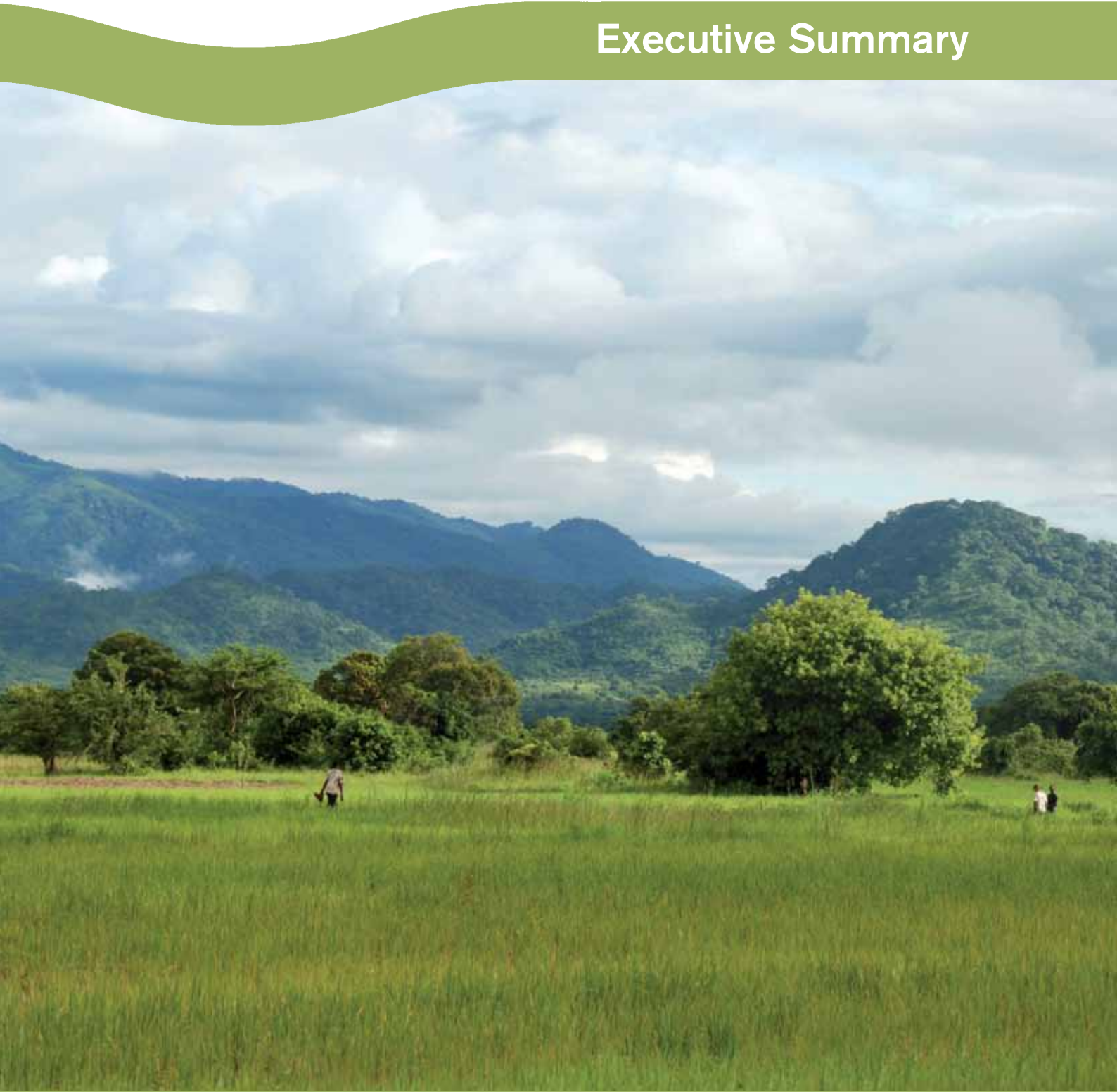




Investment Blueprint

Executive Summary



This initiative is supported by the World Economic Forum

SAGCOT: A unique public-private partnership for agricultural transformation

The Southern Agricultural Growth Corridor of Tanzania (SAGCOT) is an international public-private partnership which aims to transform the area's agricultural productivity. It was launched at the World Economic Forum on Africa in May 2010 in Dar es Salaam, Tanzania. Members of the partnership represent government, global business, the Tanzanian private sector, farmers, foundations and donor institutions. By catalysing large volumes of responsible private investment, the initiative aims to deliver rapid and sustainable agricultural growth, with major benefits for food security, poverty reduction and reduced vulnerability to climate change.

The southern corridor



Overview

Tanzania's southern corridor links the port of Dar es Salaam to Malawi, Zambia and the Democratic Republic of Congo. It benefits from good 'backbone' infrastructure – including road, rail and power – and passes through some of the richest farmland in Africa. The area could become a globally important producer of crops and livestock. Today, however, its agricultural potential is largely dormant and the majority of the rural population remains poor and food insecure.

Building on Tanzania's *Kilimo Kwanza* ('Agriculture First') strategy, the SAGCOT Investment Blueprint¹ describes how at least \$2.1 billion of private investment will be catalysed over a twenty year period, alongside public sector commitments of \$1.3 billion. The result will be a tripling of the area's agricultural output. Approximately 350,000 hectares will be brought into profitable production, much of it farmed by smallholder farmers, and with a significant area under irrigation.

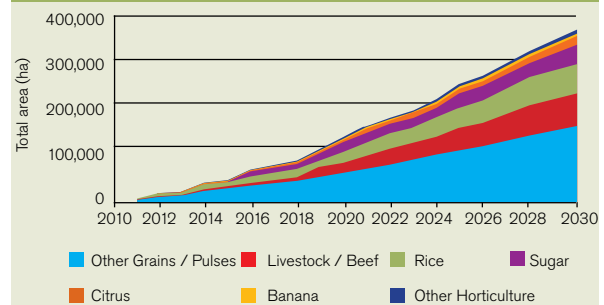
"Tanzania has immense opportunities for agricultural development. The southern agricultural corridor can be the breadbasket of Tanzania and beyond.... We are convinced that the [SAGCOT] initiative supports our objectives for a Tanzanian green revolution."

**Jakaya Mrisho Kikwete, President,
The United Republic of Tanzania**

Outcomes by 2030

- 350,000 hectares in profitable production, serving regional and international markets
- Tens of thousands of smallholders become commercial farmers, with access to irrigation and weather insurance
- At least 420,000 new employment opportunities created in the agricultural value chain
- More than two million people permanently lifted out of poverty
- Annual value of farming revenues \$1.2 billion
- Regional food security would be assured

Build-up of SAGCOT commercial production 2011 - 2030

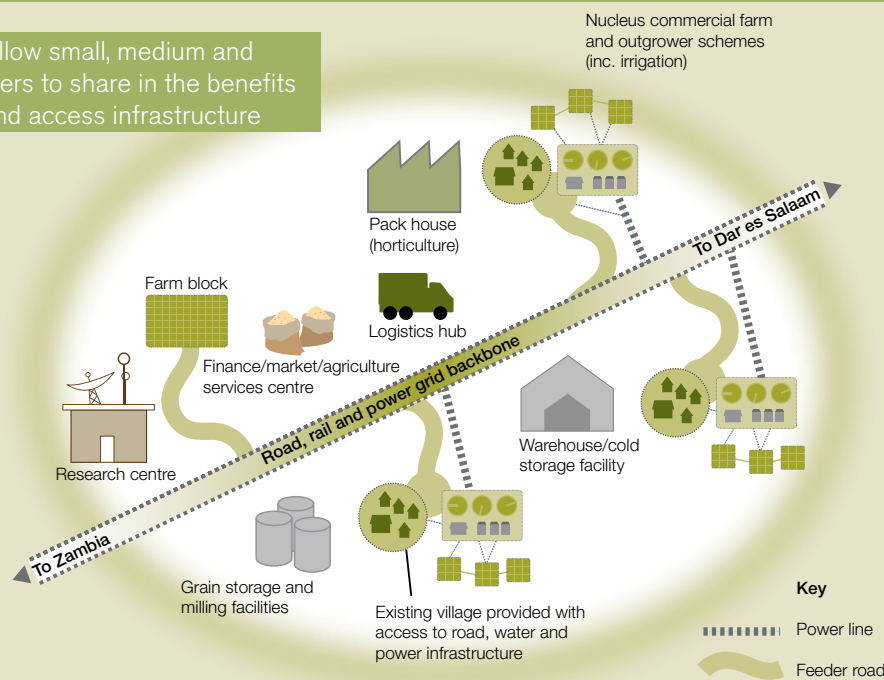


Source: SAGCOT technical team projections

¹ The SAGCOT Investment Blueprint was developed by a technical team co-led by AgDevco (www.agdevco.com) and Prorustica (www.prorustica.com). It is available for download at www.africacorridors.com

Illustration of an agricultural cluster

Clusters allow small, medium and large farmers to share in the benefits of scale and access infrastructure



© AgDevCo

Commercialising smallholder production

One of SAGCOT's main objectives is to provide opportunities for smallholder producers to engage in profitable agriculture. It will do this by incentivising stronger linkages between smallholders and commercial agribusinesses, including 'hub and outgrower' schemes that allow smallholders in the vicinity of large-scale farms to access inputs, extension services, value-adding facilities and markets. SAGCOT will also support smallholder producer associations, helping them enter into equitable commercial relationships with agri-processing and marketing businesses. In many cases, irrigation will be made available through professionally-managed farm blocks.

Competitiveness through 'clustering'

Due to economies of scale, farmers and agribusinesses are most likely to be successful when they are located in proximity to each other and related service providers. SAGCOT focuses on an initial six areas – or 'clusters' – within the southern corridor where there is the potential, over time, for profitable groupings of farming and processing businesses to emerge. Each cluster requires investment along the full agricultural value chain. Some of these investments

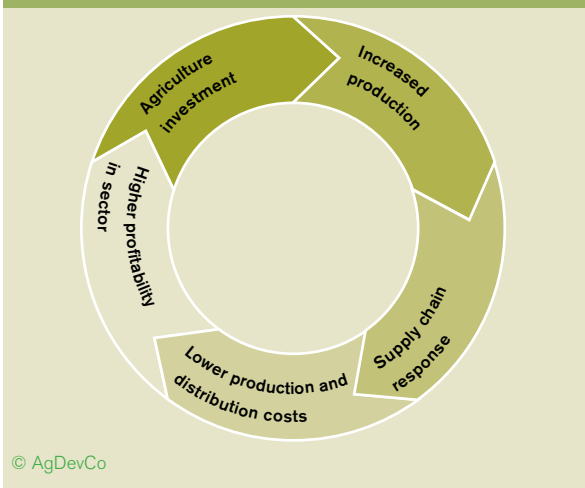
are public goods (e.g. rural infrastructure) which must come from the government and its development partners; others can expect to earn a financial return and will come from the private sector.

Investment opportunities

As examples of the types of agribusiness that merit support, the investment blueprint highlights fifteen 'early win' investment opportunities where rapid progress could be made. These include:

- **Mbozi seed farm.** A 3,000 hectare nucleus seed estate plus irrigated outgrower scheme for maize, soya, sunflower, sesame and pulses.
- **Ruvu cattle ranch.** Redevelopment of a 40,000 hectare government-owned ranch, with the introduction of fattening and slaughter facilities for local breeders.
- **Smallholder commercialisation and agro-dealer programme.** Providing extension services, inputs, weather insurance and market access to large numbers of smallholder farmers.
- **Sao Hill agri-centre.** Irrigated vegetable production linked to an agriculture processing centre (including a biomass plant) with storage and processing facilities.

Virtuous investment cycle



Public investment in infrastructure and the availability of 'catalytic' finance will kick-start a virtuous investment cycle

Making it happen

An agricultural transformation can be achieved if the public and private sectors (including development partners) work together to achieve shared goals. A SAGCOT partnership organisation will help coordinate and guide investments, focusing on the cluster areas. New financing facilities, including 'social venture capital' (for start-up businesses) and 'patient capital' (long-term debt for infrastructure) will help new farming and processing operations get established and become internationally competitive.

To ensure fairness and promote responsible investment, access to the SAGCOT financing facilities will have strong conditions attached. Funding will only be made available to investors who demonstrate a commitment to building equitable and sustainable partnerships with smallholder producers. Compliance will be monitored and investment withdrawn if social or environmental obligations are not met.

By helping new businesses overcome initially high costs and risks, SAGCOT will help kick-start a virtuous cycle of lower production costs, increased productivity, higher profitability, more investment and rapid growth.

Next steps

In 2011 the SAGCOT partnership will move rapidly from the design to the implementation phase. Two key actions are needed to launch this process:

- Establish the SAGCOT Partnership organisation² – supported by an independent and professional Secretariat – to act as a neutral coordinating body and focal point for planning, implementation and monitoring.
- Launch a catalytic fund initially of \$50 million, with financial backing from the Tanzanian government and development partners. The catalytic fund will enable resources to be channelled into early-stage investment opportunities, including some of the 'early wins' identified in the investment blueprint.

SAGCOT is a unique and powerful public-private partnership capable of delivering sustainable agricultural growth in the southern corridor. Demonstrating early results will establish a replicable model for agricultural development in the rest of Tanzania and the wider region.

Media and investor enquiries

For media enquiries and more information on investment opportunities contact:

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The SAGCOT Investment Blueprint with supporting appendices is available at www.africacorridors.com

² The Partnership will be guided by the lessons learned from the Tanzania Agricultural Partnership (TAP), set up in 2005 to facilitate and coordinate public and private stakeholders involved in commercial agricultural development.