



chains. But, since AMSDP is a donor funded project it must stop at some time, no matter how good its services may be. What AMSDP has achieved is the realization by all those involved that bumper harvests lie in dealing with market inefficiencies, and that sustainability of transaction security services to small farmers lie in making such services commercially viable. They also realize that providing such a service is not easy. It requires many small local trade agents and market access companies linked together as a commercial network on a national scale to provide the required transaction security between small farmers and buyers. Commercial networking from so many small businesses needs a commercial hub to make it happen.

### The private sector dilemma

There are good reasons why private investors hesitate to invest in transaction security services on their own because this initially requires:

- a large effort in capacity building of clients particularly farmer associations;
- a lot of R&D in the business operations;
- a large operation to reach a breakeven point;
- much easier and faster local tax procedures and market regulations than are presently in place.

This leads to high start up costs that can only be retrieved in the long term at high risk.

Moreover, it is a very complex business operation, combining product and payment security with market intelligence and operational learning all in one. Unfortunately, transaction security in small holder agriculture therefore is a long term investment that is most unattractive in the current environment of expensive capital, impatient shareholders and risky weather. For private investors there is easier money to be made, even though the long term potential of the business may look very promising.

So the private sector is in a dilemma: A national hub of a commercial transaction security service will not start without a local trade agent network in place to pay for it and a trade agent network will not emerge without a national commercial hub to start it. A common venture between the private and public sectors

to set up transaction security and thereby increase the efficiency along the marketing chains would break this impasse.

### Public private partnership

The high start up costs for capacity building and operational R&D postpone profits. Too many regulations, risks and the high cost of capital combine to make investments in building transaction security services unattractive to the private sector. This is not to say the private sector is uninterested. Many are, but only if the items above are addressed.

The public can bear the costs of training farmers and market chain players in transaction security, contribute to the costs of operational R&D, and make the terms of trade in taxes and finance more favourable. When this happens the private sector will have a clear commercial interest for investing in transaction security services.

Here mutual leverage of public and private funding becomes possible, the basis for any Public Private Partnership: Once the private interest is present then the public interest in transaction security services to small farmers becomes even clearer: AMSDP has shown that food production levels are directly linked to small farmer market security. That small farmers will produce more if they have a secure market might be obvious to many. It might even have been known for a long time. But high on the public's agenda today are food shortages, with little concern for the crucial role that secure and trustworthy marketing must play to increase efficiencies and thereby entice small producers to increase production.

Partnerships between the public and private sectors for a national common venture in transaction security are needed fast, otherwise today's food shortage will be tomorrow's crisis. AMSDP has shown a way forward but it is ending next year. There will be no bumper harvests in Tanzania unless a correctly constructed and resourced private public partnership is developed for transaction security in agricultural marketing.