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KILIMO KWANZA

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Turning the tide on climate change

...agriculture on climate change focus



African farmers and experts now are pushing climate-smart agriculture to the forefront. However, one big question remains unanswered: Will it be possible for the sufferers 'to turn the tide,' given the world industrial powers' stance?



Grim outlook as climate change nips

The effects of climate change are now officially being felt in Tanzania, with Zanzibar President Dr Ali Mohamed Shein declaring this week that the island will soon find itself in a precarious situation if no remedial measures are taken.

Opening a three-day symposium on the effects of climate change on the islands, held at Migombani in Zanzibar recently, Dr Shein noted that the effects included rising sea levels which had started eroding the Isles shoreline.

He said six out of 10 districts in Zanzibar were experiencing water erosion precipitated by rising sea levels, rendering previously productive land unusable with cemeteries waterlogged and people's economic activities directly affected.

The president confirmed that the government had worked out strategic plans to support people directly affected by the changes, such as providing them with clean and safe water, particularly in Nungwi northern Unguja, where freshwater had mixed with seawater.

The President said the government is working to ensure climate change does not put at risk the welfare and growth of Unguja and Pemba islands.

But Tanzania is not the only country in the world experiencing the pangs of climate change. Even as the country strives to commercialise her agriculture through Kilimo Kwanza, corporate agri-business has received severe tongue lashing from a broad coalition of international social movements and civil society organisations rallying against the decisions resulting from the just ended UN COP17 Climate Change Summit in Durban, South Africa.

"Corporate Agribusiness, through its social, economic, and cultural model of production, is one of the principal causes of climate change and increased hunger. We therefore reject Free Trade Agreements, Association Agreements, and all forms of the application of Intellectual Property Rights to life, current technological packages (agrochemicals, genetic modification) and those that offer false solutions (biofuels, nanotechnology, and climate smart agriculture) that only exacerbate the current crisis," a statement from the coalition said.

The missive comes in light of agreements reached at the climate summit that still leave Earth on track for 3-4 degrees of warming or 5-6 degrees for Africa, by 2100, certainly a disastrous situation which was termed as constituting a crime of global proportions against humanity, and one that is not dissimilar to apartheid.

According to Nnimmo Bassey, Chair of Friends of the Earth International, "An increase in global temperatures of 4 degrees Celsius, permitted under this plan, is a death sentence for Africa, Small Island States, the poor and vulnerable worldwide. This summit has amplified climate apartheid, whereby the richest 1% of the world have decided that it is acceptable to sacrifice the 99%."

"The only way forward for agriculture is to support agro-ecological solutions, and to keep agriculture out of the carbon market," said Alberto Gomez, North American Coordinator for La Via Campesina, the world's largest movement of peasant farmers.

By some estimates the cost of cutting greenhouse gas emissions will be four times more beyond 2020 than they would cost today.

Achim Steiner, UN Under-Secretary-General and UNEP Executive Director, concurred that the big question many will ask is how the commitments agreed in Durban will translate into actual emission reductions and by when? Whatever answer emerges in the coming months, he said, Durban has kept the door open for the world to respond to climate change based on science and common sense rather than political expediency.

However his view of the previous decisions on financing, technology and Reduced Emissions from Deforestation and Forest Degradation (REDD+) were negated by The Global Alliance of Indigenous Peoples and Local Communities against REDD and for Life which said that REDD+ and forest carbon projects threaten the survival of Indigenous Peoples and forest-dependent communities.

"Mounting evidence shows that Indigenous Peoples are being subjected to violations of their rights as a result of the implementation of REDD+-type programmes and policies," the group declared.

Without addressing these fundamental concerns, the environmental, social and cultural effects of climate change valuation of technologies have been taken out of the Durban outcome.

Wallace Mauggo
Editor

inside

Waste to wealth: Saving forests from depletion



3

Exporters call for new credit guarantee fund



6

Nuisance taxes: Dialogue key to effective abolition



7

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Waste to wealth: Saving forests from depletion

By Kilimo Kwanza Reporter

By the poor for the rich

Poor communities in the developing world are the hardest hit by climate change and it is projected that they will be affected even more in the coming years. Yet, these countries, poor as they are, have limited resources to deal with climate change related disasters.

However, despite the fact that their contribution in causing climate change is very minimal, poor countries play an active role in reversing the trend. In Dar es Salaam, a non-governmental organisation, Appropriate Rural Technology Institute-Tanzania (ARTI-Tanzania), is playing its part by preaching forest conservation both in words as well as actions.

Studies show that the country's forests are disappearing at a very fast rate. In Mlandizi for example, there is rampant cutting of trees which has resulted into disappearance of trees and water sources.

Kibaha District Council Acting District forest officer Dastan Kinyenya, says the district's vegetation has been greatly damaged due to deforestation. This, he says, is prompted by the rapid increase in Dar es Salaam's population. Most residents of this city depend on charcoal for energy at their homes.

He says there are areas in his district that used to have water sources ten years ago, but now they have disappeared due to wanton tree felling and other uncontrolled human activities in forest reserves.

A World Bank study shows that Dar es Salaam alone consumes half the charcoal produced in the country. One million tonnes of charcoal are produced in the country annually whereby Dar es Salaam alone consumes 500,000 tonnes. More than 30,000 bags of charcoal enter the city daily.

Curbing deforestation

Having assessed the level of deforestation, ARTI decided to contribute towards this area by

reducing deforestation. The NGO is doing so by discouraging the cutting down of trees for charcoal making. It offers an alternative to tree-based charcoal by training people on how to manufacture charcoal by using dry biomass.

The raw materials include any waste that can be burnt to get char powder which is then turned into charcoal briquettes. The raw materials for this alternative charcoal are found everywhere: Dry maize stalks, leaves, grass, small branches, coconut and rice husks, saw dust and wood shavings, among others.

The World Bank supported project not only helps reduce deforestation but also creates employment. ARTI has started by providing training to people in Kibaha and Bagamoyo districts on the fabrication of charcoal kilns, pyrolyzing of dry biomass, briquetting and basic business and marketing skills. The NGO also assists with market linkages.

Nachiket Potnis, ARTI's executive director says with the help from district forest officers, ARTI selected 12 villages in four districts. The project started in Bagamoyo and Kibaha, as pilot districts where the NGO provided people with equipment for making char powder.

In five villages in Mlandizi, people in the project formed community-based enterprise groups. The groups, commonly known as environmental friendly charcoal making group (KMM), are owned by members of the five village briquette charcoal committees. These are supported by the World Bank which provides them with seed capital to start the business.

"These groups bring in whatever char powder they get. If they bring in 100 kilograms they get the payment for 70 kilograms and 30 kilograms become their contribution towards their KMM groups. We are also trying to teach them entrepreneurship skills - how to maintain their accounts. We intend by March next year to have five KMMs in different locations in Bagamoyo and Kibaha districts," says Potnis.

The KMM members are mostly people involved in other income generating activities and are doing briquette making as a side business. Potnis says the project was well received by the people for it is cheap and simple to produce.

So far, the World Bank has injected into the project about USD 60,000, equivalent to 90m/- and another USD 70,000, equivalent to 100m/- will be released over the next year.

More jobs coming

Unemployed 20-year-old Habiba Maneno is a member of one of the KMM groups in Mlandizi. Her hope is to be employed in the industry which she hopes will pick up once charcoal users understand the importance of using the charcoal briquettes made from biomass.

She, herself, has used the charcoal and says it is as good as the charcoal manufactured from trees- perhaps this one is much better.

Maneno's group has already started marketing the charcoal and she says the consumers' response so far is very positive. "We give our prospective clients samples to try and they really like it after trying," says Maneno.

Kinyenya, the forest officer, says the alternative charcoal project is very important not only in forest conservation, but also in creating new jobs for women and youths. "We need it more, especially now that the population increase seems to be threatening our forests. Given the high demand for charcoal in Dar es Salaam, young people have been seizing the opportunity by engaging in charcoal business," says Kinyenya.

According to the officer, unemployed youths have been engaging in wanton tree cutting for economic reasons and thereby depleting the forests. Kinyenya says, the project will reduce deforestation and improve the environment. "If we manage to control random felling of trees, then we shall be able to restore our beautiful environment," he says.

Dar key beneficiary

Allan Shaidi, a business man in Dar es Salaam plans to venture into the business. "I

CONTINUES ON PAGE 6



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Turning the tide on climate change

...agriculture on climate change focus

By Kilimo Kwanza Reporter

and Agencies

Climate-smart agriculture

AFRICAN farmers, researchers and high-level politicians have now joined their hands to push climate-smart agriculture to the forefront. This was evident during the UN Climate Conference (UNFCCC) in Durban, South Africa last week.

"We must deliver the resources poor farmers need to sustain their lives," said Prof Jumanne Maghembe, Tanzania's Minister of Agriculture, Food Security and Cooperatives to a crowded room at the Africa Pavilion.

He spoke to the opportunities and challenges of climate-smart agriculture



We as farm leaders want to make world leaders and decision makers aware of agriculture's potential as a solution to deal with climate change

COP17 negotiations

THE SACAU took taking farmers' concerns about climate change to COP 17 in Durban with seriousness of its kind, calling for the global negotiations to put agriculture firmly on the climate change agenda and establish a work program that will outline and coordinate the necessary responses for the sector.

SACAU reiterates the major role agriculture plays across the continent and the challenges that climate change poses to the sector.

"Agriculture is the economic foundation of most African countries and it makes a significant contribution to food security and poverty alleviation for millions of households on the continent," said SACAU CEO Ishmael Sunga.

for African farmers, one of the hottest, and sometimes contentious, issues at this year's UN Climate Conference in Durban.

Prof Maghembe was joined by Professor Tekalign Mamo, Ethiopian State Minister in the Ministry of Agriculture, as well as the leaders of African farmers unions' from Southern, Eastern and Western Africa.

Clear common message

The common message was clear – negotiators at COP17 must put agriculture up front and centre. The UNFCCC has largely ignored agriculture, especially the adaptation benefits. Climate smart agriculture can help African farmers adapt to climate change and safeguard their food security and livelihoods, while enhancing their ecosystems and supporting mitigation.

In Africa, the biggest threat to poor farmers is the increase in unexpected extreme events that come with climate change. Prof. Maghembe described the vicious cycle of droughts and floods that are currently affecting areas of East Africa, killing livestock and destroying farms. "Where are the priorities for agriculture faced with these conditions?" he asked.

...the 15-point position

"Climate change will challenge our ability to feed ourselves and it will affect areas which are already vulnerable."

SACAU is concerned about the absence of agriculture in the current agreed text of the UNFCCC.

"We are calling for a secured text on agriculture in the UNFCCC negotiations in the common vision for Long-Term Cooperative Action (LCA)," said Sunga.

"Specifically, SACAU wants a text that recommends the establishment of a work program on agriculture under the UNFCCC's Subsidiary Board for Scientific and Technical Advice (SBS-TA), covering both adaptation and mitigation", Sunga said in a statement ahead of the conference.

Agriculture is being coupled with bunker fuels and trade in the negotiations. "We are calling for agriculture to be decoupled from bunker fuels, and for trade related issues to be handled sep-

There are solutions

The speakers, including Prof Mamo of Ethiopia, and the farmer union heads, noted that of many of the solutions for adapting agriculture to climate change are already known, for example planting trees that increase soil fertility and boost crop yields.

Other examples include rainwater harvesting and greenhouses. Dr James Kinyangi, who coordinates the East Africa program for the CGIAR Research Program on Climate Change, Agriculture and Food Security, noted successful innovations exist to reduce climate risks to farmers including crop and livestock insurance, seasonal climate forecasts, and seed varieties that are resilient to pests and diseases.

Give us incentives

While solutions exist, farmers are not able to adopt these practices widely. Douglas Taylor-Freeme, president of the Southern African Confederation of Agricultural Unions (SACAU), shared his union's position.

"We as farm leaders want to make world leaders and decision makers

aware of agriculture's potential as a solution to deal with climate change," he said. "Farmers from Southern Africa officially recognise climate-smart agriculture in achieving important objectives of adaptation, food security and mitigation."

Mamadou Goita, executive secretary of the West African Network of Farmers' and Agricultural Producers' Organisations (ROPPA) noted that in some countries over 99 per cent of agriculture production comes from small farmers.

Despite this, small African farmers are not getting the finance they need to scale up. Agriculture must be at the centre of development programs, he said, and we must scale up good practices already implemented by farmers. Farmers can be more greatly involved in research activities, he said.

Philip Kiriro, president of the East Africa Farmers Federation also highlighted the need to scale up urgently, so that farmers can experience the benefits of increased food security and resilience that climate-smart agriculture can bring. He called for COP17 negotiators to place farmers at the centre stage.

More financing

The African Development Bank (AfDB) will be making a substantial in-

vestment in agricultural research to support climate smart agriculture. Ken John, who represented AfDB said that the Consortium of International Agricultural Research Centers (CGIAR) will receive a funding to focus research efforts on climate-proofing cassava, maize, rice and wheat. John also recognised that a work program on agriculture should be adopted by the UNFCCC.

Key actions

Session chair Michael Hailu, Director of the Technical Centre for Agricultural and Rural Cooperation ACP-EU (CTA), also noted that food security is ultimately at the center of climate smart agriculture.

The session was wrapped up by Lindiwe Sibanda, who leads the Food, Agriculture and Natural Resources Policy Analysis Network (FANRPAN) and has been a strong advocate for farmers in the climate negotiations. She called a standalone program on agriculture under COP17, with a focus on financing and science.

The roundtable event was coordinated by the CGIAR Research Program on Climate Change, Agriculture and Food Security (CCAFS). CTA and FANRPAN, who also helped organize Agriculture and Rural Development Day.

countries to honour their pledges for financing adaptation and mitigation.

"We urge the global community to provide resources to support Africa's initiatives and frameworks in responding to climate change. We also advocate for adequate allocation of Green Climate Fund resources to agriculture as well as the participation of farmers in the Fund's governing bodies," Sunga said.

SACAU (the Southern African Confederation of Agricultural Unions) is a regional farmers' organization that was established in 1992. Its core membership is open to national farmers' unions in Southern Africa. It is involved in agricultural development in the region by strengthening the capacities of farmers' organizations, providing a collective voice for farmers on regional and international matters, and by providing agriculture related information to its members and other stakeholders.

Post-Kyoto regime

SACAU also adds its voice to growing calls for a binding agreement in the post-Kyoto regime and for Annex 1



SACAU wants a text that recommends the establishment of a work program on agriculture

arately within the international trade negotiations," said Sunga.



"We must deliver the resources poor farmers need to sustain their lives"

Professor Jumanne A. Maghembe, Tanzania's Minister for Agriculture.



"Many of the solutions for adapting agriculture to climate change are already known, like planting trees that increase soil fertility..."

Professor Tekalign Mamo, Ethiopia



"Scale up urgently, so that farmers can experience the benefits of increased food security"

Mr. Philip Kiriro, president of the East Africa Farmers Federation.



"We as farm leaders want to make world leaders and decision makers aware of agriculture's potential as a solution to deal with climate change"

Douglas Taylor-Freeme, president of the Southern African Confederation of Agricultural Unions (SACAU)

PHOTO: BY COURTESY OF JET



...scale of the problem

A 2009 study by the International Institute for Environment and Development (IIED) shows that the impact of climate change on the country's agriculture could cut Tanzania's GDP by 1 per cent in 2030 and by as much as 68 per cent by 2085.

According to the study, it's the poor that will be hit the hardest. "The impacts of climate change on agriculture will hit the poorest Tanzanians first and hardest, so the sooner they can adapt the better," says James MacGregor, an economist with IIED and the co-author of the study.

The researchers say changing weather patterns will boost harvest on crops like barley, rice and wheat, but might hurt maize, which is cultivated by more than 80 per cent of Tanzania's poor. They say women will be worst hit while poor small-holder farmers who constitute the majority of the farming population will not benefit from rising food prices.

This is because they cannot af-



Changing weather patterns will boost harvest on crops like barley, rice and wheat, but might hurt maize...

ford to irrigate their farms or other ways to boost production. The urban poor will also suffer due to high food prices.

"If Tanzania's farmers and farming practices do not adapt, the impacts of climate change will be extreme and they will ripple through the country's entire economy as so many other sectors are dependent on agriculture," says Muyeve Chambwera, also an economist with IIED and the co-author of the report. Tanzania is doing its best to adapt to the climatic changes. One of the mitigation measures includes conservation of forests. Healthier forests will ensure farmers adequate and reliable rains and will also protect water sources which could be used for irrigation.

Studies show that the country's forests are disappearing at a very fast rate. Statistics from the ministry of natural resources show that the country has been losing an estimated 400,000 ha of forest per annum.

According to the US based environmental watchdog Conservation International (CI), the country is set to lose its entire forest cover within the next 100 to 160 years if more is not done to reduce the current rate of deforestation.

Exporters call for new credit guarantee fund

By Angel Navuri

THE Tanzania Exporters Association (TANEXA) has proposed the establishment of the Tanzania Credit Guarantee Fund (TCGF) as a source of finance to boost the efforts of local producers and exporters. The proposal to form the TCGF, according to TANEXA, is crucial due to the current shortcomings in the Export Credit Guarantee Scheme (ECGS) and the Small and Medium Enterprises Credit Guarantee Scheme (SME-CGS).

Tanzanian exporters and producers of export commodities believe that the performance of the two schemes will improve tremendously if a legal separate entity with a clear mission and strategy is established.

The proposal to create the Fund follows a study on the utilisation of the two schemes which was commissioned by TANEXA in 2008 to shape these schemes into an effective source guarantees for accessing funding from private financial institutions. TANEXA is a private, non-governmental apex association, which serves as a focal point for uniting and giving voice to Tanzanian exporters.

Financial constraints

Over the years, the lack of reliable source of finance to support production and export undertakings has been one of the major challenges facing TANEXA members. According to a recent study by TANEXA, which was financed by the Business Environment Strengthening for Tanzania (BEST-AC), with the operations of the two schemes being under the Guarantee Fund issues of transparency and accountability to the public will also improve.

The study says the proposed Fund should be headed by a chief executive officer under a Board of Trustees whose members should be drawn from the ministries of finance and industries, Small Industries Development Organisation (SIDO), TANEXA, Tanzania Bankers Association, TCCIA, Industries

CONTINUES ON PAGE 8



Waste to wealth: Saving forests from depletion

FROM PAGE 3

think with the rapid population growth, we need to have concerted efforts, including promoting recycling of waste and creating financial opportunities through recycling," he says, adding: "When I learnt about this particular project, I liked it simply because it helps in protecting the environment. Most importantly, it creates wealth from waste."

What he likes about this kind of charcoal is the fact that one can simply collect dry grass or any other waste, carbonate it and make charcoal out of char powder and make the briquettes that create charcoal that burns longer and is cheaper to produce.

For Shaidi, this is an opportunity providing a side income for many people. He has already spoken to people he knows would be interested in the business and he has spoken to entrepreneurs who collect garbage so that as they return with empty vehicles after dumping garbage, they could pick up piles of waste materials or go to where piles of them are dumped to collect some.

Shaidi says as the population grows in their area, there already an increasing concern about deforestation and that this alternative energy source and its use would be a great opportunity for those using charcoal to continue de-

pending on it, but without affecting the environment negatively.

Better energy for homes

Shaidi says the best thing about briquette charcoal is that it can be used inside the house without problems because it has no smoke. The businessman, who has himself tried the charcoal, says it is economical as it burns slowly; and that it is as good as the normal charcoal commonly used in Dar es Salaam households.

He says there is a lot of biomass waste around that people do not know could generate wealth for them. "There is a lot of trash that is not being used," Shaidi has started researching on the availability of the raw materials in the city and has seen that there is quite a lot. "You will be surprised...People cut trees and get rid of branches and leaves," he says, adding that

there is a bright future in the business. Shaidi says implementation of the initiative requires a vision and determination, as "anything good doesn't come easily."

The fact that this is a new product



in the market is what Shaidi sees as being the major challenge. He says efforts should be made to convince and educate the people on the new energy source and its application in their lives.

"I think the government, with its appropriate institutions, could promote this tremendously. They could promote it in the charcoal line," Shaidi says. According to him, today's charcoal sellers would be the most appropriate people to start selling the new energy source, as a side business and then replacing the traditional charcoal over time.

Charcoal briquettes unpopular

Tanzania Traditional Energy Development and Environmental Organisation (TaTEDO) programme coordinator Shima Sago agrees charcoal briquettes are still not popular in households. He says some people produce briquettes for institutions.

But how about promoting charcoal briquettes as an alternative source of energy? Sago thinks emphasis should be put on sustainability. This is given that charcoal and firewood are the

main sources of energy for 90 per cent of the Tanzanian population and 90 per cent of Dar es Salaam dwellers.

He says all available sources of energy should be used while maintaining ecological balance.

Sago says the problem when it comes to tree-based charcoal production is the fact that most producers use inefficient kilns that consume more wood and produce less charcoal.

Using efficient kilns like TaTEDO's improved basic earth mound kiln or the half orange kiln saves a lot of trees. These use less wood and produce more charcoal. "Deforestation can only be addressed using combined efforts. Charcoal producers should not only harvest trees but replace them too. And charcoal users should go for stoves that use less charcoal," says Sago.

The manager emphasises on selective harvesting of trees and the use of different alternative sources of energy or else it will reach a point when charcoal will be scarce.

He points out land use plan as another solution to deforestation where there should be specific areas for agriculture, tree harvesting as well as forest reserves.

Sago calls upon government to control the prices of gas and electricity or even provide subsidies to make these sources of energy affordable to the poor majority poor.

By Kilimo Kwanza Reporter

Call for public education

THE Tanzania Chamber of Commerce, Industry and Agriculture (TCCIA) has called for the provision of adequate education to taxpayers and local government authorities on nuisance taxes and the reasons why such taxes were abolished in 2003.

According to a study carried out by TCCIA in Arusha region, the existence of the information gap on the tax regime and the resulting resistance among the taxpayers militates for the formation of a framework for dialogue between district councils and the taxpayers.

"There is a need for the government to build and strengthen the tax administration capacity of the local government authorities. The reforms should be similar to those carried out by the Tanzania Revenue Authority (TRA) whose implementation have brought remarkable and commendable improvement in the tax administration both in terms of revenue collection as well as taxpayer and business/investment friendly tax regime," says the study.

Jointly undertaken by the Taxplan Associates Limited and Business Advisory Services Company Limited, the survey was undertaken in Arusha region mainly to gather empirical data (evidence) and views of all stakeholders on the current situation about the implementation of the government decision to abolish nuisance taxes by the relevant authorities in the study area.

The TCCIA - Arusha chapter conducted preliminary enquiries and observations on the implementation of the abolish order through a survey in 2003, as part of its core objectives of playing a leading role in improving public/private business partnership and environment conducive to voluntary tax compliance which is beneficial to both parties.

The survey was in line with the primary objective of the government to create a business friendly tax regime and conducive business and investment environment by abolishing taxes considered to be nuisance to the people and barrier in the productive areas, apart from weakening the administrative capacity.

The survey revealed that there are serious shortfalls in the expected results of abolishing the nuisance taxes. In order to get down to it, the Chamber solicited and obtained a grant from the BEST-AC it spent on commissioning a consultancy to undertake the study.

The objective of the study was to identify all the nuisance taxes which were abolished by the central government, as per Finance Act No. 15 of 2003. It also sought to evaluate the abolition process in order to know if the steps taken were in order as expected; to evaluate which taxes were actually abolished and whether the order was being effectively adhered to.

Additionally, the study sought to identify new taxes which have purportedly been introduced in place of the abolished ones; to examine the impact of the abolition in revenue terms with regards to Councils and loss of business opportunities with regards to the private sector; the effect of the implementation of the order on voluntary tax compliance as well as its impact on

Nuisance taxes: Dialogue key to effective abolition



Minister for Finance
Mustafa Mkullo

the war against corruption; and finally, to identify the anticipated impact on the Councils and businesses.

Authorities divided

The study shows that all interviewed local government authorities responded in the affirmative that they were aware of the abolition of nuisance taxes in 2003. "They were, however, divided with respect to the impact of the abolition and the process leading towards it. While one respondent expressed relief in terms of hardship encountered in collecting and administering the abolished taxes, another respondent wished the government should have involved adequately all stakeholders and provided education prior to embarking on the abolition exercise," the study notes, adding: "They felt that the exercise would have been more fruitful if the local government authorities were involved in the pre-abolition process."

The study further revealed that although the local government authorities claimed to have implemented the government decision to abolish nuisance taxes, only two of the councils took steps to enact new by-laws which introduced the taxes which they were legally allowed to impose and collect.

"One council has not, as of today, enacted any by-law in compliance with the government decision. Even the two who acted within the letter and spirit of the law still continued to collect the abolished taxes or introduced taxes which are similar to the abolished nuisance taxes," the study informs.

In the studied area, all the three councils indicated that they had been

severely hit by the abolition of nuisance taxes although they were not in a position to quantify the amount of revenue they lost from the abolished taxes. Even the promised government subvention which was meant to bridge the gap was either inadequate or was disbursed a bit late, hence hampering execution of the councils' development plans and provision of social services, the survey reveals.

It says that another impact of abolition of nuisance taxes reported by the councils is the proliferation of street vendors and unlawful business undertakings. In addition, abolition of license fees for small traders has resulted into high administrative costs, sometimes involving travelling to distant areas to issue them.

The councils gave a number of recommendations for effective implementation of the government decision to abolish nuisance taxes as well on ways and measures to minimise the impact of abolition on revenues.

They called on the government to give commensurate, adequate and timely compensation to the local government authorities on the loss of revenue due to abolition of nuisance taxes.

The Councils also advised that companies or organisations enjoying tax waivers or holidays at other levels should not be exempted from paying local government taxes. They also want the abolition process be reviewed, particularly in the agricultural sector.

Another key recommendation is that the central government should let the Councils collect the taxes and remit the required percentage to the central government unlike the current sit-

uation whereby the central government collects and disburses subventions which sometimes are thought to be less than what should have actually been remitted. "In short, they call for transparency in the whole process so that there is no incidence of grudges on the part of the councils," notes the survey.

Info gap

The study further underscored a salient fact that the business community and the public in general are apparently not adequately informed by either the central government or the local government about which taxes they are required to pay and which ones have been abolished.

"From interviews that were conducted, it is portrayed that the central government has not been monitoring the enforcement of the Finance Act No.15 of 2003. The lack of monitoring follow-up and evaluation of the implementation has created the managerial distance between the central government and its local authorities, allowing them to tax and or extort levies contrary to the law almost at will," shows the study. It adds: "It's sad that the ignorance of many of the taxpayers or lack of information on the abolished nuisance taxes is being exploited, by the local authorities, hence they are still complying though with disquiet."

The survey further notes that "in the opinion of most respondents, the information gap is a serious weakness that needs to be addressed by various stakeholders, most importantly the business chamber and the government authorities. There is therefore the need

to disseminate comprehensive information regularly on tax law to the public."

The study further reveals a glaring contradiction in the implementation of the reformed tax law at issue. While the government promised to end the oppressive nature of the nuisance taxes, implementation was unfortunately left to the interested local authorities to ensure adherence to the provisions of the law, but without the necessary corresponding central command, control, monitoring and reporting.

As a matter of stated policy, the survey shows that in terms of the new Act the councils were to be compensated by being given 60 per cent budgetary grant and the balance was to be raised through own sources. However, "the facts on the ground are such that the councils have had to resort to 'creative invention' of new levies which in reality are the old nuisance taxes in new names."

Tax burden

The study further says while efforts to bridge the revenue gap by local authorities are understandable, such efforts have not been pursued within the limits of the law providing for that prerogative and in particular, it has been pursued in contravention of the prohibited provisions.

"Abuse of power renders such taxation illegitimate, unfair and unacceptable under good governance. Indeed, such surrogate taxes amount to over taxation on poor people who the reformed law undertook to protect and promote from the start," it notes.

The study says it is evident that the surrogate taxes are not the only burden imposed on the business community and the citizens at large. They have had to shoulder as well the burden of multiple taxes and double payment across the councils.

"It would be wise for public authorities to restrain themselves from over concern to revenue without giving corresponding due concern to business growth or basically, to the economy that sustains the taxpayers, including private and public institutions," the study recommends.

Payers dissatisfied

In summing up their dissatisfaction with the way the abolition of nuisance taxes has so far been implemented, the respondents aptly view the matter as a case of setting a thief to catch and punish himself! In other words, what could anyone expect from the councils long steeped in the culture of collecting revenue using the condemned nuisance taxes to implement reforms which spell out "constrained" revenue options?"

According to the survey, the business community again indicated its dissatisfaction with regards to requests, demands, levies and fees imposed on them on top of other taxes collected by the local government authorities.

However, a good number of respondents showed positive appreciation of the culture of contributing to the good cause of social development projects such as school construction, health facilities and the Uhuru torch.

"The pervasive feeling," the study notes, "is that the culture should be sustained without councils resorting to violence or other crude economic devices which may harm their businesses."

Exporters call for new credit guarantee fund

FROM PAGE 6

and Agriculture, Confederation of Tanzania Industries (CTI) and the Tanzania Women Chamber of Commerce.

The study also says that in order to extend the two schemes to Small and Medium Enterprise and exporters all over the country, the proposed Fund should decentralise the services of these schemes through a branch network in line with the size and population of the country.

"The Ministry of Industries, Trade and Marketing through its public institutions, SIDO and the board of external trade, should be proactive in playing their noble role of promoting SMEs and exports," says the study.

It adds: "Since establishing a branch network at the outset is costly, the Fund could arrange initially to utilise SIDO regional offices or private financial institutions' offices to provide services to entrepreneurs and exporters in respective regions." The proposed initial capital for the establishment of the

Fund is 29bn/-, five times the current available funds for two credit guarantee schemes which cater for a minimum of 300 clients a year.

To enable the Fund function efficiently, the TANEXA study proposes capacity building and recruitment of workers to perform such tasks as assessment and approval of eligibility, monitoring guaranteed loans, processing and reviewing claims, storing information on borrowers, preparing reports on schemes' operations and possibly providing additional services as part of the Fund's portfolio of services.

"The business re-engineering process will include the recruitment of competent and able fund staff who will improve the operations of the fund. This means administrative work will be reduced for all involved thus shortening the period from guarantee request to grant from several months of waiting to less than five working days," the study says.

Current schemes
The Export Credit Guarantee Scheme and the

Small and Medium Enterprises Guarantee Scheme, both under the Ministry of Finance, were established by the government between 2003 and 2005 to promote economic development in general by encouraging high value exports, such as horticulture and floriculture and other value added exports that will generate employment and foreign exchange.

Another goal of the twin schemes was to promote and support Small and Medium Enterprises, which have a significant role in the economy by creating an enabling environment for expansion and facilitating and facilitating access to financing resources.

These objectives are in line with government efforts of promoting economic growth and poverty reduction as outlined in other policies, national and international initiatives such as the National Strategy for Growth and Reduction of Poverty (MKUKUTA), Vision 2025 and the Millennium Development Goals (MDGs).

Schemes' weaknesses

Among the major weaknesses of the two credits guarantee schemes noted in the TANEXA study include high fees on export credits, unsatisfactory handling speed of guarantee application as the entire process undergoes a cumbersome bureaucracy and low capital. "The entire ECGS process seems to be quite bureaucratic and thus information availability and flow about the two schemes remains a problem which makes the Bank of Tanzania seems unprepared to manage the two schemes," reveals the study.

Again, the study says coverage on existing financing and export promotion facilities among exporters and SMEs producers is limited. "This shortcoming is enlarged by the absence of measures to enhance marketing and promotion of SMEs and their products by relevant organs," it notes.

"These limitations and the fact that all SMEs are treated the same as if they are homogenous, portray the ECGS as not supportive of value-added products, particularly in the agricultural sectors," adds the study.

Scheme as separate entity

According to this study, most successful state-run Credit Guarantee Schemes in the world are run as separate legal entities and that placement of the schemes under a government agency creates conflict in purpose for lack of interest and experience by public officials in working with SMEs and guarantee schemes.

Four countries of Botswana Namibia, South Africa and Swaziland in the Southern Africa Development Community (SADC) have established successful Credit Guarantee Schemes targeting SMEs. The schemes in Botswana, Namibia and Swaziland are supported both by the government and donor. In South Africa, the credit scheme is wholly government funded. Tanzanian exporters and businesspersons believe that the establishment of the Guarantee Fund could also allow the accommodation of more empowerment schemes as the need may arise.

"With a separate legal status, government intervention to the Fund should be restricted to policy decisions, funding and extending counter-guarantees. Technical support could be sourced initially while capacity for local staff is being built," explains the TANEXA study.

The study further says in order to achieve its objectives of improving SMEs' access to finance and to assist economic decentralisation; the Fund has to be proactive in gaining recognition and acceptance by leaders and borrowers.

"Therefore marketing of the two schemes is important, since most SMEs in Tanzania seem to be unaware of the existence of the two schemes," the study concludes.

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