

Pre-application Conference Call Remarks on Tanzania Trade Facilitation Partnership

Slide 6 – What is MCC?

It's an independent U.S. foreign assistance agency that was created in 2004 by the US Congress to help lead the fight against global poverty. We form partnerships with some of the world's poorest countries, but only those committed to good governance, economic freedom, and investments in their citizens.

We provide these well-performing countries with grants that are designed to complement other U.S. and international development programs, as well as create an enabling environment for private sector investment.

There are two types of MCC grants: Compacts and Threshold Programs. Compacts are five-year agreements, often for large-scale infrastructure projects.

Threshold Programs, like the one in Tanzania, are smaller grants awarded to countries that may not qualify or be ready for compact funding but are firmly committed to improving policy performance as measured by an annual scorecard that MCC prepares for every country in its candidate pool.

MCC's Board of Directors chose Tanzania for a threshold program in December 2023 because while it didn't pass our scorecard, the government was moving in a positive direction in terms of political and economic reforms.

The link to MCC's scorecards, including Tanzania's is here:

<https://www.mcc.gov/news-and-events/release/release-112124-scorecard-release-fy25/>

Slide 7 – What is the Country Context?

- Tanzania is the largest and most populous East African country. GDP growth has held steady at 6% for the past 20 years, leading to its graduation to lower middle-income status in 2020. But lately this growth has not translated into poverty reduction.
- Tanzania's movement toward a market economy has been gradual. Its public investment levels are the highest in the region. At the same time, private investment and exports are declining as a percent of GDP.
- Under the current President Samia Hassan, the sentiment in Tanzania is for a more balanced growth model that relies less on public investment and is more open to the private sector's role in generating growth.
- After Tanzania was selected by MCC's Board of Directors for a threshold program in December 2023, MCC and the Government of Tanzania (GoT) undertook economic analysis to identify problems that were holding back economic growth and poverty reduction.
- We identified three binding constraints to growth: (i) the high cost of conducting international trade; (ii) burdensome tax policy and tax administration; and (iii) the high

cost of access to finance. MCC asked the government to select one as the focus of the threshold program, and the government prioritized the high cost of international trade.

The link to the Constraints Analysis is here:

<https://www.mcc.gov/resources/doc/constraints-analysis-tanzania-2024/>

Slide 8 – What is the Trade Context?

- Tanzania's export performance reached a peak in 2012 and has been declining ever since. The makeup of Tanzania's exports has also shifted to rely more heavily on minerals and less on agriculture and manufacturing which have the potential for higher value addition. The government is particularly intent on reversing agriculture's declining share of value added.
- The agriculture sector and horticulture sub sector have great export potential. With almost \$3 billion in exports, the East Africa region has achieved a viable, high-value horticulture sector that Tanzania can build on with millions of viable hectares and over 60% of the population, particularly women and youth, employed in the agriculture sector.
- In recent years, Tanzania has positioned itself to be a net food exporter, and with the exception of climate and pest outbreak shocks, enjoys relatively high food security compared to similar countries that have 70% or more of their population relying on agriculture.
- Simulations done by the World Bank on the potential benefits of regional integration indicate that the enactment of stronger trade facilitation measures and the removal of non-tariff barriers could increase exports, GDP and real income by up to 43 percent, 7 percent and 12 percent, respectively, from current levels by 2035.

Slide 9 – What was the Root Cause Analysis?

- Following the constraints analysis, MCC and the government undertook a root cause analysis. This is our normal practice, to first understand the underlying reasons for the binding constraint before developing interventions that address the root causes of the constraint.
- The Root Cause Analysis (RCA) identified four core problems that contribute to the high cost of trade: (i) high barriers to trade; (ii) slow implementation of regional trade agreements; (iii) a weak business enabling environment; and (iv) poor infrastructure and logistics networks.
- The Trade Facilitation Project, which is main component of the threshold program, addresses the first two core problems that contribute to the high cost of international trade: high trade barriers and slow regional integration.
- Trade barriers are the main reason for high trade costs. The root causes of high trade barriers are weak trade facilitation, persistent non-tariff barriers (NTBs), and elevated effective tariffs.
- We have chosen to focus on poor trade facilitation, persistent non-tariff barriers, and weak trade governance institutions.

- Poor trade facilitation is manifested in logistical, procedural, and regulatory bottlenecks that impede and raise the cost of moving goods across borders. Tanzania ranks 180th out of 189 countries on ease of trade across borders and scores poorly on WTO and OECD trade facilitation scorecards.
- The absence of paperless cross-border trade and complex procedures are key contributors to weak trade facilitation. For example, the process for exporting fresh fruit and vegetables, entails up to 26 steps, including the submission of 28 paper documents to 14 different public agencies, and obtaining the necessary permits takes up to five and a half days and costs up to \$1,030.
- Three-quarters of agricultural firms reported difficulties around non-tariff barriers such as issuing product certifications, satisfying testing requirements and ensuring the product characteristics required by trading partners.
- Tanzania's trade governance institutions have struggled with limited capacity to improve trade facilitation and eliminate NTBs, both of which are key activities for compliance with international trade agreements and market access.

Slide 10 – What is the Trade Facilitation Project?

The government proposed six potential activities in their concept note to MCC.

- The activities are organized under the three pillars that are represented on this slide.
 - The first pillar would support implementation of the new national trade policy by improving the functioning of two trade governance organizations: the *National Committee for Trade Facilitation* which advances Tanzania's compliance with WTO standards and the *National Monitoring Committee for Non-Tariff Barriers* which monitors Tanzania's compliance with the East African Community Act. The government has also requested support for establishing a dedicated unit in the Ministry of Industry and Trade that would support implementation of international and regional trade agreements.
 - The second pillar is aimed at supporting the implementation of trade facilitation measures. One priority is to reduce the time it takes for exporters to secure certificates, licenses and permits to move goods across border. A second priority is to improve Tanzania's ability to meet the food safety, traceability, and sanitary and phyto-sanitary requirements of its trading partners.
 - The third pillar would seek to strengthen private-public dialogue to increase the voice and influence of business associations and civil society organizations in trade policy. Working solely with government bureaucrats officials is insufficient to drive policy and institutional reform. Attention and pressure from business associations and civil society organizations can ensure that policies serve wider social and economic interests, deepen government accountability to citizens, and ensure that reforms have broad-based support.

Slide 11 – What is the Opportunity?

And that is how we have arrived at this Opportunity.

- A key element of the team's approach to managing the trade facilitation project will be to select a single delivery partner through this competitive Annual Program Statement to co-create and implement all the activities under the project.
- We envision a budget of approximately \$16 million over four years. The project will be implemented in Tanzania, and we expect applicants to have an office and staff in Tanzania.

Slide 12 – What is MCC Looking For?

MCC is looking for a partner that has these capabilities:

- Staff capacity to devote consistent effort to an ambitious four-year program, including an in-country presence
- Track record of reducing trade barriers in Tanzania and strong existing relationships with key government, private sector, and civil society implementing partners and other donors working in the trade sector.
- Ability to continue the work after the MCC Threshold Program ends with support from other development partners, increasing the chances that the MCC-supported work is sustainable.
- Means to incorporate the government in the governance and oversight structure of the proposed project.
- Ability to provide leverage: The leverage requirement is described on page 16 and Section C.3 on page 25 of the Notice of Funding Opportunity. Please read these sections carefully.
 - Leverage contributions are third-party funding or other resources that an applicant identifies during the application process to provide additional support for program implementation under a potential MCC-funded assistance award.
 - MCC welcomes any third-party assets, expertise, capabilities and other resources that further the mutually established partnership objectives. Leverage describes the quantifiable contributions provided by third parties to the program.
 - Leverage funding can be presented in a variety of forms, including but not limited to measurable non-federal financial cash contributions, third party in-kind contributions such as donated services, labor and tangible or intellectual property. The APS partner is responsible for ensuring, tracking and reporting on the mobilization and use of the leverage.
 - An example of leverage would be if the applicant is implementing a project with funds from another donor to strengthen trade governance and policy, implement trade facilitation measures, and strengthen business and civil society engagement in trade policy.
- Finally, applicants can form a consortium or team arrangement, combining their capabilities.