeholders who are well-positioned to contribute to SAGCOT's development. The Tanzanian government has also worked towards securing smallholder inclusion through reserving land allocations between 3000

hectares and 50,000 hectares in size, to be leased to investors—with the land surrounding these plantations reserved for smallholder farmers meanwhile (Willoughby 2014). Having access to investors' improvements—first and foremost in terms of infrastructure—should allow smallholder farmers to enter local and regional markets, and to receive various inputs vital to increasing their overall competitiveness.

However there are conflicting accounts to this end derived from our conceptual considerations, which highlight dangers in mega-PPPs. For one, mega-PPPs in EGCs often attract powerful multinational and private companies together with substantial donor investments. Mega-PPPs may, therefore, be developed in a way that suits the specific needs of these financiers. Their benefits may not extend to more rural areas. When it comes to including local partners, 'commercially viable', organised cooperatives are better suited to meeting the stringent quality and quantity requirements of investors—and they also tend to have access to larger and better plots of land. Concentrating public investments in high-potential areas can mean that the most marginalised have little access to such opportunities, thereby increasing existing risks of increased food insecurity and sustained poverty (Tumusiime and Matotay 2013). In such cases, there is no economic development for those excluded from PPPs, related GVCs and their benefits. Marginalised farmers tend to be unable to overcome power asymmetries in their relations with companies and middlepersons.

SAGCOT has not been without its difficulties, despite its attempts at inclusivity. Concerns about loss of land ownership, owing to increased investment, are supposed to be addressed by the 'Letter of Sector Policy on Land', which confirms the government's commitment to protecting land rights for rural communities and ensuring that land allocations to agribusinesses will occur only with community-wide consent, the well-defined sharing of benefits between communities and investors, and appropriate compensation. However, it appears that the World Bank has granted a full waiver of its current safeguard policy for indigenous peoples (nomads and pastoralists) in relation to its SAGCOT loan, despite its responsibility to consult with communities in the SAGCOT area (Terra Nuova 2017; Tugendhat 2016). Beyond that, a review of SAGCOT by the Department for International Development of the United Kingdom found that 'outputs moderately did not meet expectation' (2016: 1). For example, the SAGCOT road tender is significantly behind schedule, while high political interference in maize markets deterred attempts to increase incomes of smallholder producers.

Lastly, it should not be forgotten that SAGCOT is a fairly new initiative. Its full impact will only become clear in a few years' time. The ongoing projects within the identified clusters are an indication that positive developments are underway, and these do enable smallholder involvement. Whether these efforts translate into long-lasting impacts depends on the rate at which smallholder producers are able to move up the respective GVCs into a position of leverage and power, and where they are able to upskill and enter into agro-processing ventures.

## 6 Conclusion

This chapter has shown that SAGCOT pursues the objective and holds the potential to help smallholder farmers in Tanzania to become active participants in GVCs. Being representative of the second wave of EGCs, SAGCOT goes beyond merely providing infrastructure in order to achieve this objective. It provides a broad range of institutions and organisations that are intended to support the integration of farmers into GVCs. Under the right leadership and with genuine political will, SAGCOT therefore has the potential to fulfil its socio-development mandate for the marginalised members of Tanzanian society. A key component of the initiative is PPPs, reflecting the government's insufficient financial capacities and its vision of mutually beneficial partnerships between local communities—especially smallholder farmers—and non-local investors. The envisaged partnerships must be equitable and strike a balance between investors' needs and goals, on the one side, and the development aims of smallholder farmers, on the other, while also being aware that investment and third-party collaboration should not foster over-reliance on donors, technical aid from the private sector and a system that does nothing to encourage positive competition among smallholders and farming cooperatives.

In order for SAGCOT's vision to become a reality, there are a number of policy measures that the Tanzanian government and other stakeholders need to take into account. These derive from Kaplinsky's (2000) discussion of GVC governance:

- For smallholder farmers to play a meaningful role in GVCs, they must be adequately equipped financially and technically—and also organised in a way that facilitates their greater engagement with investors and with large companies involved in SAGCOT too. It is critical to work towards incorporating agro-processing into their farming. It is not enough for SAGCOT to focus only on improvements in quality and yield. Instead, developmental aims must empower farmers as informed participants of GVCs—for those who are interested in moving into agribusiness to be able to scale up their farming activities.
- Interaction between the private sector and the state is required in order to utilise information and experience from the formal banking sector, and also to distribute this knowledge to smallholder producers so that they understand how financing works and what financial products best suit their needs. A potential model for the SAGCOT Centre to explore is the specialised agricultural division of Malawi's FDH Bank, which provides financing to agribusinesses in the form of four types of agricultural loan: seasonal ones for working capital, harvest loans, asset loans and bridge financing.
- There is scope for the Tanzanian government to systemise incentives, to promote more inclusive business models among large investors (Arias et al. 2012). PPPs show potential for leveraging the private sector's strengths for smallholder development, and this must be followed through on as the projects are implemented. PPPs must be designed to ensure that smallholder farmers receive the necessary knowledge and skills transfer, so that a project's completion does not disadvantage them. A transparent operating regime, a clearly defined and

implemented investment one and a comprehensive, well-balanced land distribution system with appropriate dispute-settlement mechanisms would go a long way towards addressing the land tenure and investment regime challenges that SAGCOT is facing already today.

**Acknowledgement** The authors are grateful to Anthony Black and Sören Scholvin for suggestions made on an earlier version of this chapter.

## References

- AgDevCo, and Prorustica. 2011. *Southern Agricultural Growth Corridor of Tanzania: Investment Blueprint*. <http://sagcot.co.tz/?mdocs-file=1023>. Accessed 2 August 2018.
- Arce, Carlos E., and Jorge Caballero. 2015. *Tanzania: Agricultural Sector Risk Assessment*. <https://openknowledge.worldbank.org/handle/10986/22277>. Accessed 1 August 2018.
- Arias, Pedro, et al. 2012. Tanzania: Analysis of Private Investments in the Agricultural Sector of the United Republic of Tanzania. In *Trends and Impact of Foreign Investment in Developing Country Agriculture: Evidence from Case Studies*. Rome: FAO.
- Ascani, Andrea, et al. 2012. Regional Economic Development: A Review. *SEARCH Working Paper* 1/03.
- Bair, Jennifer. 2005. Global Capitalism and Commodity Chains: Looking Back, Going Forward. *Competition & Change* 9 (2): 153–180.
- Baxter, Julia, et al. 2017. A Bumpy Road: Maximising the Value of a Resource Corridor. *Extractive Industries and Society* 4 (3): 439–442.
- Bijman, Jos. 2008. *Contract Farming in Developing Countries: An Overview*. <http://library.wur.nl/WebQuery/wurpubs/fulltext/1763>. Accessed 2 August 2018.
- Brand, André, and Hermanus S. Geyer. 2017. Corridor Development in Gauteng, South Africa. *GeoJournal* 82 (2): 311–327.
- Campbell, Maléne M., et al. 2018. *The Impact of the Maputo Development Corridor on Wealth Creation within the Region It Serves*. [www.irbnet.de/daten/iconda/CIB14304.pdf](http://www.irbnet.de/daten/iconda/CIB14304.pdf). Accessed 2 August 2018.
- Coe, Neil M., and Martin Hess. 2010. Local and Regional Development. In *Handbook of Local and Regional Development*, ed. Andy Pike, et al., 128–138. New York: Routledge.
- Dannenberg, Peter, et al. 2018. Spaces for Integration or a Divide?: New-Generation Growth Corridors and their Integration in Global Value Chains in the Global South. *Zeitschrift für Wirtschaftsgeographie* 62 (2): 135–151.
- Epaphra, Manamba, and Ales H. Mwakalasya. 2017. Analysis of Foreign Direct Investment, Agricultural Sector and Economic Growth in Tanzania. *Modern Economy* 8: 111–140.
- Flowers, Kimberly, and Onesmo Shuma. 2016. *Tracking Promises: Analysing the Impact of Feed the Future Investments in Tanzania*. <https://www.csis.org/analysis/tracking-promises-tanzania>. Accessed 26 February 2018.
- Gálvez Nogales, Eva. 2014. Making Economic Corridors Work for the Agricultural Sector. *FAO Agribusiness and Food Industries Series* 4.
- Gereffi, Gary, and Miguel Korzeniewicz, eds. 1994. *Commodity Chains and Global Capitalism*. Westport: Praeger.
- Henderson, Jeffrey, et al. 2002. Global Production Networks and the Analysis of Economic Development. *Review of International Political Economy* 9 (3): 436–464.
- Hopkins, Terence, and Immanuel Wallerstein. 1977. Patterns of Development of the Modern World-System. *Review* 1 (2): 111–145.



- Jenkins, Beth. 2012. *Mobilizing the Southern Agricultural Growth Corridor of Tanzania: A Case Study*. [https://sites.hks.harvard.edu/m-rcbg/CSRI/publications/report\\_48\\_SAGCOT.pdf](https://sites.hks.harvard.edu/m-rcbg/CSRI/publications/report_48_SAGCOT.pdf). Accessed 2 August 2018.
- Kaplinsky, Rapahel. 2000. Globalisation and Unequalisation: What Can Be Learned from Value Chain Analysis? *Journal of Development Studies* 37 (2): 117–146.
- Lugendo, Prudence, et al. 2016. *Joint New Alliance and Grow Africa Progress Report Tanzania. Progress Report Submitted to Africa Union*. Unpublished report in possession of the authors.
- Machacek, Erika, and Niels Fold. 2014. Alternative Value Chains for Rare Earths: The Anglo-Deposit Developers. *Resources Policy* 42: 53–64.
- Mold, Andrew. 2012. Will It all End in Tears?: Infrastructure Spending and African Development in Historical Perspective. *Journal of International Development* 24 (2): 237–254.
- Murphy, James T. 2008. Economic Geographies of the Global South: Missed Opportunities and Promising Intersections with Development Studies. *Geography Compass* 2 (3): 851–873.
- Murphy, James T., and Seth Schindler. 2011. Globalizing Development in Bolivia?: Alternative Networks and Value-Capture Challenges in the Wood Products Industry. *Journal of Economic Geography* 11 (1): 61–85.
- Ouma, Stefan, et al. 2013. Extending the Margins of Marketization: Frontier Regions and the Making of Agro-Export Markets in Northern Ghana. *Geoforum* 48: 225–235.
- Parshotam, Asmita. 2014. *Alternative Trade Organisations: A Feasible Solution for Africa*. PhD diss., University of the Witwatersrand.
- Priemus, Hugo, and Wil Zonneveld. 2003. What Are Corridors and What Are the Issues? *Journal of Transport Geography* 11 (3): 167–177.
- Terra Nuova. 2017. *The Development that Threatens the Pastoralists: The SAGCOT Case in Tanzania*. <http://www.terranuova.org/news-en/the-development-that-threatens-the-pastoralists-the-sagcot-case-in-tanzania>. Accessed 1 June 2018.
- Tugendhat, Helen. 2016. *World Bank Turns its Back on Pastoralist Communities in Africa*. <http://www.brettonwoodsproject.org/2016/09/world-bank-turns-back-pastoralist-communities-africa>. Accessed 2 August 2018.
- Tumusiime, Emmanuel, and Edmund Matotay. 2013. *Sustainable and Inclusive Investments in Agriculture: Lessons on the Feed the Future Initiative in Tanzania*. [https://www.oxfamamerica.org/static/media/files/Tanzania\\_-\\_Sustainable\\_and\\_Inclusive\\_Investments.pdf](https://www.oxfamamerica.org/static/media/files/Tanzania_-_Sustainable_and_Inclusive_Investments.pdf). Accessed 2 August 2018.
- USAID. 2014. *FIELD Report No. 18: Smallholders and Inclusive Growth in Agricultural Value Chains*. [https://africa.org/?wpfb\\_dl=109](https://africa.org/?wpfb_dl=109). Accessed 2 August 2018.
- Webber, C. Martin, and Patrick Labaste. 2010. *Building Competitiveness in Africa's Agriculture: A Guide to Value Chain Concepts and Application*. [http://siteresources.worldbank.org/INTARD/Resources/Building\\_Competitiveness\\_in\\_Africa\\_Ag.pdf](http://siteresources.worldbank.org/INTARD/Resources/Building_Competitiveness_in_Africa_Ag.pdf). Accessed 2 August 2018.
- Weng, Lingfei, et al. 2013. Mineral Industries, Growth Corridors and Agricultural Development in Africa. *Global Food Security* 2 (3): 195–202.
- Willoughby, Robin. 2014. *Moral Hazard?: "Mega" Public-Private Partnerships in African Agriculture*. [https://www.oxfam.org/sites/www.oxfam.org/files/file\\_attachments/oxfam\\_moral\\_hazard\\_ppp-agriculture-africa-010914-embargo-en.pdf](https://www.oxfam.org/sites/www.oxfam.org/files/file_attachments/oxfam_moral_hazard_ppp-agriculture-africa-010914-embargo-en.pdf). Accessed 2 August 2018.
- World Bank. 2016. *Country Database: Agriculture, Value Added (% of GDP)*. <http://data.worldbank.org/indicator/NV.AGR.TOTL.ZS?view=chart>. Accessed 26 February 2018.
- . 2017. *Southern Agricultural Growth Corridor of Tanzania (SAGCOT): Fact Sheet*. <http://www.worldbank.org/en/country/tanzania/brief/southern-agricultural-growth-corridor-of-tanzania-sagcot-fact-sheet>. Accessed 26 February 2018.
- . 2018a. *Doing Business: Measuring Business Regulations: Economy Rankings*. <http://www.doingbusiness.org/content/dam/doingBusiness/media/Annual-Reports/English/DB2018-Full-Report.pdf>. Accessed 5 June 2018.
- . 2018b. *Foreign Direct Investment, Net Inflows (% of GDP)*. <https://data.worldbank.org/indicator/BX.KLT.DINV.WD.GD.ZS>. Accessed 25 June 2018.



———. 2018c. *Southern Agricultural Growth Corridor of Tanzania Investment Project*. <http://projects.worldbank.org/P125728/tanzania-southern-agriculture-growth-corridor-investment-project?lang=en>. Accessed 26 February 2018.

World Economic Forum. 2018. *The Global Competitiveness Report 2017–2018*. <http://www3.weforum.org/docs/GCR2017-2018/05FullReport/TheGlobalCompetitivenessReport2017%E2%80%932018.pdf>. Accessed 2 August 2018.