

AFRICAN DEVELOPMENT FUND

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UNITED REPUBLIC OF TANZANIA

**AGRICULTURAL SECTOR DEVELOPMENT PROGRAMME
- PHASE I -**

(SECTOR DEVELOPMENT BUDGET SUPPORT)

APPRAISAL REPORT

AGRICULTURE AND AGRO-INDUSTRY DEPARTMENT

**OSAN
JUNE 2007**

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CURRENCIES AND MEASURES

Currency equivalents

As of June 2007

UA 1.00 = TZS 1,948.37

US\$ 1.00 =TZS 1,301.63

UA 1.00 = US \$ 1.49687

Financial Year

1st July to 30th June

Weights and Measures

Metric system

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PROGRAMME INFORMATION SHEET

The information given hereunder is intended to provide some guidance to prospective suppliers, contractors and consultants and to all persons interested in the procurement of goods and services for programmes/projects approved by the Boards of Directors of the Bank Group. More detailed information and guidance should be obtained from the Executing Agency of the Borrower.

1. **COUNTRY:** Tanzania
2. **PROGRAMME TITLE:** Agricultural Sector Development Programme - Phase 1
3. **LOCATION:** Nationwide
4. **BORROWER:** The United Republic of Tanzania
5. **EXECUTING AGENCY:** Ministry of Agriculture, Food Security and Cooperatives (MAFC)
P.O. Box 9192, Kilimo 1
Dar-es-Salaam, Tanzania
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6. **DESCRIPTION:** The Programme consists of two components.
Component 1: Local Level Support: This component supports sector activities at village, ward and district levels and will focus on three sub-components (i) Agricultural investments (ii) Agricultural services and (iii) Agricultural capacity building and reform.
Component 2: National Level Support: This component will focus on five sub components which are as follows: (i) Agricultural Services (ii) National Irrigation Development (iii) Marketing and Private Sector Development (iv) Food Security and (v) Coordination, Monitoring and Evaluation.
7. **TOTAL COST:** UA 210.813 m (USD 315.56 m)

8. **SOURCES OF FINANCE**

ADF:	UA 40.000 m (USD 59.87 m)
World Bank:	UA 60.125 m (USD 90.0 m)
European Union:	UA 5.679 m (USD 8.5 m)
Japanese Embassy:	UA 2.004 m (USD 3.0 m)
Development Cooperation Ireland (DCI):	UA 0.668 m (USD 1.0 m)
International Fund for Agric. Dev. (IFAD):	UA 24.050 m (USD 36.0 m)
Government:	UA 19.200 m (USD 28.7 m)
Beneficiaries:	UA 15.469 m (USD 23.2 m)
Shortfall:	UA 43.617 m (USD 65.29 m)
Total	UA 210.813 m (USD 315.56 m)

9. **DATE OF APPROVAL:**

10. **ESTIMATED STARTING DATE:** September 2007, for 5 years¹
AND DURATION

11. **PROCUREMENT:**

National procurement systems will be used for the procurement of work, goods and services.

12. **ENVIRONMENTAL CATEGORY:** 2

¹ ASDP-I as a whole is for six years (2006/07 – 2011/12). Its implementation started in 2006/07. The Bank's participation will commence in September 2007.

LIST OF ABBREVIATIONS AND ACRONYMS

A-CBG	Agricultural Capacity Building Grant
ADB/F	African Development Bank/Fund
ASDP	Agriculture Sector Development Programme
ASDS	Agriculture Sector Development Strategy
ASLMs	Agricultural Sector Lead Ministries
ASSP	Agricultural Services Support Programme
AWG	Development Partner Working Group - Agriculture/ASDP
AWP	Annual Work Plan
CBO	Community-Based Organization
DADG	District Agriculture Development Grant
DADP	District Agriculture Development Plan
DAEBG	District Agricultural Extension Block Grant
DALDO	District Agriculture and Livestock Development Officer
DASIP	District Agriculture Sector Investment Project
DDP	District Development Plan
DED	District Executive Director
DIDF	District Irrigation Development Fund
DMT	District Management Team
DPP	Director of Policy and Planning (MAFC)
EMA	Environmental Management Act
ESMP	Environmental and Social Management Plan
FAO	Food and Agriculture Organization of the United Nations
GDP	Gross Domestic Product
GoT	Government of Tanzania
HIV/AIDS	Human Immunodeficiency Virus/Acquired Immuno Deficiency Syndrome
ICC	Inter-ministerial Coordinating Committee
IFAD	International Fund for Agricultural Development
LGA	Local Government Authority
LGCDG	Local Government Capital Development Grant
MAFC	Ministry of Agriculture, Food Security and Cooperatives (Mainland)
MALE	Ministry of Agriculture, Livestock and Environment (Zanzibar)
MITM	Ministry of Industries, Trade and Marketing
MLD	Ministry of Livestock
MoW	Ministry of Water
NAEP	National Agricultural Extension Programme
NEMC	National Environment Management Council
NGO	Non-Governmental Organization
NPES	National Poverty Eradication Strategy
NSGRP	National Strategy for Growth and the Reduction of Poverty (MKUKUTA)
PADEP	Participatory Agricultural Development & Empowerment Project (World Bank)
PFG	Participatory Farmer Group
PMO-RALG	Prime Minister's Office – Regional Administration and Local Government
O&OD	Opportunities and Obstacles to Development
SPFS	Special Programme for Food Security
TDV2025	Tanzania Development Vision 2025
VDC	Village Development Committee
VADP	Village Agriculture Development Plan
WB	World Bank

**Tanzania – Agriculture Sector Development Programme
Result-Based Logical Framework**

/Hierarchy of Objectives	EXPECTED RESULTS by sector and theme	REACH	PERFORMANCE INDICATORS SOURCE & METHOD	INDICATIVE TARGETS TIME FRAME	Main Assumptions/Risks
Sector Goal/Theme	Sector/Theme Long term Outcome	Beneficiaries	Verifiable Indicators Long Term outcome	Target Indicators and Time Frame	
To contribute to increased GDP growth, and reduced rural poverty and enhanced food security.	(i) Increased GDP growth (ii) Reduced rural poverty (iii) Improved food security	Rural population of Tanzania (51% of whom are women)	(i) Agriculture GDP growth rate. (ii) Proportion of the rural population below the basic poverty line. (iii) Proportion of the rural population below the food poverty line. <i>Source and Method</i> <ul style="list-style-type: none"> • NSGPR (MKUKUTA) Monitoring System Reports. • Periodic Household Budget Surveys 	(i) Agriculture GDP growth rate of 10 ² % by 2010; (ii) Proportion of the rural population below the basic poverty line reduces from 39% to 24% by year 2010; (iii) Proportion of the rural population below the food poverty line reduces from 27% to 14% by year 2010; and (iv) The extent to which poverty is reduced by half in line with the MDG on poverty.	(i) Continued political leadership for supporting agriculture sector as a key instrument for poverty reduction (as stated in the MKUKUTA) (ii) Stable macro economic environment with improving terms of trade for producers
Programme Development Objective	Sector/Theme: Medium Term Outcome	Beneficiaries	Indicators Medium Term Outcome	Target Indicators and Time Frame	Assumptions/ Risks
(i) To enable farmers to have better access to and use of agricultural knowledge, technologies, marketing systems and infrastructure, all of which contribute to higher productivity, profitability, and farm incomes.	(i) Increased agricultural productivity	(i) 3 million smallholder farmers	(i) Increase in overall agricultural productivity (ii) % of farmers accessing improved services and infrastructure shows sustained increase of a minimum of 20% in productivity increases (iii) No. of fully developed relevant technologies implemented by farmers in 10% of the villages. <i>Source and Method:</i> <ul style="list-style-type: none"> • National Accounts • National Sample Survey of Agriculture (NSSA) • Rapid Agricultural Services Panel Survey(RASPS) • Beneficiary and contractor/service provider assessments 	(i) Overall agricultural productivity increases by 10% by 2010. (ii) 30% of farmers accessing improved services and infrastructure show productivity increases of a minimum of 20% by PY6 (iii) By year 3, four new fully developed relevant technologies implemented by farmers in 10% of the villages.	(i) Input supply and marketing systems respond to higher effective farmer demand. (ii) Supporting local government reform actions occur

² National Strategy for Growth and Poverty Reduction, Agriculture GDP Growth Target.

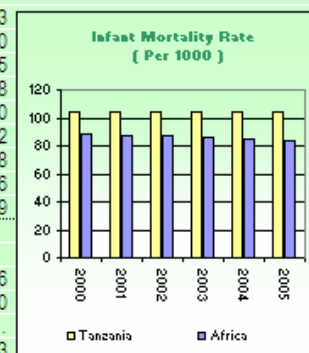
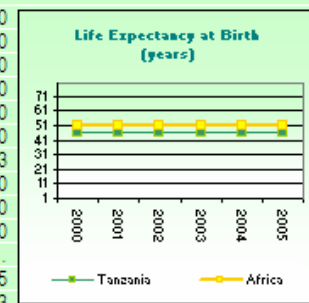
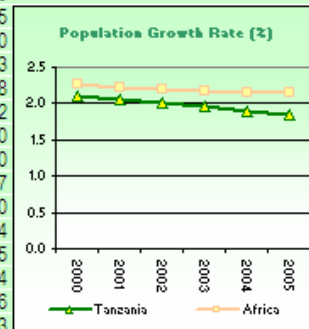
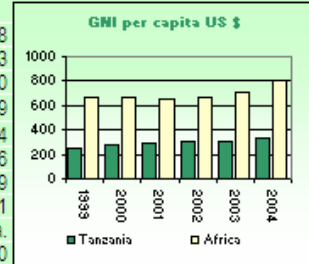
/Hierarchy of Objectives	EXPECTED RESULTS by sector and theme	REACH	PERFORMANCE INDICATORS SOURCE & METHOD	INDICATIVE TARGETS TIME FRAME	Main Assumptions/Risks
(ii) To promote agricultural private investment based on an improved regulatory and policy environment.	(ii) Increased private sector investment in agriculture		(i) Increase in flow of private funds into agriculture sector (ii) Increase in number of commercial agro-enterprises annually. <i>Source and Method:</i> <ul style="list-style-type: none"> • Bank of Tanzania/ Tanzania Investment Centre reports • Business registration records in LGAs 	(i) Flow of private funds into agriculture sector increases by 5% p.a (ii) No. of commercial agro-enterprises rises by 5% annually.	(i) Supporting legal and regulatory framework in place (ii) Private sector respond to incentives
Activities/Inputs	Sector/Themes Short-Terms Outputs	Beneficiaries	Indicators Short-Terms Outputs	Target Indicators Time Frame	Assumptions/ Risks
Provision of agricultural services	(i) Increased access to improved agric services (ii) Assisted farmers show sustained use of one or more relevant technologies and assets, and measurable productivity increases by the end of the programme	(i) 3 million smallholder farmers	(i) Increase in access to crop extension (ii) Increase in access to livestock extension (iii) Increase in number of farmers using improved seed (iv) Increase in number of farmers with irrigation (v) Increase in number of farmers using ox-ploughing <i>Source and Method</i> <ul style="list-style-type: none"> • Rapid Agricultural Panel Survey • Policy and Service Satisfaction Survey (PSSS) • National Sample Survey of Agriculture • Ad hoc beneficiary surveys 	(i) Access to crop extension increase from 35% to 50% by end of Programme (ii) Access to livestock extension increase from 16 to 25% by end of Programme (iii) No of farmers using improved seed increase from 18% to 35% by PY 6 (iv) No of farmers with irrigation facilities increase from 8% to 20% by PY6 (v) Farmers using ox-ploughing increase from 18% to 30% by PY6	(i) Moderate weather condition will prevail during the programme life. (ii) There is a growing number of NGOs and private sector service providers available
Provision of agriculture related rural infrastructure investments	Infrastructural investments show satisfactory progress or completion, meet user need and are in compliance with legal, environmental and economic standards	(i) 3 million smallholder farmers	(i) No. of infrastructural investments that show satisfactory progress or completion, meet user need and are in compliance with legal, environmental and economic standards <i>Source and Method</i> <i>User satisfaction surveys and Planrep (LGA reporting system)</i>	(i) 50% of such investment by PY3 and 90% show satisfactory progress by PY 6	(i) Timely availability of suitable local contractors (ii) Efficient and effective mobilization of beneficiary communities.

/Hierarchy of Objectives	EXPECTED RESULTS by sector and theme	REACH	PERFORMANCE INDICATORS SOURCE & METHOD	INDICATIVE TARGETS TIME FRAME	Main Assumptions/Risks
Community management and capacity building	Institutional and Management capacity of LGAs Districts in planning and coordinating the implementation of the VADPs and DADPs. enhanced.	(i) All Districts Councils (and their VDCs) in the country	(i) No of LGAs that qualify for increased DADG funds through performance assessment <i>Source and Method</i> <ul style="list-style-type: none"> • Grant performance system as part of LGCDG system • PMO-RALG Progress Reports 	(i) All LGAs qualify for increased DADG funds through performance assessment by PY3	(i) Decentralisation policy, particularly the recruitment of suitably qualified and experienced staff to the districts continues to be a priority for government
Coordination and management	Programme coordinated and managed effectively in compliance with the ADB Loan Agreement and effective monitoring and evaluation system established.	(i) All the ASLMs	(i) Regular monitoring of programme activities. (ii) No of ASDP Govt/Donors Steering Committee meetings a year. (iii) No of JIR per year (iv) Regular disbursement of funds to the LAGs/ASLMs <i>Source and Method</i> <ul style="list-style-type: none"> • Minutes of ASDP Govt/Donors Steering Committee meetings • ASDP M&E Reports • Audit reports 	(i) Regular monitoring of programme activities. (4 Quarterly Report p.a.) (ii) At least 4 ASDP Govt/Donors Steering Committee meetings a year. (iii) 2 JIR conducted per year.	(i) Government will succeed in mobilizing the additional resources required
<p>Programme Costs (UA million)</p> <ul style="list-style-type: none"> • Local Level Support Comp. UA 141.88 • National Level Support Comp. UA 68.93 Total: UA 210.81 <p>Sources of Financing (UA million)</p> <ul style="list-style-type: none"> • ADF Loan: UA 40.00 • Government UA 19.20 • Beneficiaries UA 15.47 • World Bank UA 60.12 • IFAD UA 24.05 • European Union UA 5.68 • Embassy of Japan UA 2.00 • Irish Aid UA 0.67 • Shortfall in funding UA 43.62 Total: UA 210.81 					

Tanzania

COMPARATIVE SOCIO-ECONOMIC INDICATORS

	Year	Tanzania	Africa	Developing Countries	Developed Countries
Basic Indicators					
Area ('000 Km ²)		945	30 307	80 976	54 658
Total Population (millions)	2005	38.3	904.8	5 253.5	1 211.3
Urban Population (% of Total)	2005	37.5	38.9	43.1	78.0
Population Density (per Km ²)	2005	40.6	29.9	60.6	22.9
GNI per Capita (US \$)	2004	330	811	1 154	26 214
Labor Force Participation - Total (%)	2003	51.2	43.4	45.6	54.6
Labor Force Participation - Female (%)	2003	49.2	41.1	39.7	44.9
Gender -Related Development Index Value	2003	0.414	0.460	0.694	0.911
Human Develop. Index (Rank among 174 countries)	2003	164	n.a.	n.a.	n.a.
Popul. Living Below \$ 1 a Day (% of Population)	2001	35.7	45.0	32.0	20.0
Demographic Indicators					
Population Growth Rate - Total (%)	2005	1.8	2.1	1.4	0.3
Population Growth Rate - Urban (%)	2005	4.6	3.4	2.6	0.5
Population < 15 years (%)	2005	42.6	41.5	32.4	18.0
Population >= 65 years (%)	2005	3.2	3.4	5.5	15.3
Dependency Ratio (%)	2005	84.6	81.4	57.8	47.8
Sex Ratio (per 100 female)	2005	99.0	99.8	102.7	94.2
Female Population 15-49 years (% of total populati)	2005	26.2	26.7	27.1	25.0
Life Expectancy at Birth - Total (years)	2005	46.4	51.2	64.1	76.0
Life Expectancy at Birth - Female (years)	2005	46.6	52.0	65.9	79.7
Crude Birth Rate (per 1,000)	2005	36.4	36.8	22.8	11.0
Crude Death Rate (per 1,000)	2005	16.4	15.0	8.7	10.4
Infant Mortality Rate (per 1,000)	2005	104.2	83.6	59.4	7.5
Child Mortality Rate (per 1,000)	2005	162.3	139.6	89.3	9.4
Total Fertility Rate (per woman)	2005	4.7	4.8	2.8	1.6
Maternal Mortality Rate (per 100,000)	2000	1 500	622.9	440	13
Women Using Contraception (%)	1999	25.4	26.6	59.0	74.0
Health & Nutrition Indicators					
Physicians (per 100,000 people)	2002	2.3	38.2	78.0	287.0
Nurses (per 100,000 people)	2002	36.7	110.7	98.0	782.0
Births attended by Trained Health Personnel (%)	2002	35.0	43.7	56.0	99.0
Access to Safe Water (% of Population)	2002	51.0	64.5	78.0	100.0
Access to Health Services (% of Population)*	2000	93.0	61.7	80.0	100.0
Access to Sanitation (% of Population)	2002	34.0	42.4	52.0	100.0
Percent. of Adults (aged 15-49) Living with HIV/AIDS	2003	9.3	6.4	1.3	0.3
Incidence of Tuberculosis (per 100,000)	2003	476.0	406.4	144.0	11.0
Child Immunization Against Tuberculosis (%)	2004	91.0	78.2	82.0	93.0
Child Immunization Against Measles (%)	2004	94.0	68.8	73.0	90.0
Underweight Children (% of children under 5 years)	2003	44.0	39.0	31.0	...
Daily Calorie Supply per Capita	2003	1 959	2 439	2 675	3 285
Public Expenditure on Health (as % of GDP)	2002	2.7	2.7	1.8	6.3
Education Indicators					
Gross Enrolment Ratio (%)					
Primary School - Total	2003/04	91.0	96.7	91.0	102.3
Primary School - Female	2003/04	95.0	89.3	105.0	102.0
Secondary School - Total	2003/04	36.0	43.1	88.0	99.5
Secondary School - Female	2003/04	4.9	34.6	45.8	100.8
Primary School Female Teaching Staff (% of Total)	2004/05	47.0	44.1	51.0	82.0
Adult literacy Rate - Total (%)	2005	19.9	35.0	26.6	1.2
Adult literacy Rate - Male (%)	2005	12.9	26.9	19.0	0.8
Adult literacy Rate - Female (%)	2005	26.7	42.9	34.2	1.6
Percentage of GDP Spent on Education*	2000	2.20	4.7	3.9	5.9
Environmental Indicators					
Land Use (Arable Land as % of Total Land Area)	2005	4.2	6.0	9.9	11.6
Annual Rate of Deforestation (%)	2000	0.23	0.70	0.40	-0.20
Annual Rate of Reforestation (%)	2000	8.0	10.9
Per Capita CO2 Emissions (metric tons)	2005	0.13	1.0	1.9	12.3



Source : ADB Statistics Division databases; UNAIDS; World Bank Live Database and United Nations Population Division; Country Reports

Notes: n.a. Not Applicable ; ... Data Not Available. * : latest data available within 1995-2000

EXECUTIVE SUMMARY

Programme Background

The Government of Tanzania (GoT) recognized that higher and sustained agricultural growth is an utmost priority to meet the development targets of the recently developed National Strategy for Growth and Reduction of Poverty (NSGRP or MKUKUTA, in Kiswahili) and the Millennium Development Goals (MDGs) of halving poverty and food insecurity by 2015 for four main reasons: i) about 80% of the poor live in rural areas and agriculture accounts for 75% of rural household incomes, hence significant reductions in overall poverty levels, particularly rural poverty, will require raising agricultural incomes; (ii) agriculture accounts for about 46.2% of Tanzania's GDP (2004) and for about 50% of exports, with agricultural growth having a larger direct impact on GDP than comparable growth in other sectors; (iii) agriculture stimulates economic growth indirectly through larger consumption linkages with the rest of the economy than other sectors; and (iv) meeting the country's food security needs in both rural and expanding urban areas requires higher agricultural growth contributing to higher incomes and lowering food prices. Its strategic vision, outlined in Tanzania Development Vision-2025 (1999), aims for decentralized development efforts that provide for a modernised agriculture sector, and the creation of an enabling environment for improving agricultural productivity, profitability and farm incomes, ensuring food security and increasing export earnings.

The agriculture sector has been facing a number of constraints to achieving Tanzania's agricultural growth targets, including both the shift from subsistence to commercial agriculture and the growth in existing commercial enterprises. The constraints include: (i) high transaction costs due to the poor state or lack of infrastructure to facilitate production and access to markets; (ii) under-investment in productivity enhancing technologies; (iii) limited access to technology demand and delivery channels (with 60-75% of households having no contact with research and extension services); (iv) limited access to financing for the uptake of technologies; (v) un-managed risks with significant exposure to variability in weather patterns with periodic droughts; and (vi) weak formulation and implementation of local investment plans, especially with insufficient participation of communities in the planning process.

In response to these challenges, the GoT approved the Agriculture Sector Development Strategy (ASDS, 2001). The objective of the ASDS is to achieve a sustained agricultural growth rate of 5% per annum, primarily through the transformation from subsistence to commercial agriculture. The transformation is to be private sector led through an improved enabling policy environment and public expenditure. Among the core features of the ASDS is to use of district-level demand identification, project management and implementation, through the preparation of District Agricultural Development Plans (DADPs), which are seen as the most effective methodology for achieving sustainable development.

The Agriculture Sector Development Programme (ASDP) is the Government's operational response to the ASDS and the main mechanism for its implementation. The key methodology underlying this Programme is based on a participatory and iterative approach in its design, beneficiary demand-driven approach in its need assessment and decentralized and result/incentive-based in its implementation.

The Programme is in line with the Bank's key policy documents, such as the (i) Vision Statement, (ii) Poverty Reduction Policy; (iii) Agricultural and Rural Development Sector Policy (2000); and (iv) Tanzania Joint Assistance Strategy and Joint Programme Document – Cover Note (2007). It also supports the Comprehensive Africa Agriculture Development Program (CAADP).

Sector Goal and Programme Objective

The Sector Goal is to contribute to increased GDP growth, and reduced rural poverty and enhanced food security. The programme development objectives are: (i) to enable farmers to have better access to and use of agricultural knowledge, technologies, marketing systems and infrastructure, all of which contribute to higher productivity, profitability, and farm incomes; (ii) to promote agricultural private investment based on an improved regulatory and policy environment.

Brief Description of the Programme

The programme design incorporates the lessons learnt from past and on-going national and donor interventions in Tanzania. The Programme comprises two components with eight sub-components, as detailed below:

Component 1: Local Level Support

This component supports sector activities at village, ward and district levels and will focus on three sub-components (i) local agricultural investments, (ii) local agricultural services, and (iii) local agricultural capacity building and reform.

Component 2: National Level Support

This component will focus on five sub-components which are as follows: (i) Agricultural Services, (ii) National Irrigation Development, (iii) Marketing and Private Sector Development, (iv) Food Security, and (v) Coordination, Monitoring and Evaluation.

Programme Costs and Sources of Financing

The total cost of ASDP-I is estimated at USD 315.6 million (equivalent to UA 210.8 million). As of now the following donors have pledged to contribute to the funding of the programme: World Bank – USD 90.0 million (UA.60.125 million); European Union – USD 8.5 million (UA 5.679 million), Japanese Embassy- USD 3.0 million (UA 2.004 million), Development Cooperation Ireland (DCI) – USD 1.0 million (UA 0.668 million), International Fund for Agricultural Development USD 36.0 million (UA 24.050 million), Government – USD 28.7 million (UA 19.200 million) and Beneficiaries – USD 23.2 million (UA 15.469). The African Development Bank has earmarked UA 40.0 million (approximately USD 59.87 million) to support the Programme. There is presently a funding shortfall of USD 65.29 million (UA 43.62 million). The Bank's funding mechanism for the Programme will be the Sector Development Budget Support Lending (SDBSL).

Programme Implementation.

The programme is being implemented over a 6-year period (2006/07-2011/12). Implementation of the programme commenced in 2006/07 financial year. The Bank's participation starting 2007/08 will be for the remaining 5 years. Implementation will be within the existing institutional framework of the ASDP. The Ministry of Agriculture, Food Security and Cooperatives (MAFC), as the lead ministry of the ASLMs, is designated as the Executing Agency of the programme. The institutions responsible for implementation of the national level component of the program are the MAFC, the Ministry of Livestock Development (MLD), the Ministry of Agriculture, Livestock and Environment (Zanzibar) and the Ministry of Industry, Trade, and Marketing (MITM) while implementation of the local level component is the primary responsibility of the Prime Minister Office-Regional Administration and Local Government (PMO-RALG) and Local Government Authorities (LGAs). The programme implementation arrangements seek to

strengthen those of Government and not create parallel structures. Day-to-day management and coordination will be carried out by the Director of Policy and Planning (DPP) office in MAFC.

Conclusions and Recommendations

Conclusions: The programme is participatory and iterative local approach in its design, beneficiary demand-driven in its needs assessment, pluralistic in its delivery, decentralized and result/incentive based in its implementation and, finally, is coherent with the GoT's policy (NSGRP or MKUKUTA). These key principles, which underline the planning and implementation of this Programme, are in full compliance with the OECD/DAC Development Aid Effectiveness. Their operational translation within the scope of this Programme will ensure the sustainability of its expected results. Specifically, it will contribute to raising productivity and growth in the agriculture sector, and significantly increase the incomes of beneficiary households.

The key outcome indicators against which the success of the programme will be judged are as follows:

- (i) Percentage of farmers accessing improved agricultural services and infrastructure (baseline crop extension = 35% by 2010 = 45%; baseline livestock advice = 16%, by 2010 = 21%; baseline for irrigation use = 8%; by 2010 = 10%).
- (ii) Percentage of farmers that show sustained use of one or more relevant technologies and the sustainable use of productive infrastructure (by 2010 = 40% increase from baseline)
- (iii) Percentage of private sector investment growth into agriculture (**5%** increase per year).

Recommendations: It is recommended that a loan not exceeding UA 40.0 million be granted to the Government of the United Republic of Tanzania for the purpose of co-financing the Programme as described in this report, subject to conditions to be specified in the Loan Agreement.

1. ORIGIN AND HISTORY OF PROGRAMME

1.1 Tanzania's main development goal, since its Independence, has been to improve the welfare of its population and promote socio-economic equity. The country's economic performance has improved fairly consistently over the past decade. The economic reforms initiated by the Government to improve macroeconomic stability, shift to more liberalized markets, and broaden the scope of the private sector activity have led to significant improvement in economic growth. Annual average GDP growth increased from about 3.5% in the mid-1990s to about 6.5% in 2004.

1.2 The country is large with an area of about 945,000 km² and a population of 38.3 million. Its population growth rate is estimated at 2.9% per annum. The per capita income of the population is among the lowest in Africa, estimated at US\$ 300 in 2004.

1.3 The structure of the economy is dominated by the agriculture sector which accounts for 46% of GDP. Trade, financial services, and manufacturing account for 11.6%, 13.8% and 6.8% respectively, while mining and quarry account for only 2.7% of GDP. The share of the agriculture sector's contribution has dropped from 50% in 1996 to 46% in 2005. Consequently, the improvement of the performance of the agriculture sector is critical in the overall economic growth of Tanzania.

1.4 The majority of its rural population depend on agriculture for income and subsistence, with 87% of the poor who live in rural areas and 75% of rural income being earned from agricultural activities. Improvements in agricultural performance can therefore have a direct impact on the incomes of the poor. Agricultural growth has been increasing steadily and has been consistently higher than population growth since 1999. Recent analysis projected that when agricultural growth began exceeding per capita income growth, rural poverty declined from about 40% in 1999 to about 34% in 2004. Recent increases in agricultural growth stem from both overall economic and sector reforms started in the mid-1990s. However, the sector has been facing a number of constraints in the past years.

1.5 In response to the challenges, the GoT elaborated the Agriculture Sector Development Strategy (ASDS, 2001). The objective of the ASDS is to achieve a sustained agricultural growth rate of 5% per annum, primarily through the transformation from subsistence to commercial agriculture. The transformation is to be private sector led within an improved enabling environment, through policy and public expenditure. The core feature of the ASDS includes (i) district-level demand identification, (ii) project management and implementation, (iii) preparation of District Agricultural Development Plans (DADPs). All these are expected to work together to create the most effective methodology for achieving sustainable development.

1.6 The Agriculture Sector Development Programme (ASDP) Framework and Process Document (2003) is the Government's operational response to the ASDS and the main mechanism, with donors' support, for channelling investments to the agriculture sector. The methodology underlying this Programme is based on a participatory and iterative planning process in its design at the National and District level, beneficiary demand-driven approach in its need assessment and decentralized and result/incentive-based in its implementation. The Government prepared the ASDP Programme Document in May 2006. This was followed by an ASDP Project Appraisal Document prepared by the World Bank. This is being funded through a "Basket-Funding" arrangement.

1.7 In January 2006, the GoT requested the Bank Group for support to the ASDP Programme. Following this request, the Bank fielded an identification mission to Tanzania in March/April 2006, to discuss the various aspects of the programme with Government officials, the Development Partners working in the sector and other interested stakeholders of the proposed programme. This

was followed by a Preparation Mission which was undertaken in September/October 2006 and an Appraisal Mission in February/March 2007 and a re-appraisal mission in May 2007. This appraisal report is the result of the findings from these various processes and draws extensively on the Government Programme Document and the World Bank Project Appraisal Document. The report is also informed by the Bank's Tanzania Agriculture Sector Review (2002), the Tanzania Multi-Sector Country Gender Profile (2005) and the Tanzania-Country Governance Profile (2005). The programme is also in line with the Bank Group's Strategy for Tanzania for 2006-2010 set out in the Joint Assistance Strategy for Tanzania (JAST), the Joint Programme Document (JPD) and the accompanying Cover Note that was approved by the Boards in May 2007.

2. THE AGRICULTURE SECTOR

2.1 Overview of the Sector

2.1.1 The agriculture sector plays an important role in Tanzania in that it provides the greatest potential to advance the country's objectives for pro-poor growth and poverty reduction. The sector encompasses crops, livestock and natural resources (e.g. fisheries, forestry and wildlife). It is the single largest sector of the economy, providing about half of total GDP. It is also the main source of employment and provides the livelihood of two thirds of the population. Crop production is of overwhelming importance, providing about 37% of GDP and 70% of rural income. Livestock is estimated to contribute about 4% of GDP. Smallholder food crop farming is dominant with 97% of farming households undertaking this activity, sale of surplus food crops is also the main source of cash income. The average farm sizes range between 0.9 hectares and 3.0 hectares each. About 70% of Tanzania's crop area is cultivated by hand hoe, 20% by ox plough and 10% by tractor. It is predominately a rain fed agriculture. Food crop production dominates the agriculture economy 5.1 million ha. are cultivated annually, of which 85% is under food crops. Agriculture also provides 23% of export earnings. The major cash crops are also mainly grown by smallholders. Five crops dominate the export trade, namely coffee, cashew, cotton, tea and tobacco, but new crops (e.g. cut flowers and vegetables) have been introduced in recent years. Increasing agricultural growth and raising rural household income is of paramount importance to meet the 2010 rural poverty reduction targets of the National Strategy for Growth and Reduction of Poverty (NSGRP or "MKUKUTA" in Kiswahili).

2.1.2 The growth rate of agricultural GDP has slowly increased since the 1970s and 1980s when it was very low at 2.9% and 2.1% respectively. It grew by over 6% in 2004 and the 5- year moving average is currently 4.8%. However, growth of food crop production remains at about 3% barely keeping pace with population growth, and most of this growth is the result of expansion of crop farming into marginal areas. Food insecurity is a constant problem in drought prone areas of the country and overcoming this will require an increase in productivity and economic returns to farmers.

2.2 Land Tenure and Land Use

2.2.1 The objectives of the National Land Policy is to (i) promote equitable access to land for all citizens; (ii) ensure customary rights, especially those of smallholders; (iii) promote sound information on land management; and (iv) promote the protection and sustainable use of water and land resources. Under the Land and Village Lands Act (1999), amended in 2003 all lands in Tanzania are vested to the President as the trustee for the citizens. The reforms of the Village Land Act (2003) restricted the application of customary law, if it denies women access to ownership. It also recognises co-occupancy and access by both spouses as well as recognising the need for the wife's consent should the husband want to dispose of family lands. Despite the reforms and the Acts, Tanzanian women still do not have adequate access to land use. Their accessibility, under

customary law, comes through kinship and patriarchy linkages. Women's access to land occurs under inheritance law and mostly determined by the relationship with men as wives, daughters and sisters. The land required for the agriculture rural infrastructure investments (market places, roads, irrigation schemes, etc.) under this Programme will be demarcated for the purpose by the LGAs, and are usually publicly owned.

2.2.2 Out of a total land area of 95 million ha, 30% is under protection as wildlife or forest reserves, 7.8% is water features. Of the remainder, 11 million ha (11%) is cultivated land, the balance is mainly open woodland used for grazing livestock. The large numbers of livestock and the encroachment of cultivation into marginal land are creating serious land degradation and erosion problems.

2.3 Cross Cutting Issues

2.3.1 **Poverty.** The 2004 UN Human Development Report ranks Tanzania 162 from 177 countries on the Human Development Index. According to the country's 2005 Poverty and Human Development Report (PHDR), 36% of the population in mainland Tanzania and 49% in Zanzibar (Zanzibar Household Budget Survey (HBS), 2004/05) are living below the poverty line. Both the PHDR and HBS state that poverty in the rural areas is higher than the urban areas with about 19% rural mainland Tanzanians and 13% of Zanzibaris are food poor (minimum of 2,200 kcal per day). More than 84% of the total workforce is in agriculture, which produces 46% of the GDP. It is estimated that 93% of all farmers are smallholders, with less than two hectares. Poverty in Tanzania remains overwhelmingly a rural phenomenon, with an estimated 87% of rural population under the poverty level, with the poor engaged in subsistence agriculture. The rural poverty is manifested by low income from agriculture as well as inadequate access to basic social services, such as road infrastructures, access to markets, education, health care services, water supply and sanitation. The current NSGRP (2006) Status Report, states that poverty not only affects the rural areas more than the urban areas but also affects the rural farmers more compared to those employed in other sectors. Therefore, facilitating growth rates in agriculture must be a priority if poverty rates are to be significantly reduced in Tanzania.

2.3.2 **Gender.** 51% of the population are women. Approximately a quarter of households in Tanzania are headed by a woman (Demographic and Health Survey, 2004-05). The country is committed to gender equity and has ratified international and regional conventions aimed at eliminating the different forms of discrimination against women. The country has developed and adopted a National Gender Policy (2000), the establishment of gender focal points in Ministries, Departments and Agencies, and the amendment of the Constitution raising the percentage of seats reserved for women in Parliament from 15 to 20%, and to 30% in local governments. To address gender inequalities within the country, the GoT has developed a National Strategy for Gender Development (2005) to provide guidance on interventions. The NSGRP (2006) Status Report also estimates that women, especially rural women, provide 80% of labour force in rural area and producing 60% of food production. The document also notes that gender patterns in employment, in farm and non farm activities have changed during the last ten years, as an increasing number of women have become active in market-oriented activities, and more responsible for providing cash needs of the household and that women are in the forefront in expanding micro and small enterprises in what is often referred to as the informal sector. However, about 60% of women in Tanzania still live in absolute poverty. They will be major beneficiaries of any productivity improvements in the sector.

2.3.3 **Health Issues.** The HIV/AIDS pandemic has a devastating impact on agriculture. The disease targets the most economically active layers of society, and women are particularly vulnerable. The impact of the disease on production, rural poverty, and livelihoods is catastrophic

for certain communities. Consequently, it is imperative that all involved in the agricultural sector should take part in anti-HIV/AIDS programmes. Also, with a reduced and enfeebled rural population, the need to develop and accelerate adoption of appropriate agricultural mechanisation and alternative labour-saving technology becomes paramount.

2.3.4 Malaria kills some 100, 000 Tanzanians every year and its debilitating effect has a significant impact on rural productivity. Waterborne diseases also debilitate and kill many farmers, and the interaction between the two is particularly pronounced in irrigation schemes and areas of seasonal flood agriculture, which are also areas of particularly high agricultural potential. ASDP will cooperate with the health sector to reduce these risks.

2.3.5 **Environment:** The National Environmental Policy (NEP, 1997) identifies land degradation, lack of accessible lands and water for rural inhabitants, environmental pollution (e.g. water bodies), loss of biodiversity, habitat and wetlands, deterioration of aquatic systems and deforestation as the most critical environmental problems facing Tanzania today. The adoption of the Environmental Management Act (No. 20, 2004) and the Environmental Impact Assessment and Audit Regulations (No. 349, 2005) by the GoT has been decisive measures to strengthen the EIA process within project's design and to strengthen the role and responsibilities of the National Environmental Management Council (NEMC) for its implementation. Due to limited institutional capacity in NEMC, enforcement of the legal and regulatory framework remains weak. The Prime Minister 's Office-Regional Administration and Local Government (PMO-RALG) in 2002, with funding from the Dutch government, developed "Introductory Guidelines and Training Modules" to build the capacity of government staff and other stakeholders on environmental and gender issues in district planning. However, the appointment of District Environment Officer, prescribed under the EMA, has not yet been fully enforced nor the establishment of Environmental Committee.

2.4 Sector Development Constraints

2.4.1 The key constraints to development of the agricultural sector are: (i) high transaction costs due the poor state of the road network, marketing infrastructure, and the deficient policy and regulatory environment governing the marketing environment which result in costly licensing and tax regimes, (ii) under-investment in productivity enhancing technology, increased production has been at the expense of expansion into marginal areas, (iii) limited access to technical extension advice, with an estimate of 75% of households not being covered by the extension services, (iv) limited access to funding for the adoption of technologies, (v) unmanageable risks from the dependency on rain-fed farming in a climate which suffers regular drought, and (vi) weak coordination and capacity in policy formulation and implementation.

2.4.2 However, Tanzania has the potential for agricultural production of almost all its traditional export crops, as well as for new exports e.g. fish and horticultural crops. There is also high potential for cross-border regional trade in food crops which will be enhanced by the EAC Customs Union, launched in 2005. Much of the lands currently farmed on a low input-low output basis are suitable for intensive farming with greatly increased productivity.

2.5 Agricultural Sector Development Strategy and Priority Policy Reforms

2.5.1 Tanzania is guided by the Poverty Reduction Strategy Programs (PRSP), developed specifically to lay policies and strategies aimed at reducing poverty in all socio-economic dimensions, namely agriculture, education, health, utilities (access to potable water and sanitation), income, as well as cross-cutting areas, namely environment, gender and governance issues. Currently, Tanzania is on its second year of implementing the second round of its Poverty Reduction Strategies, under which the prevailing policy document, the "*National Strategy for*

Growth and Reduction of Poverty (NSGRP),” or MKUKUTA (in Kiswahili), spans over the period of five year, 2005/06–2009/10. The Strategy builds on the previous PRSP (2000/01-2003/04) and it focuses on outcome-oriented initiatives. This is a shift from emphasis on priority sectors embraced by the previous strategy. Implementation of this new approach to poverty reduction is such that the Strategy’s actions are grouped into three pillars, namely (i) growth and the reduction of income poverty; (ii) improved quality of life and social well-being; and (iii) good governance and accountability.

2.5.2 Under the NSGRP, the operational targets for improving food availability and security are (i) increased food crops production from 9 million tons in 2004 to 12 million tons in 2010; (ii) maintained strategic grain reserve of at least 4 month of national food requirement.

2.5.3 The following strategies are to be implemented in order to ensure availability and accessibility of food in both urban and rural areas: (i) providing targeted subsidy to selected food crops, identifying and promoting modern farming technologies, especially in rural areas and providing support for increased utilisation of improved technologies for crop and livestock production; (ii) research, identify and promote food storage technologies/ facilities and enhance agro-processing as well as environmentally friendly farming technologies and practices especially for rural areas; (iii) improving stock management and monitoring of food situation; (iv) undertake a review of the maize supply chain, management and monitoring of emergency food supplies, including further clarification of regulation and means of enhancing trade; and (v) improving road network connectivity to facilitate flow of food crops.

2.5.4 The development of the agriculture sector is identified as an investment priority for poverty reduction in the NSGRP. The improvement in farm incomes of the majority of the rural population is considered a precondition for the reduction of rural poverty in Tanzania.

2.5.5 ***The Joint Assistance Strategy for Tanzania (JAST, 2006)***: The JAST is the national medium-term framework for managing development co-operation between the Government of the United Republic of Tanzania (Government) and Development Partners so as to achieve national development and poverty reduction goals. The overall objective of the JAST is to contribute to sustainable development and poverty reduction in line with the National Vision 2025 and the Zanzibar Vision 2020 by consolidating and coordinating Government efforts and Development Partners’ support under a single Government-led framework to achieve results on the National Strategy for Growth and Reduction of Poverty (NSGRP/MKUKUTA) and the Zanzibar Strategy for Growth and Reduction of Poverty (ZSGRP/MKUZA) as well as other national development and poverty reduction programmes. The intermediate objective of the JAST is to build an effective development partnership in line with national and international commitments to aid effectiveness by (i) Strengthening national ownership and Government leadership of the development process, (ii) Aligning Development Partner support to Government priorities, systems, structures and procedures, (iii) Harmonising Government and Development Partners processes, (iv) Managing resources for achieving development results, (v) Ensuring mutual accountability of the Government and Development Partners, and (vi) Strengthening accountability of the Government to the citizens of Tanzania. The strategy emphasizes Budget Support as the prefer aid modality.

2.5.6 ***Agricultural Sector Development Strategy (ASDS) 2001***: The objective of the ASDS is to achieve a sustained agricultural growth rate of 5% per annum, primarily through the transformation from subsistence to commercial agriculture. The transformation is to be private sector led through an improved enabling policy environment and public expenditure. A key feature of the ASDS is the emphasis on district-level demand identification, project management and implementation, through the preparation of beneficiary-driven District Agricultural Development Plans (DADPs), as the most effective methodology for achieving local sustainable development. The ASDS identified five

strategic areas of intervention in the agricultural sector, namely: (i) strengthening the institutional framework; (ii) creating a favourable environment for commercial activities; (iii) identifying public and private sector roles in improving supporting services; (iv) strengthening marketing efficiency for inputs and outputs; and (v) mainstreaming planning for agricultural development in other sectors.

2.5.7 *The Local Government Reform Policy (1998)* aims at improving the delivery of quality services to the public. According to the Policy, LGAs are responsible for the provision of basic public services with special emphasis on priority sectors that target poverty reduction. These include primary education, primary healthcare, agricultural extension services, local water supply and sanitation, and roads. By doing so, the LGAs should promote and ensure democratic participation and control of decision-making by the people concerned. For the purpose of co-ordinating service delivery at the sub-district level, the districts/municipalities are divided into Divisions, Wards, Villages and Sub-villages.

2.6 Institutional Framework

2.6.1 Agriculture Sector Lead Ministries. The Agriculture Sector Lead Ministries (ASLMs) comprise the Ministry of Agriculture, Food Security and Cooperatives (MAFC); acting as the Agriculture Sector coordinating ministry, the Ministry of Industry, Trade and Marketing (MITM); the Ministry of Agriculture, Livestock and Environment (MALE) (Zanzibar); the Ministry of Livestock Development (MLD), and the Prime Minister's Office-Regional Administration and Local Government (PMO-RALG). Their responsibilities are to: (i) formulate and review sector policies and monitor performance; (ii) provide and supervise the implementation of regulatory services for crop and livestock development, marketing and farmers' organizations; (iii) contribute to the development and promotion of improved and sustainable agricultural practices; (iv) monitor the performance of both public and private sector agricultural support services; (v) promote the private sector's role in primary production, processing, marketing and provision of agricultural services; and (vi) promote farmers' organizations.

2.6.2 The ASDP is managed by ASLMs through their established institutional arrangements. The Inter-ministerial Coordination Committee (ICC), which is composed of the Permanent Secretaries of the ASLMs and the Permanent Secretaries of main collaborating ministries serves as its overall steering committee responsible for the policy guidance of the programme and is chaired by the PS of MAFC. The ICC also oversees cross-sectoral issues and facilitates the ASLMs to make contact with other sectors and groups

2.6.3 Prime Minister's Office - Regional Administration and Local Government (PMO-RALG): The administration of the LGAs lies with the PMO-RALG. Districts are grouped into regions, with each region having staff forming the Regional Secretariats with the following four basic functions: (i) create a conducive environment for LGAs to operate efficiently; (ii) assist LGAs in capacity building; (iii) provide technical support to LGAs; and (iv) monitor the performance of LGAs. All agricultural extension services have been decentralized to the district level and are under the responsibility of the District Council. The post-decentralization structure at district level consists of a District Agriculture and Livestock Development Officer (DALDO) as the senior person, with 15-20 subject matter specialists located at the district headquarters, and with Ward and Village Extension Officers (VEOs) as the frontline extension staff. Though there is roughly one VEO post per village, vacancy rates are high, and the actual ratio is closer to one VEO per two villages. The DALDO is part of the District Management Team (DMT) and is responsible to the District Executive Director who heads the DMT. The lowest Government body is located at the village level. Five to six villages are grouped into wards, and 2-3 wards into divisions, which report to the district. Preparation of District Agricultural Development Plans (DADP) and Village

Agricultural Development Plans based on a participatory approach and a realistic assessment of the resource envelope available are a key institutional goal.

2.7 Donor Interventions

2.7.1 A sample projects and programmes most relevant to the proposed intervention include the Bank Group funded District Agricultural Sector Investment Project (DASIP), and the Bank and IFAD supported Agricultural Marketing Systems Development Programme in the Northern and Southern Zones of Tanzania. IFAD also provides support for the Agro–Pastoral Livestock Development Programme, and the Rural Financial Services Programme. World Bank (WB) interventions include support to local government authorities and rural communities through the Tanzania Social Action Fund Project (TASAF), Local Government Support Program (LGSP) and Participatory Agricultural Development and Empowerment Project (PADEP). The District Rural Development Programme, funded by the Netherlands, supports a number of LGAs to build their capacity in service delivery. The Japan International Cooperation Agency’s (JICA) support include contributing to the ASDP processes with particular focus on monitoring and assessment of the DADP implementation at local level, assisting capacity building of LGAs in irrigation development, and facilitating dissemination of irrigated rice technologies. Sweden supports the long-term District Development Programme (DDP) in three districts in the Lake Victoria Basin.

2.7.2 Following the adoption of the ASDP Document in June 2006 as the umbrella framework for future interventions in the sector, all Development Partners are working towards streamlining their current and future interventions into the Programme.

2.8 Lessons Learnt from Past Interventions in Tanzania

2.8.1 The repeated failure of centrally planned, top down interventions, the distortions produced by isolated donor funded projects, including the establishment of multiple parallel accounting and reporting frameworks, have resulted in high transactions costs, duplication of efforts and has often led to weak sustainability of project activities and impacts. Over reliance on inefficient public sector interventions have also reduced the effectiveness of such investments. It has also weakened the ASLMs emerging role and responsibilities towards sector strategic planning, especially in the context of limited capacity of national and local government authorities.

2.8.2 The Performance Evaluation Report of the Tanzania National Agricultural and Livestock Extension Rehabilitation Project points out that while the private sector is likely to play a stronger role in commodity oriented extension services in the future, extension delivery for smallholders and resource poor farmers would have to remain the main function of the government, with the other providers supplementing these efforts. This is the approach to be adopted in the programme.

2.8.3 The Project Completion Report (PCR) of the Livestock Marketing Project among others emphasized the need to ensure that project activities are determined by the key stakeholders, which are the grass root beneficiaries. The intervention of the programme at the local level will be determined by the VADPs and DADPs which will be prepared by the beneficiaries themselves.

2.8.4 **Bank Group Experience with Budget Support in Tanzania:** The Bank Group approved two budget support operations in Tanzania. The first budget support, the Poverty Reduction Support Loan (PRSL), was in October 2004. The PRSL built on the progress achieved in the previous policy-based operations and focused on (i) the promotion of an enabling environment for private sector development; (ii) the development of micro finance; and (iii) strengthening public financial management. The Project Completion Report carried out for the operation reports that the

intervention has been successfully implemented indicating the country's readiness for budget support operations.

2.8.5 The second budget support operation, PRSL II, was approved in June 2006. It focuses on Cluster I and II of the Government's Poverty Reduction Strategy, that is, enhancing growth and reducing income poverty, and improvement of quality of life and social well-being. In selecting the areas, key considerations included the need to deepen the reform agenda in critical policy areas including those that were covered under the first PRSL. The PRSL II builds on the progress already achieved under the first operation and the prospect of it being satisfactorily implemented is high.

2.8.6 Given the satisfactory implementation of earlier Bank budget support operations, and the existence of a sound fiduciary framework as pointed out in section 3 and the other pre-requisites for budget support operations, it is appropriate to extend the budget support approach in the provision of assistance to the agriculture sector in Tanzania. The adoption of this modality of funding for the proposed program is also justified as it is in line with the Joint Assistance Strategy that underlines Government leadership of the development process as well as alignment and harmonization of donor support to enhance aid effectiveness.

3 MACROECONOMIC AND FIDUCIARY FRAMEWORK

3.1 **Macroeconomic Framework:** Tanzania is rated as a good performer in its macroeconomic reform effort as evidenced by the fact that it has stayed on course with major fiscal and monetary reforms. It is also noteworthy that the Government has adopted a leading role in the development agenda, while at the same time consulting with major stakeholders. This inclusive approach has been adopted in the preparation of the country's Poverty Reduction Strategy, whereby key stakeholders including the poor, civil society, the private sector and development partners were consulted. The product of this process is a country owned poverty reduction strategy, that provides a coordinated and solid framework for tackling poverty and directing external aid resources to priority poverty reduction programmes. In recognition of this good performance, the IMF completed the sixth and the last review of the country's economic performance under a three-year Poverty Reduction and Growth Facility arrangement in February 2007 and commended the authorities for the sustained strong economic performance. The Fund also approved a Policy Support Instrument for Tanzania thereby signifying its endorsement of the country's macroeconomic policy framework. Annex 9 presents the IMF's assessment of Tanzania's macroeconomic framework.

3.2 **Fiduciary Framework and Review:** An assessment of Tanzania's fiduciary framework, comprising the public financial management and the procurement system is carried out in the context of Public Expenditure and Financial Accountability Reviews (PEFAR). These are normally conducted every year to eighteen months. The overall purpose of the PEFAR is to provide Government and Development Partners with a comprehensive, integrated and candid assessment of Tanzania's key fiduciary risks as reflected in the Government's resource allocation, resource management and control, resource utilisation and accountability processes, and to make recommendations for improving the public finance management framework, institutional performance and capacity building. The 2005/6 PEFAR focused on central Government and noted that generally Tanzania has a sound system of formal rules for financial management and extensive training has taken place on the application of the financial rules and regulations. It noted that most of the recommendations contained in the 2001 Country Financial Accountability Assessment (CFAA) and 2003 Country Procurement Assessment Report (CPAR) have been implemented or are already being addressed through the Public Finance Management Reform Programme (PFMRP). The reports made a number of significant conclusions including the acknowledgement that since 2003, through two reviews there have been major improvements in PFM systems. More recently,

the 2007/8 PEFAR included a fiduciary assessment of local governments and an update of the 2003 CPAR with a detailed review of the procurement reforms undertaken to date.

3.3 Technical assistance for the implementation of the recommendations of the PEFAR is being provided through the PFMRP, while policy dialogue takes place within the context of the General Budget Support (GBS) framework. The Bank Group participates in the PFMRP through the ongoing institutional support project that is providing for procurement reforms and it is also a member of the GBS donor group. Overall, Tanzania has demonstrated an increasingly positive track record in improving its public financial management framework and procurement system thereby leading to increasing levels of budget and sector budget support since 2001.

3.4 Within the 2007 PEFAR, there was a partial analysis of public expenditure covering the three Ministries that undertake Agriculture sector expenditure, which provides a partial view of the financing framework in Agriculture. The draft report highlights some problems with the ability of the sector Ministries to manage their cash flow, mostly due to lack of predictability of development funds transferred from donors, and the lack of donor support for operating costs, which this Sector Budget Support will help to mitigate. It highlighted the number of different donor disbursement mechanisms undermining the planning process, and unlike in other sectors, still has to manage a significant amount of project support (contrary to the Government's preferred mode of aid delivery). The report highlights necessary improvements in medium-term planning (especially within the Medium-Term Expenditure Framework and the ASDP), which implies some disconnect between the operating budget and overall sector ceilings. Aligning support to the ASDP in a multi-year predictable way, through this sector support, will assist in more predictable medium-term budgeting. Annex 3 provides a more detailed fiduciary review based on the PEFAR reports.

4. THE PROGRAMME

4.1 Programme Concept and Rationale

4.1.1 On the basis of the performance of the macro-economic and fiduciary environment in Tanzania and the problems usually associated with multiple projects the Government and the Development Partners have agreed to adopt the following principle in the management of development assistance as laid down in the Joint Assistance Strategy (JAST): ownership, harmonization, alignment, managing for results, and mutual accountability. These building blocks have constituted the cornerstones for the formulation and the proposed support to the programme. Hence, the Government and the Donor community's commitment to have the ASDP as the sole programme framework for the development of the agriculture sector .

4.1.2 The key design principles envisioned in the ASDP include (i) **Increasing control of resources by beneficiaries:** it stresses the importance of increasing the voice of farmers in local planning processes and in increasing their control in the design and implementation of priority investments and in the types of service that they need. It aims to empower farmers through placing greater control of resource allocations in the hands of groups and communities to improve the relevance and responsiveness of services; (ii) **Pluralism in service provision:** It aims to provide a wider choice in service providers to increase cost-effectiveness and competition. The private sector will be enabled to compete for sector service provision contracts with a de-linking of public funding from delivery; (iii) **Results-based resource transfers:** Resources allocations to LGAs will be more transparent and equitable through adopting and extending the local government grant system. The incentive for LGAs to use their funds effectively will be promoted through annual assessments, while support will be given to assist those LGAs that perform poorly to build their capacity in key management areas; and (iv) **Integration with government systems:** existing government financing and planning systems (the MTEF, DADP, grant transfers) will be used to ensure sustainability,

strengthen alignment with government priorities and avoid un-harmonised, project-based approaches with parallel implementation mechanisms.

4.1.3 The Bank's proposed financing mechanism for the ASDP-I is Sector Budget Support, making use of the national systems without creating parallel structures for implementation, procurement and financial management in line with the JAST principles and the Paris Declaration. The rationale behind the use of National systems stems from, among others, the fact that Tanzania, with the support of donors, has successfully developed and piloted a mechanism for channelling funds directly to the Districts. The mechanism, known as the Local Government Capital Development Grant (LGCDG) was developed by the Government with the objective of making it the mechanism through which all development funds will be transferred to LGAs. The funds are transferred to LGAs through Capital Development Grants (CDG) and Capacity Building Grants (CBGs).

4.1.4 Agriculture is of strategic importance, not only as a means of increasing household incomes amongst a large number of the population's disadvantaged and poor, but also, in fulfilling household nutritional needs, increasing foreign exchange earnings and providing raw materials for the agro-industry. By improving the capacities of farmers and the District officials, on the one hand, and on the other hand, by supporting the provision of rural infrastructural facilities, the programme will directly contribute towards increasing farm incomes for its clients and enhancing food security. It will also contribute to the sector goal of promoting national economic growth and reducing poverty and food insecurity, which are consistent with the country's vision as well as its agricultural strategy. Finally, the programme will assist in alleviating the main constraints that presently hamper the development of the agriculture sector as indicated in Section 2.4.

4.2 Programme Area and Beneficiaries

4.2.1 The programme is being implemented nationwide. All districts in the country are eligible for assistance. However, the districts will only benefit from the enhanced grants which are provided by the donor resources when they meet the Local Government Capital Development Grant qualifying criteria (Section 4.8.2).

4.2.2 Farmers will benefit directly from the program as participants in specific program financed activities (services and/or investments) as well as indirectly through improved efficiency of public service provision at the LGA level. The total number of farm households targeted to benefit from agricultural services will be about 3 million beneficiaries by the end of the programme. It is envisaged that there will be a great number of beneficiaries for the local agricultural investments that will be financed under the programme.

4.3 Strategic Context

4.3.1 The proposed programme is in line with the overall direction of government policy, as articulated in the Tanzania Development Vision 2025 and the Agriculture Sector Development Strategy (ASDS), which promotes decentralized development efforts with the goal to modernise the agriculture sector. The ASDS aims to create an enabling environment for improving agricultural productivity and profitability, improving farm incomes, reducing rural poverty and ensuring household food security. Moreover, the development of the agriculture sector has been identified as a priority for poverty reduction in Tanzania's National Strategy for Growth and the Reduction of Poverty (NSGRP).

4.3.2 The programme falls under three of the four pillars of the NEPAD's Comprehensive African Agricultural Development Programme (CAADP), namely improving rural infrastructure and trade-

related capacities for improving market access (Pillar 2), enhancing food supply and reducing hunger (Pillar 3); and promoting agricultural research, technology dissemination and adoption (Pillar 4). It will ultimately contribute to achieving the Millennium Development Goals, especially Goal 1 (halving the proportion of people living in extreme poverty and hunger), Goal 3 (promoting gender equality and empower women) and Goal 7 (ensuring environmental sustainability).

4.3.3 The programme is also in line with the Bank Group's Strategy for Tanzania for 2006-2010 as set out in the Joint Assistance Strategy (JAS), the Joint Programme Document (JPD) and the accompanying Cover Note that was approved by the Bank Group Boards in May 2007. The Strategy focuses on two reinforcing pillars of the NSGRP namely, growth and reduction of income poverty and improvement of social well-being, and identifies assistance to agriculture among the specific interventions. In addition, it is line with the Bank Group's key policy documents, such as (i) the Vision Statement, which regards agriculture, given its importance to African economies, as the starting point for supporting overall production growth and improving living standards in the regional member countries; (ii) the Poverty Reduction Policy, which aims to support the Regional Member Countries (RMCs) in their efforts towards poverty reduction and considers that agriculture and rural development will continue to be the engine of pro-poor growth in Africa; and (iii) the Agricultural and Rural Development Sector Bank Group Policy (2000), which seeks to promote sustainable use of natural resources, strengthen rural institutions, support improvements in agricultural productivity and create an economic environment conducive for the commercialisation of agriculture, enhanced food security and increased poverty reduction.

4.4 Programme Objectives

The Sector Goal is to contribute to increased GDP growth, reduced rural poverty and enhanced food security. The programme development objectives are: (i) to enable farmers to have better access to and use of agricultural knowledge, technologies, marketing systems and infrastructure, all of which contribute to higher productivity, profitability, and farm incomes; (ii) to promote agricultural private investment based on an improved regulatory and policy environment.

4.5 Programme Description

Agricultural Sector Development Programme (ASDP). The Government in May 2006 produced a Programme Document for the operationalisation of the ASDS. The highlights of the programme are as follows:

4.5.1 The programme is national in scope, but will be phased in a flexible manner to allow all Local Government Authorities (LGAs) time to adjust to the new funding mechanisms and to manage the proposed reforms. The programme is costed for seven years from 2006/7 – 2012/13. The Programme comprises two components with eight sub-components, as detailed below:

4.5.2 *Component 1: Local Level Support:* This component supports sector activities at village, ward and district levels and will focus on three sub-components (i) local agricultural investments, (ii) local agricultural services, and (iii) local agricultural capacity building and reform.

4.5.3 *Component 2: National Level Support:* This component will focus on five sub-components which are as follows: (i) Agricultural Services, (ii) National Irrigation Development, (iii) Marketing and Private Sector Development, (iv) Food Security, and (v) Coordination, Monitoring and Evaluation.

4.5.4 *Programme Cost and Financing*: The total cost for the overall ASDP Programme is estimated at Tsh 2,492 billion (USD 2.098 billion, with Tsh 1,876.2 (USD 1,579.3 million) for the Local Level and Tsh 615.9 (USD 518.5 million) for the National Level.

4.6 Agriculture Sector Development Programme - Phase 1 (ASDP - I)

4.6.1 Following the adoption of the ASDP Government Programme Document in June 2006 as the umbrella framework for future interventions in the sector, the Government together with five Development Partners³ prepared and appraised the Agricultural Sector Development Programme – Phase (ASDP-I) based on the likely funding resources available at the time. The ASDP-I also has a national coverage and is estimated at USD 315.6 million, over the 6-year period (2006/07 – 2011/12). Since the implementation of the ASDP-I has already started and is designed for 6 years, the Bank Group’s participation in the programme will be for the remaining 5 years (2007/8 – 2011/12).

4.6.2 The ASDP-I is fully aligned with overall Programme and has same two main components. The components are aligned to the Government’s national and local level planning and budget processes. The sub-components of the local level support are aligned to the local level block grant system of Government, while the national level sub-components are aligned to the key technical themes of the ASDP.

4.6.3 Local Level Support Component

The ADF resources will be used to support the-

4.6.3.1 Local Agricultural Investments

(i) Provision of District Agricultural Development Grants (DADGs) to support local agricultural investments on a cost-sharing basis, including, among other things, public infrastructure, such as rural roads; small-scale irrigation schemes; environmental investments; productive community investments, such as risk-bearing innovative equipment, crops and livestock; food storage facilities; market infrastructure; reforestation of degraded areas; and community nurseries; and

(ii) Provision of District Irrigation Development Fund (DIDF) Grants to pilot the competitive selection of local investments in small-scale irrigation schemes above the established budget ceiling for DADGs.

4.6.3.2 Local Agricultural Services

Provision of Extension Block Grants (EBGs) to support the contracting by farmer groups of local agricultural services through private agricultural service providers, such as for advice on agricultural production and marketing, and facilitation of farmer-to-farmer visits and learning. This sub component will also support the strengthening of the public sector extension service in areas where the private services are not available

4.6.3.3 Local Agricultural Capacity Building and Reform

(i) Provision of Capacity-Building Grants to support local agricultural capacity building, among other things, to improve district agricultural planning and agricultural investment appraisal, and for reform of agricultural services;

³ World Bank, the European Union (E.U.), the Embassy of Japan, the Development Cooperation Ireland (DCI), and the International Fund for Agricultural Development (IFAD)

(ii) Provision of training to promote farmer empowerment for activities such as interacting with Local Government, and procurement and management of contracted services; and facilitation of farmer fora for networking, leadership and technology testing; and

(iii) Promotion of development of private sector agricultural service providers through awareness raising activities, and provision of training on operating modalities, and technical and business practices.

4.6.4 National Level Support Component

In addition, part of the ADF resources will go to support the following activities at the national level:

4.6.4.1 Agricultural Services: Agricultural services' reform, primarily in the field of research and extension, by:

(i) Provision of support for the improvement of management and accountability of Zonal Agricultural Research and Development Institutes (ZARDIs) through implementation of a Client-Oriented Research Development and Management Approach (CORDEMA); and the establishment, financing and expansion of Zonal Agricultural Research and Development Funds (ZARDEFs) across all agro-ecological zones; and

(ii) Provision of support for the facilitation of policy and institutional reforms, such as preparation of a code of practice for extension and research, and finalization of an agricultural services reform strategy for other related technical services.

4.6.4.2 National Irrigation Development

(i) Provision of support through the National Irrigation Development Fund (NIDF) for the carrying out of due diligence preparatory work for future small-, medium- and large-scale irrigation investments in National and International Basins, including: participatory development and operationalization of appropriate identification, screening and prioritization mechanisms; support for technical designs, studies, and environmental impact assessment, including the strategic environmental assessment; capacity strengthening at the national, zonal and district levels, including in monitoring and evaluation; and carrying out of activities to attract private investment, such as awareness raising and improving the policy environment for public-private partnerships.

(ii) Provision of support for carrying out of physical infrastructure investments in irrigation at the national level in National Water Basins through public-private partnerships.

4.6.4.3 Marketing and Private Sector Development

Provision of support for scaling up of new approaches to private sector led agricultural market development, including support to smallholder marketing associations, linkages to external markets, and capacity building and investment along the entire marketing chain; empowerment of producer marketing groups at district level; improvement of formulation of agricultural regulations and laws and strengthening capacity for their implementation; support for agricultural policy analysis and formulation; carrying out of annual assessments of public expenditure in agriculture, at both national and district levels; and annual sector reviews.

4.6.4.4 Food Security:

Provision of support for support for inclusion of vulnerable and food insecure groups in planning, preparation and implementation of DADPs through technical advisory services and training to LGAs, and carrying out of rural vulnerability assessments.

4.6.4.5 Coordination, Monitoring and Evaluation:

Provision of support for strengthening of national, regional and district level mechanisms for planning, implementation and reporting of agricultural investments and services, including quality control; overall programme coordination; and monitoring and evaluation.

4.7 **Environmental Impacts and Mitigation Measures**

4.7.1 In accordance with the Bank's Environmental and Social Assessment Procedures (ESAP), this Programme is classified as Category 2, considering that the potential environmental and social effects of its sub-projects are expected to be site-specific and non-significant. In the spirit of the framework of the harmonization and alignment process outlined in the Paris Declaration, the Programme will ensure compliance with Tanzanian requirements, including the Environmental Management Act (EMA) and the Environmental Impact Assessment (EIA) and Audit Regulations, and to use the Tanzanian's EIA country system for scaling-up the development impacts, increasing country ownership and building institutional capacity of the MAFC, MLD, MITM, MoW, the National Environmental Management Council and the targeted districts.

4.7.2 Based on the range of potential sub-projects which could be funded through the implementation of DADPs/VADPs (e.g. rural roads, small-scale irrigation scheme, market infrastructure, cattle dip, charco dam, afforestation of degraded watersheds) and the National Irrigation Development Fund (NIDF), potential environmental and social impacts could result from the construction and operation of these agricultural investments. Since the identification of these sub-projects will be achieved through a national, district and village participative processes, the biophysical location of these infrastructures, and the intensity, duration and significance of the social and environmental impacts cannot be determined at this stage. Consequently, the proposed enhancement/mitigation and monitoring measures are generically outlined in the Programme's Environmental and Social Management Framework (ESMF).

4.7.3 Numerous positive social and environmental impacts could result from the implementation of the proposed sub-projects. From a **socio-economic perspective**, the project's activities will result in improved access to social services (health, education) due to the presence of feeder roads, improvement of overall public health status through water availability, improvement of the food security due to increased agricultural production. There should also be a reduction of rural poverty through increased commercial activities within the programme's targeted districts and villages, thereby improving the socio-economic conditions of the farmers and merchants. From an **environmental perspective**, the project will ensure the integration of environmental and social issues into district council's decision-making processes and investment plans (District Development Plan (DPP) and DADP/VADP); catalyze the mainstreaming of environmental and social issues in each District through preparation of Environmental Profiles and inclusion of key environmental priorities within the preparation process of the DDP, DADP an VADP; train Districts' technical officers in the application of EIA process for ASDP sub-projects; strengthen PFGs capabilities in adopting environmentally-sound farming practices, alleviating some of the root causes of land degradation and loss of soil fertility in Tanzania; increasing crop yields through water availability, reducing the tendency to extend cultivated areas in marginal lands and, therefore, contributing to biomass and biodiversity conservation; reducing the reliance on harvesting natural resources for

sustenance due to increased crop production; and finally improving water availability and water use efficiencies.

4.7.4 Generally, the potential negative social and environmental impacts associated with the construction and operation of the rural infrastructures will be site-specific and easily mitigated and/or minimized through the mainstreaming of mitigation measures within their design and during their implementation by the beneficiaries, assisted by the District Technical Officers. The anticipated impacts are likely to be associated with point and non-point pollution of water sources, soil erosion, increased loss of soil fertility, cultivation of marginal lands, land use conflicts, and other issues associated with increased agricultural inputs use, including fertilizers and pesticides. In particular, rehabilitation and/or construction of feeder roads could result in stripping of soil, loss of vegetation due to the creation of borrow pits, soil erosion on road cuts and fills and on stripped borrow areas, silting of roadside ditches and subsequent sedimentation downstream, soil and water pollution due to spillage of toxic and hazardous materials, noise, dust and air pollution created by construction activity, impact on human settlement through land use, negative impacts on human social welfare through accidents and the spread of HIV/AIDS related diseases, potential impacts on flora and fauna in wetlands, forests and wilderness areas. Irrigation scheme, on its side, could result in reduced availability of water downstream of earth dams constructed across ephemeral and perennial streams; increased incidences of water-borne diseases, water contamination by return flows from irrigated lands. None of these impacts are, however, expected to be large-scale, significant and irreversible. Most impacts are localized in relation to the places where rehabilitation/construction works are to be carried out.

4.7.5 In accordance with the Tanzania's EMA and its EIA and Audit Regulations, the GoT has prepared in March 2006 a stand-alone Environmental and Social Management Framework (ESMF) which establishes a mechanism to assess the potential environmental and social impacts of the ASDP's sub-projects and to define the mitigation, monitoring and institutional measures to be taken during the construction and operational phases. This ESMF was reviewed by NEMC and approved by the Minister responsible for the Environment. As the Bank is joining the other Development Partners in supporting the implementation of the ASDP, the ESMF is, by default, adopted by the Bank. The GoT has integrated the dam safety and the Integrated Pest Management requirements of the World Bank into the ESMF for situations where they may apply.

4.7.6 In order to ensure the implementation of the ESMF for the ASDP and the EIA and/or the ESMP at the sub-projects level, separate financial provisions have been assigned for the design and implementation of a EIA training programme (estimated at USD 400,000) at the national and district levels, the implementation of the mitigation measures at sub-projects level (USD 400,000) and, finally, a budget of USD 250,000 for the environmental monitoring programme. The GoT has also agreed to prepare a Strategic Environmental Assessment (SEA) Study of the National Irrigation Master Plan during the implementation of the ASDP, so as to inform this sub-sector of the requirements for environmental management planning. The intensity, extent and scale of impact will be examined by the SEA, which will be undertaken in the 1st year of implementation of the ASDP. The recommendations of the SEA with regards to water quality and other cumulative impacts will inform subsequent planning decisions for the location and scale of irrigation investments, alternatives, mitigation measures and monitoring activities.

4.7.7 In accordance with the principles of the decentralisation framework in Tanzania, the monitoring of the implementation of the mitigation measures will be assumed by the District's Technical Officers. The Environment Specialist in MAFC will coordinate the overall implementation of the ESMF and undertake routine monitoring. Finally, the ASDP Steering Committee, which includes NEMC, will also undertake semestrial field visits. However, ultimately,

the contractors, operators and the beneficiaries, in accordance with their contract provisions, are accountable for the implementation of the mitigation measures.

4.7.8 The measures outlined in the ESMF will be implemented following the same project schedule as all activities were mainstreamed into the programme design and implementation. Achievements or problems will be reported in the project quarterly/annual progress reports and should be timely addressed by the project management and the Bank. The costs for mainstreaming the environmental mitigation and monitoring measures should be included into the programme's annual work plan and budget.

4.8 Programme Costs and Sources of Financing

4.8.1 The total cost of ASDP-I is estimated at USD 315.6 million (equivalent to UA 210.8 million). As of now the following donors have pledged to contribute to the funding of the programme: World Bank – USD 90.0 million (UA.60.125 million); European Union – USD 8.5 million (UA 5.679 million), Japanese Embassy- USD 3.0 million (UA 2.004 million), Development Cooperation Ireland (DCI) – USD 1.0 million (UA 0.668 million), International Fund for Agricultural Development USD 36.0 million (UA 24.050 million), Government – USD 28.7 million (UA 19.200 million) and Beneficiaries – USD 23.2 million (UA 15.469). The African Development Bank has earmarked UA 40.0 million (approximately USD 59.87 million) to support the Programme. There is presently a funding shortfall of USD 65.29 million (UA 43.62 million). The Government intends to organise a donors conference early next year to mobilise additional resources for the Programme. A summary of the programme costs and sources of financing are presented in the tables 4.1 and 4.2 below.

Table 4.1: Programme Costs (UA'000)

	06/07	07/08	08/09	09/10	10/11	11/12	Total
Component 1: Local Level Support							
Agric Investments	3,827	11,350	12,508	14,445	12,546	13,945	68,622
Agric Services	1,140	4,468	6,588	8,150	9,567	10,874	40,787
Agric Capacity Building and Reforms	5,024	5,013	5,379	6,026	5,754	5,280	32,476
Sub-total	9,991	31,182	36,637	42,842	41,712	45,054	141,885
Component 2: National Level Support							
Agric Services	5,755	9,312	9,075	7,576	7,197	6,734	45,649
Irrigation Development	1,011	1,145	1,070	1,044	1,075	1,075	6,421
Marketing & Private Sector Dev.	905	945	923	925	-	-	3,698
Food Security	220	679	696	699	710	-	3,004
Coordination and M&E	1,940	1,330	1,776	1,427	2,348	1,336	10,157
Sub-total	9,831	13,410	13,540	11,671	11,330	9,146	68,928
Total	19,821	44,592	50,177	54,513	53,043	54,200	210,813

Table 4.2 : Sources of Financing (UA'000)

	06/07	07/08	08/09	09/10	10/11	11/12	Total
Sources of Funds							
Government	-	1,743	3,098	3,279	4,151	6,930	19,200
Farmers (Beneficiaries)	737	1,736	3,383	3,232	3,017	3,365	15,469
Development Partners (Requested)	19,084	30,763	31,536	33,782	32,029	28,950	176,144
Development Partners (Committed)							
<i>Comprised of:-</i>							
- AfDB	-	8,000	13,935	15,862	2,203	-	40,000
- World Bank	9,456	13,755	12,095	12,799	8,679	3,340	60,125
- IFAD	3,783	5,501	4,838	5,120	4,808	tbd	24,050
- European Union (STABEX)	2,839	2,839	tbd	tbd	Tbd	tbd	5,679
- Embassy of Japan	668	668	668	tbd	Tbd	tbd	2,004
- Irish Aid	668	tbd	tbd	tbd	Tbd	tbd	668
Total	17,414	30,763	31,536	33,781	15,690	3,340	132,526
Current Shortfall in Funding	(1,670)	0	0	0	(16,338)	(25,610)	(43,618)

* tbd : To be determined

4.8.2 Local Government Capital Development Grant System: Consistent with the ASDP Programme Document, the bulk of expenditures will be at LGAs level (67%), and will be provided through three fiscal grant transfers: (i) the District Agricultural Development Grant (DADG); (ii) the Extension Block Grant (EBG); and (iii) the Agricultural Capacity Building Grant (A-CBG).

Table 4.3: Annual Performance Assessment Criteria

1. Quality of Local Government Authorities' agricultural planning	1.1 The quality of the DADP and its analysis of agricultural development, including a diagnostic assessment and formulation of an agricultural strategy. 1.2 Evidence of empowered farmer groups demanding and contracting services
2. Progress on agricultural services reform and provision	2.1 Evidence of reform of the DALDO/Cluster Head staff structure, and a review of agricultural services delivery policy. 2.2 Degree of outsourcing of extension services, the extent to which the LGA pay private contractors on time and other agreed indicators of reform of the agricultural extension system. 2.3 Evidence of linkage with Zonal Agric. Research Institute.
3. Quality of local agricultural investments	3. Proof that investments meet technical, financial and economic, social, gender, and environmental performance standards
4. Local policy and regulatory environment	4. LGA adherence to national guidelines on LGA tax structures and extent to which the LGA provides an enabling environment for private investments

Source: ASDP Government Programme Document (2006)

4.8.3 The grants received by each district are determined by a formula based upon the number of villages (80% weighting), the rural population (10% weighting) and rainfall index (10% weighting). Each of the grants comprises a base and an enhanced portion. All districts will receive the DADG base grants (funded from government contribution). In order to access the DADG enhanced grants (funded by donors), further criteria will need to be met, and these are not fixed but rather based on annual progress assessments to ensure continuous improvement. The first criteria are that the District provides a basic safeguard framework for the proper use of funds, including a focus on financial management, procurement and reporting, that the position of DALDO is filled by a qualified officer, that there is a DADP and has provided evidence of a commitment to reform of agricultural services by passing a council resolution. In subsequent years, the criteria will be determined by the objectives and indicators set out in Table 4.3

5. PROGRAMME IMPLEMENTATION

5.1 Executing Agency

The Ministry of Agriculture, Food Security and Cooperatives (MAFC), as the lead ministry of the ASLMs, is designated as the Executing Agency of the Programme. This entails that MAFC will be responsible for coordination of policy directives and actions of the ASLMs.

5.2 Institutional Arrangements and Implementation

5.2.1 The institutions responsible for implementation of the national level component of the program are the Ministry of Agriculture, Food Security and Co-operatives (MAFC), the Ministry of Livestock Development (MLD), the Ministry of Agriculture, Livestock and Environment (Zanzibar) and the Ministry of Industry, Trade, and Marketing (MITM) while implementation of the local level component is the primary responsibility of the Prime Minister Office-Regional Administration and Local Government (PMO-RALG) and Local Government Authorities (LGAs). The programme implementation arrangements seek to strengthen those of Government and not create parallel structures. At local level, support for agricultural investments and services under this programme is conditioned on a minimum level of transparency, accountability, and sound financial management as established through the Government's recently developed LGCDG system.

5.2.2 *ASDP Government/Donors Steering Committee.* The committee will review workplans and budgets to be financed both at the national and local level; will approve quarterly disbursements against quarterly financial and physical reports, including interim (un-audited) financial reports (IFRs), and for the local level component will recommend quarterly disbursements to the LGCDG Steering Committee. Based on the decision of the ASDP Government/Donors Steering Committee and LGCDG Committee, funds will flow from a Special Account in the Bank of Tanzania, through the exchequer to LGAs and line ministries. The Chief Accountants of ASLMs⁴ and Council Treasurers will be responsible for the proper management, recording and reporting of funds released to their respective ministries or Councils. The ASDP Government/Donor Steering Committee is chaired by the Permanent Secretary of MAFC and include: Permanent Secretaries of ASLMs, representatives from key Ministries such as Finance; Planning, Economy and Empowerment; and all Development Partners (World Bank, European Union, IFAD, Japanese Embassy, Irish Aid and African Development Bank) supporting the Programme.

5.2.3 *ASLM Permanent Secretaries and Directors.* The Permanent Secretaries (Inter-ministerial Coordinating Committee) will be responsible for the overall coordination and implementation of the associated sub-elements of the program. The respective Directors of the ASLM divisions (Committee of ASLM Directors) will be delegated responsibilities of the associated sub-elements of the program. This committee will be chaired by the Director of Policy and Planning, MAFC and will make recommendations to the ASDP Government/Donors Steering Committee on the compliance of proposed activities with policies and strategies, on submitted work plans and budgets as well as reports, and recommend to the ASDP Government/Donors Steering Committee amounts to be released for implementation. The Committee of Directors will be a central driving and supervising force of all technical implementation in the ASLMs, and will support the shift to a sector-wide approach. The Committee of Directors will assemble and supervise integrated technical teams to implement the inter-sectoral activities as required.

⁴ ASLMs are the Agricultural Sector Lead Ministries which are the MAFC; MLD; MITM; and PMORALG. Other Ministries represented on the Inter-ministerial Coordinating Committee include, the Ministry of Water; Ministry of Natural Resources and Tourism; Ministry of Lands, Housing and Human Settlements Development; and the Vice President's Office.

5.2.4 ***Director of Policy and Planning, MAFC.*** The administrative aspects of the ASDP financial resources will be the responsibility of the Director of Policy and Planning (DPP), MAFC. The Policy and Planning unit, MAFC, will work primarily with the Directors of Policy and Planning (DPPs) of the other ASLMs, all ASLM finance and administrative sections, and the Department of Local Government and Department of Sector Co-ordination in PMO-RALG and consolidate work plans and budgets, quarterly and annual physical and financial reports, including IFRs, progress reports, and requests for funds on behalf of the implementing agencies. The DPP-MAFC will consolidate and submit the associated documentation required by the ASDP Government/Donors Steering Committee. The DPP unit will be strengthened in terms of personnel, skills and equipment to manage the additional responsibilities.

5.2.5 ***Local Government Capital Development Grant Steering Committee.*** The programme will also be integrated into the arrangements in place for the LGCDG system, namely its Steering Committee and Technical Committee. These committees oversee the block grant allocations to LGAs, including the allocation formula, assessment and qualification of LGAs for block grant allocations, and changes to the performance assessment criteria.

5.3 Supervision and Implementation Schedule

The Bank together with the other Donor Partners and Government will carry out Joint Implementation Review (JIR) of the programme every six months, the second review in the year will be considered as the Annual Joint Implementation Review. The overall purpose of the review is to assess the programme progress against objectives; evaluate implementation progress against work plan targets; assess the implementation of any policy initiatives or institutional reforms that may have been agreed upon in the work programmes; and to identify specific actions that will facilitate future implementation. At the Annual Joint Implementation Review, decisions regarding the ensuing year's Annual Work Programme and Budget and the funding requirements will be made. In view of the fact that the Programme will be closely supervised through the JIR and any necessary corrective measures taken during the course of its implementation, a Mid Term Review would not be required. However, a Programme Completion Report (PCR) will be prepared by both the Borrower and the Donor Partners at the end of the Programme. The Bank's Tanzania Field Office (TZFO) together with the other donors will assist in the day to day monitoring of the programme's implementation. The Office will also participate fully in the JIRs.

5.4 Procurement Arrangements

The country systems governing the procurement of works, goods and services, as defined in Tanzania's procurement code, which have been reviewed and found to be in compliance with applicable ADF procurement rules, will be applied in the context of the programme. In the light of the Bank Group's budget support guidelines, Tanzania is making significant progress in budget reform aimed at transparent and efficient management of public resources. In general, it satisfies the preliminary conditions for budget support.

5.5 Disbursement Arrangements

5.5.1 The Bank's funding mechanism for the Programme will be the Sector Development Budget Support Lending (SDBSL). The ADF funds will be disbursed into a Special Account to be opened by the Ministry of Finance at the Bank of Tanzania for purposes of receiving the ADF loan funds. Disbursement of the ADF loan will be done in annual tranches. Each year, at the Annual Joint Implementation Review, the Government and DPs will review the sub-sector needs and agree on how much money will be needed for the programme for the following year. The Funds will only be

released from the Special Account into the LGAs/ASLMs accounts quarterly on instructions from the ASDP Government/Donors Steering Committee in the case of ASLMs, and LGCDG Steering Committee in the case of LGAs. Each quarter the MOF will transfer funds out of the Special Account into the Programme's Exchequer Account for release directly to LGAs/ASLMs.

5.5.2 At the end of each year a reconciliation statement will be prepared showing how much money has been received from the Government and donors for the Programme during the year, how much money has been spent by LGAs and the ASLMs and the funds remaining unspent. The funds remaining unspent at the end of the year will be carried forward to finance Programme activities during the next fiscal year and will be taken into account in the determination of the financing gap for that particular year. This reconciliation statement will be submitted to the Bank for review.

5.5.3 The disbursement of annual tranches will be subject to: (i) satisfactory implementation of the programme as agreed by the Annual Joint Implementation Review (by Government and Donors); and (ii) submission to the Fund of the approved annual work plan and budget consistent with the MTEF for the programme for ensuing year. Table 5.1 presents estimates of the disbursement tranches. The actual amounts to be disbursed will depend on the programme's annual work plan and funding requirements for the ensuing year. The annual tranches presented below are therefore indicative.

Table 5.1: Projected Amount of Tranches

Tranche	Year	Amount
1	2007/08	Up to UA 8.00 million
2	2008/09	Up to UA 13.94 million
3	2009/10	Up to UA 15.86 million
4	2010/11	Up to UA 2.20 million or the Balance on the Loan Account
Total		UA 40.00 million

5.6 Monitoring and Evaluation

5.6.1 Overall rural poverty and sector growth indicators will be monitored as part of the MKUKUTA through periodic Household Budget Surveys and annual national accounts. The national sample survey of agriculture completed in 2003 forms a useful baseline for the program. A follow-up census is proposed in 2008.

5.6.2 Progress towards the achievements of the programme's development objectives (**key outcome indicators**) will principally be measured as:

- (i) Percentage of farmers accessing improved agricultural services and infrastructure (baseline crop extension = 35% by 2010 = 45%; baseline livestock advice = 16%, by 2010 = 21%; baseline for irrigation use = 8%; by 2010 = 10%).
- (ii) Percentage of farmers that show sustained use of one or more relevant technologies and the sustainable use of productive infrastructure (by 2010 = 40% increase from baseline)
- (iii) Percentage of private sector investment growth into agriculture (**5%** increase per year).

5.6.3 In addition, the resulting change in agricultural productivity and farm incomes will be monitored as a contributor to the overall Government objective of an annual agricultural sector growth target of 10%, as presented in the NSGRP.

5.6.4 Details of these indicators are presented in Annex 5. These outcomes are currently being refined by the ASDP M&E Thematic Working Group. The monitoring of indicators will also serve

as an input for the Joint Implementation Review. Given that women are said to produce 60% of the food crops, their involvement in the programme's activities and benefits will be closely monitored and reported on. The indicators have been used in developing the logical framework for the programme.

5.6.5 A rapid agricultural service survey is proposed 2007/08 and every second year there-after on a panel of farming households to measure access, use and satisfaction of agricultural services. This builds on the use of similar surveys by the Tanzania National Bureau of Statistics. These surveys should provide measurement of progress towards the program, sector, and NSGRP cluster strategy objectives. Impact evaluation surveys will also be undertaken to determine programme impacts on productivity and farm income.

5.6.6 The monitoring system for Local Government is built into the mechanism for accessing the agricultural grants. Districts will be externally assessed annually against minimum access conditions, which include measures of transparency, accountability, and financial management; and subsequent performance measures of district agricultural planning, agricultural services reform, and quality of investment. LGA performance levels will determine the size of the grants that can be accessed. LGAs will have access to capacity building resources to improve on areas of poor performance. The performance assessment criteria are linked to the objectives of the programme. The assessment will be undertaken jointly with the broader assessment linked to the LGCDGs.

5.6.7 Monitoring of implementation will be through quarterly financial and physical reports, including Interim Financial Reports (IFRs) of Ministries and LGAs, consolidated by the DPP-MAFC and reviewed by the ASDP Government/Donors Steering Committee and the LGCDG Steering Committee. There is also proposed to be an Annual Agricultural Sector Review which includes performance assessment over the past year with guidance to the subsequent Government budget process.

5.7 Financial Reporting and Auditing

5.7.1 **Internal Audit:** One of the minimum conditions under the LGCDG system is that each LGA must have an Internal Audit Unit (IAU) at the District Council level with appropriate staffing and that the Unit prepares Quarterly reports in accordance with the Local Government Financial Memorandum (LGFM) 1997. The work of the Unit is governed by the Local Government Authorities Internal Audit Manual (2005). The Program activities will be subject to Internal Audit review as part of the routine activities of the IAU. Follow-up of internal audit recommendations forms part of the LGCDG Performance Measures.

5.7.2 **External Audit:** The ASDP external audit will be carried out annually by the National Audit Office (NAO) in accordance with the Public Finance Act 2001. In addition, the audit will be carried out in accordance with the provisions of the MoU (Basket Fund) and the agreed terms of reference (TOR) for the audit of the financial statements of the Programme. The auditor will be required to express an opinion on the audited Programme financial statements in compliance with International Standards on Auditing (IFACLNTOSAI pronouncements) and submit the audit report within six months of the end of the financial year. In addition, the auditors will provide: (i) an opinion on the operation of the Designated Basket Fund Holding Account and AfDB Special Account; and (ii) detailed management letters containing the auditor's assessment of the internal controls, accounting system and compliance with financial covenants in the Financing Agreement.

5.8 Aid Coordination

5.8.1 In Tanzania, there is an active Development Partner - Agriculture Working Group - (DP-AWG), which is supporting the Government's development agenda in the sector. The Group is open to all bilateral or multilateral development partners supporting activities in the agricultural sector in Tanzania and its current membership is as follows: EU, IFAD, USAID, JICA, FAO, DANIDA, World Bank, Irish Aid, DFID, Embassy of Japan and the AfDB.

5.8.2 The purpose of the Group is to promote coherence and consistency in development assistance to agriculture through coordination of Development Partners' support to the sector with a view of achieving harmonization, promoting coordinated policy dialogue and reducing transaction costs. The Bank's Tanzania Field Office is being strengthened with additional staff and adequate skill mix, and will continue to participate more effectively in the activities of the group. As stated under sections 5.2.2 and 5.3, the Bank will also be a member of the ASDP Government/Donor Steering Committee and participate fully in the Joint Implementation Reviews of the programme.

6. PROGRAMME SUSTAINABILITY AND RISKS

6.1 Sustainability

6.1.1 The NSGRP highlights agricultural development as a key priority to achieve the Government's rural poverty reduction targets. The Government also developed the programme document and requested Development Partners to support its implementation. This demonstrates a clearer commitment to the programme than some of the past Development Partner financed interventions. The proposed support also builds on Government systems and processes using pooled Development Partner funds, rather than past approaches of fragmented and area based projects with their own donor specific system. These elements improve the likelihood of sustainable impact. In addition, the long term sustainability of the programme interventions will be determined by the extent to which it delivers results i.e. improving agricultural service delivery and subsequent gains in farm productivity and income. Improving the responsiveness of key services to demands of farmers together with supporting infrastructure and the policy environment should improve impact

6.1.2 Secondly, despite the above funding strategy, the Government acknowledges that its resources are insufficient to cover all rural infrastructures. Consequently, it has developed a development strategy aiming towards the promotion of the ownership and responsibility of rural infrastructures by the recipient communities. This strategy is based on the following premises: (i) involving beneficiaries in planning, implementation, maintenance and capacity building, so as to inculcate ownership of the projects supported by the application of bottom-up participatory approaches; (ii) training in O&OD and extend PRA methodologies; (iii) participatory process of village, ward and districts in the preparation of DDPs and DADPs and selection of priority investments; and (iv) formation of rural infrastructures user groups/organizations and cost recovery schemes at village and ward levels to cover operation and maintenance of these facilities. For undesignated community rural roads networks, village councils in the country have instituted road committees to mobilize human and financial resources for roads rehabilitation and maintenance. ASDS subscribes to this approach and ASDP includes support for these activities. Experience from other donor-funded programs such as, AMSDP, TASAF, PIDP, PADEP, has shown that sustainability can be achieved in this way.

6.2 Critical Risks and Mitigating Measures

6.2.1 The external risks that have the potential to affect the successful implementation of the programme are: (i) the occurrence of severe droughts in successive years during programme

implementation resulting in farmers not making meaningful returns on adopted improved technologies. This will be mitigated to some extent by the provision of irrigation facilities under the programme, improved rural roads will help marketing and enable farmers to increase their income under low production conditions, (ii) The Government commitment to decentralization and empowerment of the community through LGAs is not in doubt, but still needs to be monitored so that the programme can take full advantage of increasing LGA capacity and (iii) The shortfall in funding may affect the achievement of the envisaged outcome of the programme. The Government intends to organise a donor conference during the first quarter of 2008 to mobilise additional resources for the programme. The Bank will consider adding more resources to the programme from the Tanzania's ADF XI allocation.

6.2.2 Internal risks of the programme include (i) lack of capacity of some districts to plan and manage the implementation of programme activities, as well as delays in DADPs/VADPs preparation and inadequate capacity in DPP will adversely affect programme implementation. This will be mitigated by providing adequate training to all key implementing bodies. In addition, ASLMs aided by the consultants where necessary will closely monitor and evaluate programme progress in each district to enable timely corrective measures to be taken. Disbursement will be according to the DADPs and will be followed closely using the EPICOR and Planrep software. (ii) In order to achieve its objectives the programme activities must be closely aligned with those of the wider ASDP, the TZFO will take an active role in the Tanzania AWG to ensure that this remains the case throughout programme life and (iii) Women headed households and women's input into agriculture is so important that mainstreaming gender is vital for the programme to achieve its objectives. It has been mainstreamed; however gender issues will still be carefully monitored throughout. Training and capacity building support will be given to ensure this.

7. PROGRAMME BENEFITS

7.1 The development of the agriculture sector, the mainstay of the economy of Tanzania will go a long way in increasing its GDP's share and towards the reduction of poverty and food insecurity. The successful achievements of the programme's expected results will undoubtedly have significant positive impacts on the targeted communities, especially the farmers. It is estimated that the programme will impact directly 3 million households, of whom approximately 25% are female headed. With emphasis on empowering local communities through greater consultation and participation in planning and deciding on the type of investment or sub-project/s, the programme methodology will ensure ownership of direct beneficiaries and the sustainability of the developmental results. Agriculture infrastructures (e.g. small-scale irrigation scheme) will increase yields and reduce climate vulnerabilities resulting in secure production and grain reserve as indicated in the ASDS

7.2 Estimating the direct benefits generated by the ASDP-I is complicated by the participatory nature of the programme, which will support investments in community infrastructure or farmer group-based technologies that cannot be known in advance. Nonetheless, the main outputs of the programme, greater responsiveness and efficiency of research and extension services and increased investment in productive or public assets, are expected to generate a range of benefits including higher farm productivity and incomes, greater farmer voice in decision-making and more cost effective public expenditures. By simultaneously reacting to the specific needs of farmers and mobilising more effective service delivery systems and investments, the programme will provide participating communities with the new skills and technologies that best respond to local obstacles and opportunities for growth.

7.3 The programme's intervention in improving extension services, capacity building, agricultural infrastructure, such as rural roads, small-scale irrigation schemes, small scale agro-

processing units, as well as group or community investments in productive agriculture, including crops and livestock will provide the local people with primary and secondary income earning opportunities. The construction of irrigation schemes and rural roads will undoubtedly assist in increasing food production and access to farm inputs, and conveying the produce to markets.

7.4 Other investments in building new market facilities, improving existing market structures as well as constructing livestock markets and slaughter slabs will provide the much needed improved facilities in marketing the increased farm and livestock produce. It is envisaged that, with the new and improved market facilities (providing shelter against the vagaries of the weather), the number of women involved in selling farm produce as well as engaged in other economic activities will increase. The new markets will increase trade and serve as commercial as well as social convergence zones, where villagers meet and interact, bringing other indirect social benefits to the communities. Sales of farm produce along the road side will also increase providing additional income to beneficiaries, particularly women who mostly engage in this type of activity.

7.5 The provision of slaughter slabs (more hygienic conditions), agro-processing units (for dairy produce, vegetable and fruits especially cashew nuts), the programme will not only improve work conditions farmers and livestock producers, but add value, making the produce fetch higher market prices thus increasing income of beneficiary communities. For example, it is estimated that processed and bagged cashew nuts fetch four times the price of unprocessed nuts. Although attempts to process cashew locally on a large scale have been disappointing, there has been success with local small scale processing, insulating producers from the adverse effects of gluts on the international market. With these levels of value addition and increase in prices, farmer incomes will rise and the programme will ultimately contribute to reducing poverty levels within the farming communities.

8. CONCLUSIONS AND RECOMMENDATION

8.1 Conclusions

8.1.1 The programme is participatory and iterative local approach in its design, beneficiary demand-driven in its need assessment, promote pluralism in its delivery, decentralized and result/incentive in its implementation and, finally, in coherence with the GoT's policy (NSGRP) These key principles, which underline the planning and implementation of this Programme, are in full compliance with the OECD/DAC Development Aid Effectiveness. Their operational translation within the scope of this Programme should ensure the sustainability of its expected results. Specifically, it will contribute to raising productivity and growth in the agriculture sector, and significantly increase the incomes of beneficiary households.

8.1.2 The programme is demand driven. The participatory development approach proposed, with specific activities and investments being determined through the community planning process should bring about a high sense of ownership of the facilities developed through the programme and provide some guarantee of sustainability. Further guarantees are provided by the technically unsophisticated nature of the majority of the inventions anticipated and their simple maintenance requirements and by using to a large extent existing government structures for programme implementation.

8.2 Recommendations

It is recommended that a Loan not exceeding UA 40.0 million be provided to the United Republic of Tanzania on ADF resources, in the form of budget support for the agriculture sector, for the purpose of supporting the implementation of the programme as described in this report subject to the following particular conditions:

A. Conditions Precedent to Entry into Force of the Loan Agreement

The entry into force of the Loan Agreement shall be subject to the fulfillment by the Borrower of the provisions of Section 5.01 of the General Conditions applicable to Loans and Guarantees of the Fund.

B. Conditions Precedent to Disbursement of the Loan

The Loan shall be disbursed in four annual tranches. The amounts in presented below are indicative. The final amount of each tranche shall be based on the approved annual work plan and funding requirements for the applicable year.

Conditions precedent to disbursement of the four (4) tranches will be as follows and in accordance with the schedule also provided below (Paragraph 5.3.3):

- (i) for the first disbursement, the borrower shall have opened a Special Account in foreign currency with the Bank of Tanzania into which the proceeds of the loan shall be deposited;
- (ii) satisfactory implementation, in the preceding fiscal year, of the programme as agreed by the Annual Joint Implementation Review; and
- (iii) submission to the Fund of the approved annual work plan and budget, for the current year, consistent with the MTEF for the programme for such year.

Tranche	Year	Amount
1	2007/08	Up to UA 8.00 million
2	2008/09	Up to UA 13.94 million
3	2009/10	Up to UA 15.86 million
4	2010/11	Up to UA 2.20 million or the balance on the Loan Account
Total		UA 40.00 million

TANZANIA : AGRICULTURE SECTOR DEVELOPMENT PROGRAMME

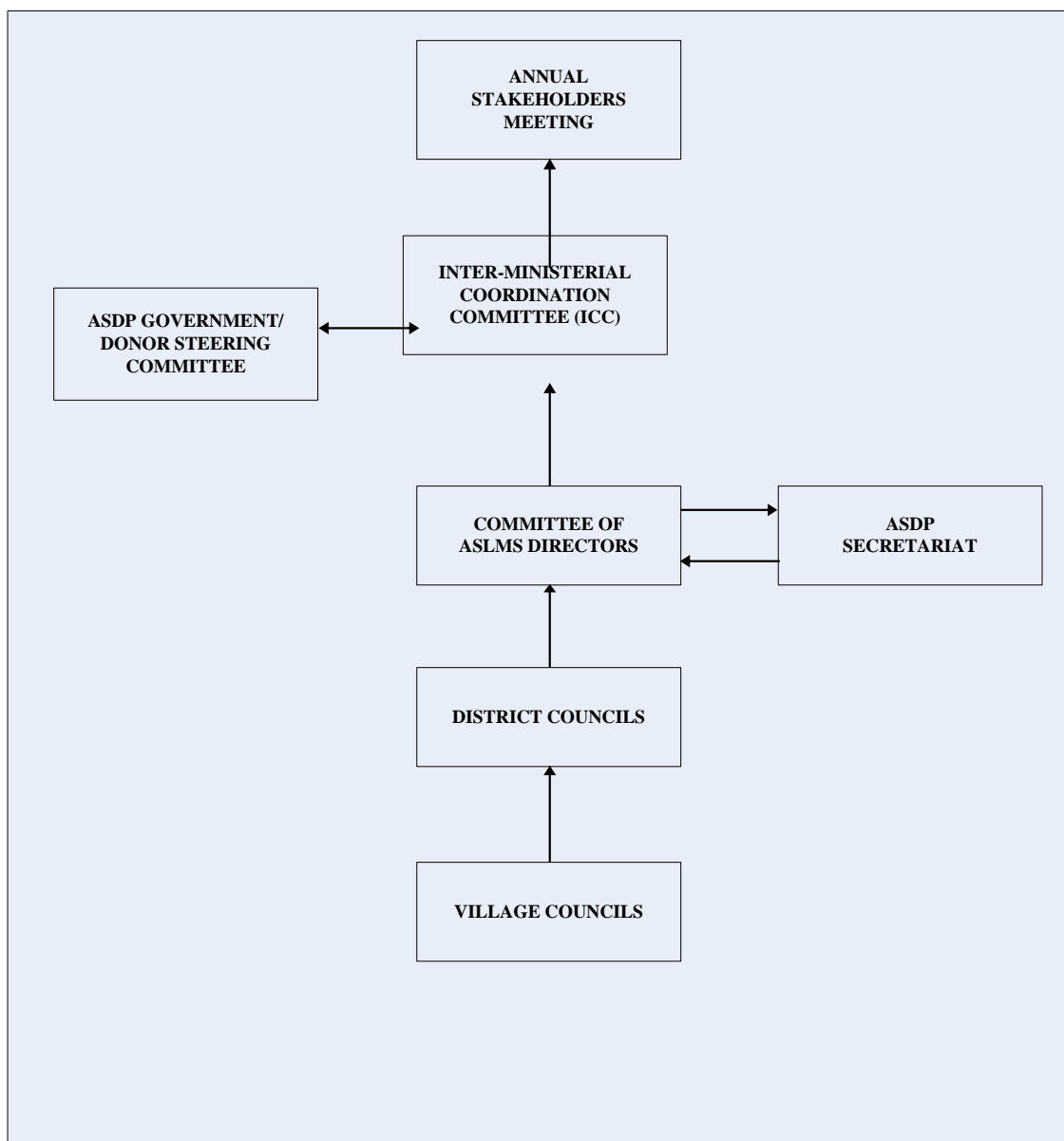
ANNEX 1 : MAP OF PROGRAMME AREA



This map was provided by the African Development Bank exclusively for the use of the readers of the report to which it is attached. The names used and the borders shown do not imply on the part of the Bank and its members any judgement concerning the legal status of a territory nor any approval or acceptance of these borders.

Annex 2: Tanzania - Agriculture Sector Development Programme

ASDP Organization Chart



Annex 3: Fiduciary Risk Assessment

1. Tanzania has demonstrated an increasingly positive track record in directing its limited public resources towards the reduction of poverty. Also, significant improvements have been made and continue to be made in PFM. These improvements have been reflected in the increasing levels of budget and sector budget support since 2001, which includes 42% (more than \$660 million in 2006/7) of all donor funds now being provided in general budget support. The HIPC assessment of 2004⁵ ranked Tanzania as a top performer requiring ‘little’ upgrading of its PFM system. Tanzania has recently undertaken two PFM assessments, in 2005/6 and 2007 (although the results of the 2007 review on Local Governments has yet to be formally released), using the Public Expenditure and Financial Accountability (PEFA) Assessment methodology. The first assessment looked at the full budget and accounting cycle at the central level and the second at the district and local level. PFM weaknesses remain and with lower than necessary levels of human capacity fiduciary risks do exist, although they have reduced significantly since 2002.

2. The PEFA assessment is retrospective but it also includes a prediction of performance at the end of 2006 and early 2007, based on reforms and improvements planned or already underway. The PEFA team’s prediction is for further strengthening of the overall position and individual indicators during 2006 and 2007, through the PFMRP. The PEFAR is a detailed public financial management review providing a detailed review of the current status of PFM reforms and processes as well as a comprehensive overview of reforms and perspectives for subsequent years. The objective is to provide a benchmark against which to track progress in PFM performance over future years and to permit comparisons with other countries undertaking PEFA assessments. Moreover it provides a comprehensive evaluation of the priorities and the optimal focus of efforts in PFM.

3. The main statutory document which sets the framework within which PFM is exercised in Tanzania is the Public Finance Act (2001) and Public Finance Regulations (2001) which define in great detail the roles, functions and responsibilities in management of government revenue and expenditure. It clearly states the roles and responsibilities of all actors in the PFM system, including the Minister and Ministry of Finance, the Paymaster General, the Accountant General, the Accounting Officers and Warrant Holders in the Ministries Departments and Agencies (MDAs), as well as the Controller and Auditor General. It specifies the responsibilities of the Minister of Finance, together with the powers he may delegate to senior officials. The Act also defines the responsibilities of the Secretary to the Treasury, as well as those of the Controlling Officers, who are appointed by the President to be the Head of a Ministry or Department and are responsible for the collection, receipt and disbursement of public money.

4. Another key PFM-related Act is the Public Procurement Act – also of 2001, although it was amended in 2005, which defines the public procurement system and procedures. The Act established the Public Procurement Regulatory Authority (PPRA). The Act describes the rules for and methods of public procurement, which are to be applied, as well as setting out the main principles and procedures for the different types of procurement available to the Ministry, Department or Agency. Finally, it identifies the tenderer’s right to request a review, as well as the need to undertake an audit of procurement activities and the production of an annual report by the Director of the PPRA to the Minister of Finance.

⁵ <http://www1.worldbank.org/publicsector/pe/HIPC/HIPCBoardPaperApril2005.pdf>.

5. The PEFA assessment in Tanzania is one of twelve that have been completed or are at final stages of approval (these include Zambia, Ghana, Afghanistan, Kyrgyz Republic, Mozambique, Tanzania, Uganda, Guatemala, Panama, Bangladesh, Moldova and Fiji). The PEFA reviews were undertaken in full collaboration with the Government of Tanzania, which has accepted the findings and has drawn up an action plan (within the PFMRP) to prioritise and take forward the numerous recommendations. Tanzania achieved 5As (top marking), 10Bs, 14Cs and 3Ds – these results compare very favourably with reports undertaken in other countries and reflect one of the best PFM systems, ranked against other countries who have completed a PEFA assessment, and well above average scores⁶.

6. The PEFA assessment is a structured methodology, which enables country PFM performance to be measured and evaluated over time. It concentrates on the national government's PFM system and the operations at the sub-national government level. The main areas that are covered are:

- **Credibility of the budget** – whether the budget is realistic and is implemented as intended.
- **Comprehensiveness and transparency** – whether the budget and the fiscal risk oversight are comprehensive and whether fiscal and budget information is accessible to the public.
- **Policy-based budgeting** – whether the budget is prepared with due regard to government policy.
- **Predictability and control in budget execution** – whether the budget is implemented in an orderly and predictable manner and there are arrangements for the exercise of control and stewardship in the use of public funds, including procurement.
- **Accounting, recording and reporting** — whether adequate records and information are produced, maintained and disseminated to meet decision-making control, management and reporting purposes.
- **External scrutiny and audit** – whether appropriate arrangements are in place for scrutiny of public finances and whether the Executive follows up these views.
- **Donor Practices** – whether donors are predictable in their provision of budget support and provision of financial information and proportion of aid using national systems.

7. **Credibility of the Budget:** The credibility of the budget is the strongest part of the Tanzanian PFM system. There is negligible variance in terms of aggregate expenditure out-turn compared to the original approved budget, although the composition of expenditure remains somewhat volatile. In terms of revenue, out-turns in 2004/05 actually exceeded projections and in previous years revenue out-turns have met budgeted revenue collection targets. All expenditure arrears were cleared as of December 2000. There are very few new expenditure arrears and where they exist they are always remedied quickly.

8. **Comprehensiveness and Transparency:** As part of the IFMIS system the Government introduced the Government Financial Statistics (GFS)-based economic classifications for the central government budget and these were rolled out to local authorities in 2004. Budget documentation includes the relevant documentation and non-donor funded extra budgetary spending is less than 5%, which is one of the best in Africa. There is a clear and transparent formula based mechanism for the transfer of block grants from central government to local government. The report highlights

⁶ For a detailed summary of the findings of PEFA reviews see, 'PFM Performance Measurement Framework: Report on Early Experience from Application of the Framework', November 2006. <http://www.pefa.org/PEFA%20Website%20-%20CURRENT%204-9-03/REEAF-Nov.3.2006.pdf>.

some weaknesses in the oversight of aggregate fiscal risk, although this is solely related to parastatals and not sub-national governments. Key fiscal information is published, including external audit reports, although the format is not easily understood to the general public.

9. Policy Based Budgeting: There is orderliness and participation in the annual budget formulation process as a comprehensive budget calendar exists and detailed budget guidelines are produced. A 3-year MTEF is prepared and the Government includes this three year rolling MTEF in its budgetary system. There are some concerns that recurrent costs of project investments are not adequately planned for, although this relates as much to donor practices of non-reporting of activities and cost over-runs in projected activities.

10. Predictability and control in budget execution: Information on taxpayer responsibilities are set out, although the information is not always clear. The Tax Revenue Board and Tribunal have been established and discretionary powers in tax legislations have been largely removed. A tax registration system does exist and penalties for non-compliance exist although the impact of these penalties needs to be strengthened. Predictability in the availability of funds for commitment of expenditures is increasing, and although budget adjustments are frequent they are done in a transparent manner. All foreign debt is recorded on a computerised debt management system and all loans and guarantees are now approved by the Ministry of Finance. In terms of payroll controls, the Integrated Human Resource Payroll Management System (IHRPMS) is generally considered robust and the possibility of ghost employees is now significantly reduced. On the non-salary expenditure side, the internal control system has a comprehensive set of controls and extensive training has taken on the application of the financial rules and regulations. The internal audit function exists and many of the regulatory institutional and programmatic measures on which to build an effective internal audit function are now in place.

11. With respect to procurement, the CPAR of 2003 made several recommendations including: (i) separating the operational and regulatory functions of the Central Tender Board and transforming the Central Tender Board into a regulatory authority responsible for procurement policy and monitoring of public procurement; (ii) fully decentralizing procurement operations to MDAs; (iii) establishing a new cadre of procurement specialists and a system of certification for the same; (iv) restructuring the composition of the District Tender Boards to exclude councillors; (v) establishing a whistle-blowing mechanism to curb corruption in procurement, and; (vi) replacing the system of pre-shipment inspection by destination inspection.

12. The PEFAR report of 2005/6 highlighted the recent reforms of the procurement system that has ensured that Government obtains better value for its financial resources. The most critical achievement was the enactment of the new Public Procurement Act in May 2005, which abolished the Central Tender Board, fully decentralized the procurement function to MDAs and established a procurement oversight body, the Public Procurement Regulatory Authority (PPRA). Since its enactment, the PPRA has put priority on the dissemination of the new Act and the associated Regulations through several workshops and seminars. The Government has appointed the Board of Directors of PPRA and its Chief Executive Officer. The organization structure of the PPRA has been approved by its Board of Directors, and the PPRA is now fully staffed. In addition, the Government has fully operationalised the Public Procurement Appeals Authority (PPAA) by appointing board members, setting up a permanent office for it and issuing the Public Procurement Appeals Rules that sets up the procedure to be used by the Appeals Authority in handling complaints.

13. With the operationalisation of the PPAA, Tanzania now boasts a fairly comprehensive and robust complaints review mechanism. At the local government level, the district tender boards have already been restructured and politicians are no longer involved in the procurement process. The influence of local politicians in the award of contracts has therefore been severely curtailed as a result of the ongoing procurement reforms. It is also worth noting that the Bank Group is working closely with the Government in this area and approved a project to provide support to the PFMRP in December 2004, specifically focusing on improving the procurement system. A recent donor review of the draft PEFAR findings stated that the strengthened procurement system has been crucial in the increased budget support as well as the increasing use of national systems by donors. It did highlight however that there were still some challenges in managing the procurement system largely at the Local Government level where capacity is weak, although it was noted that the challenges are being addressed through multi-year engagement in the Local Government Reform Programme and the PFMRP.

14. Accounting, Recoding and Reporting: The timeliness and regularity of accounts reconciliation is of high quality and reconciliations of Treasury accounts are undertaken monthly and there is no major backlog. There are some weaknesses in the information on resources received by front line service delivery units. The quality and timeliness of in-year budget reports are also high, with internal budget reports produced within 2 weeks of month end and quarterly budget reports being published on the Ministry of Finance's website. The quality and timeliness of annual financial statements are done so in a timely manner as evidenced by the reduced number of adverse audit reports. Despite previous problems with publication of audit reports, the 2004/5 NAO Audit Report was of international standard and released within 9 months as required by the Public Finance Act, as assessed as part of the Government's GBS Performance Assessment Framework (PAF). A specialised committee of the legislature examines audit reports and completes hearings within 12 months with follow-up recommendations made. In terms of corruption measures, various organizations have been set up and a National Anti-Corruption Strategy and Action Plan are in place.

15. A safeguards assessment of the Bank of Tanzania (BOT) is crucial given that it is the institution through which funds for budget support are channelled. To this end, the IMF completed the safeguards assessment of the BOT in December 2003 and noted that while the bank had a relatively strong internal control environment, some vulnerability existed, notably in the external audit and financial reporting areas. In order to address these vulnerabilities, the IMF made a number of recommendations, most of which the BOT has since implemented. These include: (i) annual external audits that are conducted in accordance with International Standards on Auditing (ISA); (ii) adoption of International Accounting Standards (IAS) as the financial reporting framework; (iii) establishment of a formal process of reconciling accounting data to the program data reported to the Fund; (iv) publication of the full audited financial statements on a timely basis, within five months of the financial year's end, and; (v) adoption of an audit charter for the internal audit function to strengthen audit methodologies and procedures.

Credibility of the Reform Programme (PFMRP)

16. The Government's PFM Reform Program was first developed in the late 1990s, to bring greater coordination to the different initiatives underway. However in general the funding of the components of the PFMRP remained as individual arrangements between the relevant department and the donor. This resulted in piecemeal PFM reforms being taken forward in an un-sequenced manner. In addition, linkages were not developed to other reform processes in government including the Public Sector Reform Program.

17. In 2001, the first in-depth comprehensive diagnostic work of PFM was undertaken through the CFAA. The process of discussing the findings and recommendations at a consultative workshop, and of action planning based on the findings and recommendations were pursued by the Government to revive the PFMRP by developing a revised, integrated PFMRP action plan. This brought together the ongoing reforms with the implications of the CFAA and other assessments (such as the first HIPC Assessment and Action Plan and the IMF's Fiscal Transparency ROSC), and established arrangements for the coordination of the different projects within that framework. In addition, a CPAR was prepared in 2003 which identified key improvements required in the procurement function, which were taken into account during the revision of the PFMRP. At the time the PFMRP involved a set of medium-term reform projects including strengthening of PFM policy development, budget management, procurement, external resource management, and external audit, and roll out of the Integrated Financial Management Information System (IFMIS). In fact, the PEFAR 2005/6 report found that the IFMIS system has been transformational for the PFM system and assessed implementation of the IFMIS system as truly impressive. The IFMIS system has become a model in Africa and countries such as Malawi have chosen to implement the Tanzanian system.

18. By 2005, this reform programme had become a government-led, coordinated process. Comprehensive arrangements are in place and are fully established. The Government has demonstrated significant leadership and administrative capacity. A monitoring and evaluation framework for the PFMRP has been developed. In terms of capacity there is an overarching framework for Government and donors on the PFMRP agenda, including on the support provided by donors for implementation, including a joint funding mechanism to pool assistance from donors supporting the PFMRP. A single set of planning, budgeting and financial management arrangements apply to the Basket Fund, executed by the Government. This has reduced transaction costs and allowed the Government to concentrate on important PFM reforms.

19. The PFM reform programme in Tanzania is credible in that:

- There has been Parliamentary approval of the new and updated Public Finance and Public Procurement Acts, which provides a robust legal framework for instilling fiscal discipline and strengthening accountability and transparency.
- The establishment of the overarching PFMRP, which provides a comprehensive Government owned strategy around which donor capacity building support has been aligned.
- The establishment of the joint Government-donor Group of PFM meeting regularly to discuss PFM issues and it being directly linked to the General Budget Support Review and PAF indicators.
- Continued fiscal discipline staying within the approved budget. This has been maintained over a number of years and has increased significantly the credibility of the annual budget.
- The rolling out of IFMIS and the specific allocation of Government resources to the roll out of the IFMIS system including at the Local Government Level.
- Linked to the IFMIS system, the establishment of a Centralised Payment System which along with IFMIS has been operating in all Ministries.

20. Progress on the reforms – and the quality of what is delivered – is monitored both through individual project and programme mechanisms and at a higher level through the GBS Joint Reviews. The specific benchmarks in the PAF and the PFMRP are 100% consistent so improvements in PFM are directly linked to donors' budget support. Key recommendations from PFMRP are addressed systematically and are taken as PAF actions. Together these mechanisms provide a systematic and thorough monitoring process to review progress. Problems are now not avoided but they are

identified relatively early, the machinery exists to raise them with the Government and to address them. It is acknowledged that there is strong country leadership of the PFMRP and issues of human and institutional capacity inhibiting the realisation of benefits from PFM reform are being systematically assessed and supported by donors through a Basket Technical Assistance Fund. Support to PFM is therefore significant and is in fact one area where substantial amounts of training have already been delivered. The increasing use of the GBS process and PFMRP will assist in this area, including continue Bank engagement in this area from the Bank Group's Country Office.

21. At the recent General Budget Support (GBS) Joint Review significant achievements were highlighted, including; (i) implementation of the PFMRP was improved by remedying previous procurement planning bottlenecks; (ii) improvements in the production of audit and accounts; (iii) the successful continued roll-out of IFMIS and the accompanying training to Local Government Agencies (LGAs). This increased the number of LGAs receiving clean audits from the Auditor General and the recent appointment of 489 accountants and auditors to LGAs. For the first time, in 2004/05, the Auditor General's office produced the Annual Audit report in a timely manner. The Government has appointed an Auditor General last year after the post being vacant for over a year, and the NAO is in the process of submitting a new Public Audit Act based on international standards. The PEFAR 2005/6 included a comprehensive review of procurement, in which it was noted that the CPAR 2003 recommendations have been taken up and procurement reforms are being addressed. Given the significant improvements in the PFM system, increasing confidence from the donor community and key achievements in the last few years, Tanzania's PFM systems, although exhibiting some weaknesses, are robust enough for the provision of Budget and Sector Budget Support.

Annex 4: Programme Implementation Schedule

	Activity	Period	Responsibility
1	Loan Approval	July 2007	ADF
2	Advertise GPN in UN Development Business	August 2007	GOT/ADF
3	Loan Signature	August 2007	GOT/ADF
4	Confirmation of Opening of Special Account	August 2007	GOT
5	Programme Launching	September 2007	GOT/ADF
6	Monitoring and Reporting	1 month after the end of each quarter	GOT
7	Joint Implementation Review	Every 6 months starting February 2008	GOT/Donors
8	Audit Report	6 months after the end of the financial year	GOT
9	Programme Completion Report (Govt)	September 2012	GOT
10	Programme Completion Report (ADF)	November 2012	ADF

ASDP Results Framework and Arrangements for Monitoring

Outcome Indicators	Baseline	Target Values					Data Collection and Reporting		
		07/08	08/09	09/10	10/11	11/12	Frequency and Reports	Data Collection Instrument	Responsibility for Data Collection
% of farmers accessing improved services and infrastructure	Access to crop extension: 35% Access to Livestock advice: 16%	36%	38%	40%	45%	50%	Annual	Rapid Agricultural Panel Survey Policy and Service Satisfaction Survey (PSSS)	ASLMs REPOA or other NGOs
20% of assisted farmers show sustained use of one or more relevant technologies and assets, and measurable productivity increases by the end of the programme	Farmers using improved seed: 18% Farmers with irrigation: 8% Farmers using ox-ploughing: 18%		20%			35%	2009 and 2012	National Sample Survey of Agriculture Ad hoc beneficiary surveys	NBS LGAs
No of LGAs that qualify to receive enhanced DADG	LGAs yet to be assessed	70	80	90	90	120	Annual assessment	Grant performance system as part of LGCDG system	ASLMs
No of LGAs access increased DADG funds through performance assessment		10	20	30	45	60			

ASDP Results Framework and Arrangements for Monitoring

Outcome Indicators	Baseline	Target Values					Data Collection and Reporting		
		07/08	08/09	09/10	10/11	11/12	Frequency and Reports	Data Collection Instrument	Responsibility for Data Collection
Component 1: Local Level Activities									
% of investments that show satisfactory progress or completion, meet user needs and are in compliance with legal, environmental and economic standards	No measurement yet as reporting system not yet in place		75%			90%	Periodic Quarterly	User satisfaction surveys Planrep(LGA reporting system)	LGAs
% increase in agricultural investments over base	Existing LGA investment base assessed during formulation of District Agric Strategy		25%			100%	Quarterly	Planrep	
% of investments jointly planned and implemented by beneficiaries	Baseline varies according to situation in LGA- assessed during diagnostic assessment		75%			90	Annual	Performance assessment	
% of all investments meet appropriate appraisal standards			50%			100	Annual	Performance assessment	
The proportion of services delivered by NGO and private service provider rises from existing levels by %			25%			50%	Annual	Performance assessment Annual DADP progress report	
District register of private ASPs operational, and % of open tenders are successful	Few LGAs have registers currently		95%			100%	Annual	LGA Registry; LGA Procurement Committee	
% of farmers having a visit from a public or private source of extension	Results vary by LGA- base determined during diagnostic assessment		25%			50%	Annual	RASP; NSSA	
No of agric service contracts issued per qualifying district	Thematic contracts (2- Years)	1	2	2	2	2	Annual	Planrep	
	Thematic (1-year)	1	3	3	3	3			
	Short term grants	40	60	80	80	80			
No. of district councils make commitment to reform services	None at start	70	90	110	120	126	Annual	Performance assessment Planrep	
No of districts with staff restructuring plan in place approved and under implementation	None		70				Annual		
% of services contracts are paid within 30%	None		50%			100%	Annual		
% of registered groups in LGAs with contracts	None		25%			50%	Annual		

ASDP Results Framework and Arrangements for Monitoring

Outcome Indicators	Baseline	Target Values					Data Collection and Reporting		
		07/08	08/09	09/10	10/11	11/12	Frequency and Reports	Data Collection Instrument	Responsibility for Data Collection
Component 2: National Level Activities									
75% of operational research budget flow through ZARDEFs	No measurement yet as reporting system not yet in place		30%			75%	Annual	Zonal financial reports	Zonal research institutes
75% of ZARDEF' research shows significant uptake by target group and/or collaborator endorsement			30%			75%	Periodic		
Hectares of irrigation constructed through irrigation fund by 2008/09	Zero: as Irrigation Fund is yet to be set up.	2.7	6.4	11.2	17.1	23.9	Annual	Fund progress reports	Steering Committee of the Fund
Average marketing cost as percentage of farm-gate price falls by 25% from base by 2009	Assessed by District Diagnostic Assessment		25%						
No of ICC and other coordination minutes published		4	4	4	4	4	Quarterly	Minutes	ICC
Proportion of budget resources committed to the ASDP in line with target		4	4	4	4	4	Quarterly	Financial reports	Govt/Donor Steering Committee
% of LGAs with specific actions for food insecure and vulnerable group			100%	100%	100%	100%			

Source: Government Programme Document (2006)

Annex 6: Environmental and Social Management Framework (ESMF) Summary

Project Title: Agriculture Sector Development Programme - Phase 1
Country: Tanzania
Department: OSAN

Project Number: P-TZ-AAZ-002
Environmental Category: 2
Division: OSAN.1

a) Brief description of the project and key environmental and social components

The **overall sector goal** is to contribute to increased agricultural GDP growth and reduced rural poverty and food insecurity. The **program development objective** are to 1) to enable farmers to have better access to and use of agricultural knowledge, technologies, marketing systems and infrastructure, all of which contribute to higher productivity, profitability, and farm incomes within the overall framework of the Agricultural Sector Development Strategy (ASDS, 2001); (ii) to promote agricultural private investment based on improved regulatory and policy environment. The Agricultural Strategy Development Programme (ASDP, 2006) prepared by the Government of Tanzania (GoT) is the main mechanism for the implementation of the Tanzania's Rural Development Strategy (2001) and the ASDS, through the adoption of a participatory local development concept and district/village demand-driven approach for achieving agricultural sustainability.

In line with the overall ASDP framework, **the expected project results** are: 1) to strengthen the capacity of the Agricultural Extension Services and the farmers in the areas of technical know-how and management for improved agricultural production and productivity; 2) to establish and strengthen the capacity of the Participatory Farmers Groups (PFGs) and networks in the definition of their rural infrastructure needs through the preparation of Village and District Agriculture Development Plans (VADPs/DADPs); and 3) to strengthen the capacity of Local Government Authorities (LGAs) structures in the facilitation, preparation and implementation of the VADPs/DADPs. **Induced impact results** would be an increase in producers' incomes, employment's opportunities, and contribution to the GoT's poverty reduction efforts.

The project has the following two components: **Component 1: Local Level Support.** This component will support sector activities at village, ward and district levels and will focus on three sub-components: (i) local agricultural investments; (ii) local agriculture services; and (iii) local agricultural capacity building and reform; **Component 2: National Level Support.** This component will focus on five sub-components, which are as follows: (i) Agricultural Services; (ii) National Irrigation Development; (iii) Marketing and Private Sector Development; (iv) Food Security; and (v) Coordination, Monitoring and Evaluation. This project will be coordinated within the existing structure proposed in ASDP under the Director of Policy and Planning (DPP) in the Ministry of Agriculture, Food Security and Cooperatives (MAFC).

The program activities will be implemented nationwide. All districts in Tanzania will be eligible for assistance. However, the districts will only benefit from the enhanced grants provided by the donor resources when they meet the Local Government Capital Development Grant qualifying criteria. The program has targeted an increase in the total number of farms households receiving agricultural services from 35% to 45% by 2010/11, and to 55% by 2012/2013. This would imply an increase in the number of farmers accessing agricultural services of 1.5 millions beneficiaries by 2010/2011 and about 3 million beneficiaries by 2012/2013. The total cost of the ASDP is estimated at US\$315.6 millions over a five year period while the contribution of the Bank is estimated at US\$59.87 millions.

The **main direct beneficiaries** of the project will include mainly the smallholder's farmers, the PFGs, the extension services (public and private) and the Local Government Authorities (LGAs). The **indirect beneficiaries** will include all the Government entities ensuring the coordination, management and implementation of the ASDP, namely the four Agriculture Sector Lead Ministries (ASLMs) in Tanzania (MAFC, the Ministry of Industry, Trade and Marketing (MITM), the Ministry of Livestock Development (MLD), the Ministry of Water (MW), and the Prime Minister's Office- Regional Administration and Local Government (PMO-RALG). The National Environmental Management Council (NEMC) and the Department of Environment, under the Vice-President Office (VPO), will play

in active role in the review and approval of the Environmental and Social Impact Analysis of the sub-projects identified during project implementation. Issuance of Certificate of Approval of EIA by the Minister responsible of the Environment will be a condition to undertaking any physical activities at the sub-project level, if required.

b) Major environmental and social impacts

The environmental and social impacts of the Program will come from the implementation of sub-projects contained in the DADPs of the qualifying districts that will receive financing through the DADG and the DIDF, and also from national level investment in irrigation financed through the NIDF in the form of public-private partnerships. From a **socio-economic perspective**, the project's activities will result in improved access to social services (health, education) due to the presence of feeder's roads, improvement of overall public health status through water availability, improvement of the food security due to increased crop production. There should also be a reduction of rural poverty through increased commercial activities within the project's targeted districts and villages increasing, by default, the socio-economic conditions of the farmers and the merchants. From an **environmental perspective**, the project will ensure the integration of environmental and social issues into district council's decision-making process and investment plans (District Development Plan (DPP) and DADP/VADP), through its support for the establishment of District Environmental Committee, catalyze the mainstreaming of environmental and social issues in each District through the preparation of an Environmental Profile and the inclusion of key environmental priorities within the preparation process of the DPP, DADP and VADP, especially in relation to the critical environmental problems facing Tanzania, (land degradation, lack of accessible and good quality water for rural inhabitants, loss of biodiversity, habitat and wetlands, deterioration of aquatic systems and deforestation), train District's executive and technical officers in the application of EIA process for sub-projects, strengthen Participatory Farmer Groups capabilities in adopting environmentally-sound farming practices, alleviating some of the root causes of land degradation and loss of soil fertility in Tanzania, increase crop yields through water availability reducing the tendency to extend cultivated areas and therefore contributing towards biomass and biodiversity conservation, reduced reliance on harvesting natural resources for sustenance due to increased crop production and finally, improvement of water availability and water use efficiencies.

The negative social and environmental impacts associated with the construction and operation of the rural infrastructures will be site-specific and easily mitigated and/or minimized through the mainstreaming of mitigation measures within their design and during their implementation by the beneficiaries, assisted by the District Technical Officers. The anticipated impacts are likely to be associated with point and non-point pollution of water sources, soil erosion, increased loss of soil fertility, cultivation of marginal lands, land use conflicts, and other issues associated with increased agricultural inputs use. In particular, rehabilitation and/or construction of feeder roads could result in stripping of soil, loss of vegetation due to the creation of borrow pits, soil erosion on road cuts and fills and on stripped borrow areas, silting of roadside ditches and subsequent sedimentation downstream, soil and water pollution due to spillage of toxic and hazardous materials, noise, dust and air pollution created by construction activity, impact on human settlement through land take, negative impacts on human social welfare through accidents and the spread of HIV/AIDS related diseases, potential impacts on flora and fauna found in wetlands, forests, national parks and wilderness. Irrigation schemes, on its side, could result in reduced availability of water downstream of earth dams constructed across ephemeral and perennial streams; increased incidence of water-borne diseases, water contamination by return flows from irrigated lands, loss of grazing lands. None of these impacts are, however, expected to be large-scale, significant and irreversible. Most impacts are localized in relation to the places where rehabilitation/construction works are carried out.

These assumptions are based on 1) effective environmental and social management plans (ESMPs) are put into place to mitigate the adverse impacts of sub-projects; 2) appropriate support will be drawn, as needed, from national plans and institutions in relevant areas (e.g. HIV/AIDS, road safety). No potential long-term and/or cumulative impacts are anticipated if the ESMPs are properly implemented.

c) Enhancement and mitigation program

The methodology underlying the ASDP is based on a participatory and iterative local approach in its design, beneficiary demand-driven in its need assessment and decentralised and result-based in its implementation. Consequently, the nature and the exact location of the rural infrastructures selected at the National, District and Village levels will only be identified during the preparation of the VADPs/DADPs. Therefore, the bio-physical location, and the intensity, significance and duration of social and environmental impacts and their specific mitigation measures cannot be determined at this stage.

In accordance with the Tanzania's Environmental Management Act (EMA, No. 20, 2004) and its EIA and Audit Regulations (No. 349, 2005), a stand-alone ESMF has been prepared in March 2006 by the GoT in order to establish a mechanism to determine and assess the potential environmental and social impacts of the ASDP's sub-projects and to define the mitigation, monitoring and institutional measures to be taken during the construction and operational phases. This ESMF was reviewed by NEMC and approved by the Minister responsible for the Environment. As the Bank is joining the other Development Partners in the implementation of the ASDP, the ESMF is, by default, adopted by the Bank. The GoT has integrated the dam safety and the Integrated Pest Management requirements of the World Bank in the ESMF for situations where they may apply.

d) Monitoring program and complementary initiatives

For the overall ASDP, the ESMF has proposed a number of parameters and verifiable indicators to measure its implementation process, mitigation plans and overall environmental performance. These indicators are at three levels: a) ESMF Procedures (e.g. number of District Environmental Coordinators (under the EMA, every district has to nominate an Environmental Officer to the LGAs), District Environmental Committees and PFGs who have successfully received the EIA training in screening methods, number of districts familiar with the ESMF procedures, number of VADPs/DADPs using the EIA screening checklist, etc.); b) Sub-project implementation (e.g. number of impacts successfully mitigated for a sample of sub-projects using measures contained in the sub-project's ESMF, at periodic intervals in the sub-project's life); c) Overall project's implementation (e.g. frequency and rate of District's environmental monitoring of sub-projects, number of Districts that are up-to-date with their periodic monitoring reports, monitoring levels of NEMC).

The environmental section of the Program's Annual Work plan will stipulate the monitoring parameters for each identified sub-projects, and suggests how it should be done, how frequently, and who should be responsible for monitoring and action. At this point, since the proposed infrastructures sub-projects have not yet been identified in terms of their exact location and their receiving biophysical and social environments, the Program's environmental monitoring can not provide any specific parameters for its sub-projects. However, in the context of the ASDP and its related infrastructures, it is possible to narrow down the number of parameters or performance indicators that need to be measured. From an **environmental management perspective**, efficiency of the drainage structure, efficiency of the erosion control measures on embankments and riverbanks, impact of the road on erosion, water quality of water bodies crossed (including potential oil pollution), progress in the rehabilitation of borrow sites and potential rehabilitation of deviations could be considered. From a **social monitoring standpoint**, the impact on public health with regard to incidence of malaria, respiratory diseases and STDs (HIV/AIDS), increased gender sensitivity through women participation in decision-making process at the District and Sub-counties level, recruitment of local peoples and gender consideration in recruitment procedures (equal opportunities for women recruitment during construction and maintenance - it is expected that at least 30% of employees shall be women), promotion of affirmative action (recruitment of women contractors), payment for compensation for acquisition of land (and resettlement), loss of perennial crops, deviations, borrow pits, impact on road safety, occupational health and safety should be monitored.

In accordance with the principles of the decentralization framework in Tanzania, with financial support from the Program, the District's Technical Officers will be responsible for the monitoring of implementation of the ESMFs for all sub-projects, including the compliance of the mitigation measures during construction and operation phases and to directives issued by NEMC, the Zone and Regional-

level Authorities. The Environment Specialist in MAFC will coordinate the overall implementation of the ESMP and undertake routine monitoring. Finally, the ASDP Steering Committee, which includes NEMC, will also undertake semestrial field visits. However, ultimately, the contractors/operators/beneficiaries, in accordance with their contract provision, are accountable for the implementation of the mitigation measures. As such, the contractors should also prepare their own ESMP for each sub-project. In the schedule of works, the Contractors must include all proposed mitigation measures, and the Supervising Engineers should also ensure that the schedules and monitoring plans are complied with. This will lend a sense of ownership to the Contractors. Diligence on the part of the Contractors and proper supervision during both the construction and defects liability period are crucial to the success of mitigating impacts.

Complementary initiatives. The World Bank has reviewed and approved the ESMF for the ASDP prepared by the GoT. This ESMF has also been validated by all the Development Partners (International Fund for Agricultural Development (IFAD), European Union (STABEX), DANIDA, Embassy of Japan and Irish Aid) participating in the implementation of the ASDP's basket-funding arrangements. Also, it is worth indicating that a Strategic Environmental Assessment (SEA) Study of the National Irrigation Master Plan is proposed to be undertaken under the leadership of the GoT during ASDP's first year of implementation. The intensity, extent and scale of the adverse environmental impacts will be examined by the SEA. The SEA's recommendations will inform subsequent planning decisions for the location of large-scale irrigation investments to be funded under the NIDF, alternatives, mitigation measures and monitoring activities.

e) Institutional arrangements and capacity building requirements

The ESMF provisions will apply to national level irrigation investments financed by the Development Partner Basket Fund through the NIDF as well as Sub-projects financed at the District level under the DADPs. Under the ESMF, the environmental and social management process for DADP Sub-projects and NIDF investments essentially includes the following steps:

1) The first step in the process begins at the start of the planning cycle for the preparation of the DADPs. The potential sub-project or NIDF investment owner, implementer or operator assigns an Environmental Category for their sub-project type, using the criteria in the table below. This group can either be the DALDO or the farmer group for the sub-project or MAFC, or a private sector investor for the NIDF investments. But, in either case, they will be assisted by the District Environmental Coordinator's (DEC) or private service providers, and in the case of farmer groups further assistance can be sought from the advisory services of the ASDP. The following is a list of subproject type examples that may be considered for inclusion in the DADPs and NIDF investments under the Program.

Potential DADP Sub-Project and NIDF Investment Types, Environmental and Social Concerns, and Probable Category

DADP Sub-Project or NIDF Investment Type*	Potential Environmental and Social Concerns	DADP Sub-Project or NIDF Investment Environmental Category
	A. Irrigation	
Irrigation schemes above 300ha ⁷	Water pollution and water quality, water extraction and water rights, land loss and resettlement, natural habitats, species loss, land degradation, Dam safety.	A
Irrigation schemes between 50 ha and 300ha	Water pollution and water quality, water extraction and water rights, land loss and resettlement, natural habitats, species loss, land degradation. Construction issues. Significant construction issues such as spoil disposal management.	B*
Irrigation schemes less than 50 ha and with no resettlement.	Land degradation, water pollution	B**/ C
	B. Other types of sub projects	
Water harvesting, small watershed management, ground water charging, etc.	Soil erosion, water source contamination. May involve significant construction issues such as spoil disposal management.	B

* Resettlement could be a factor for some sub-projects or NIDF investments involving land acquisition or restriction for new irrigation sites or extension of existing sites.

** Although most irrigation sub-projects are expected to be between 50 and 300 ha and therefore fall within a Category B, it is possible that some may require the use of dams and involve water storage/reservoir. This could include the impoundment of large relatively flat areas. As such, these areas could remove land from cultivation and possibly result in involuntary resettlement. In such cases, the sub project (or NIDF investment, as the case may be) would fall into a Category A.

*** Any DADP sub-project or NIDF investment with resettlement will be Category B, at a minimum, even if they are less than 50 ha irrigation or small market.

+ The Environmental Category is B for the project as a whole. This is not to be confused with sub project category.

2) The second step is to determine which of the World Bank's safeguards policies may be triggered by the sub-project and NIDF investment and what the requirements are to comply with the triggered policy. This requires the sub-project or the NIDF investment owner/implementer/operator to use the Safeguards Tables in Annex A of the ESMF. If any of the Bank safeguards policies are triggered by a sub-project or NIDF investment, the owner/implementer/operator will modify the design, implementation, operation, maintenance and decommissioning phases to ensure that the sub-project or NIDF investment satisfies the requirements of that particular policy.

3) The third step is for the owner/implementer/operator to prepare a comprehensive sub-project or NIDF investment Environmental and Social Impact Assessment (ESIA), including an Environmental and Social Management Plan (ESMP) (Annex C of the ESMF contains guidelines on how to prepare and ESMP). Additionally, for situations where OP 4.12 applies, the Owner/Implementer/Operator will prepare a Resettlement Action Plan (RAP) consistent with the separately disclosed RPF. For situations where OP4.37 applies, the owner/implementer/operator will prepare a Dam Safety Measures Report and similarly where pest management issues apply, the use of the IPMP is mandated. Annex H of the ESMF has specific guidelines for the assessment and preparation of the Dam Safety Measures Report. Annex B of the ESMF contains an example of comprehensive terms of reference (TORs) for the ESIA.

⁷ Although DADP Sub-Projects will not exceed 500 ha, NIDF Investments may be over 500 ha.

For Category C sub projects or NIDF investments, the owner/ implementer/ operator is only required to prepare an Environmental and Social Management Plan (ESMP). Annex C of the ESMF contains guidelines for the preparation of an ESMP for Category C sub-projects or NIDF investments and what the ESMP in Category A or B sub project or NIDF investment ESIA's should also contain. According to Tanzanian Law and World Bank OP4.01, Public Consultation is required as part of the ESIA and/or ESMP process. Annex F of the ESMF has a generic guide to an acceptable public consultation process.

4) The fourth step is for the operators to submit their ESIA and/or ESMP to the required authority as specified. The ESIA for Category A and B sub-projects and NIDF investments will be reviewed and cleared by the NEMC. The ESMP for Category C sub-projects and NIDF investments are to be reviewed and cleared by the respective Regional Environmental Engineers/Specialist, with assistance of Zonal Irrigation Engineers as required. Annex G of the ESMF contains a generic Environmental and Social Appraisal Form to be used by the National Environment Management Council (NEMC) and the Regional and Zonal technical staff, to provide uniform guidance to their review process and to notify the Council of their decision before final approval and funding is made. The first set of cleared ESIA's for Category A and B sub-projects and NIDF investments would also have to be reviewed and cleared by the World Bank and the AfDB, to ensure compliance with its safeguards policies. All sub-projects category "A" EIA's involving irrigation will also be reviewed by the World Bank and AfDB, ex-ante.

f) Public consultation and disclosure requirements

The preparation of the ESMF has been done through a consultative process. The Director of the Department of Policy and Planning (DPP) in MAFC, the Director of EIA at NEMC, the Program Coordinator of the ASDP Secretariat in MAFC, and a number of District Environment Officers has been consulted in order to ensure their inputs into the design of the ESMF. In addition, the World Bank, IFAD, the European Union, JICA and USAID have been consulted to ensure environmental assessment harmonization within the scope of the ASDP (in relation with the ESMF) and alignment with the Tanzania's legal and regulatory environmental framework. It is worthwhile mentioning that the GoT has already disclosed the ESMF for the ASDP in 2006 so that it is accessible by the general public, communities, potential project-affected groups, local NGOs, etc.

g) Estimated cost

In order to ensure the implementation of the ESMF for the ASDP and the EIA and/or the ESMP at the sub-projects level, separate financial provisions has been assigned for the design and implementation of a EIA training program (estimated at U.S.\$400,000) at the national and district levels, the implementation of the mitigation measures at sub-projects level (U.S.\$400,000) and, finally, a budget of U.S.\$250,000 for the environmental monitoring program. The costs for mainstreaming the environmental mitigation and monitoring measures shall be included into the program's annual work plan and budget.

h) Implementation schedule and reporting

The measures outlined in the ESMF will be implemented following the same program schedule as all activities were mainstreamed into the program design and implementation. Achievements or problems will be reported in the program quarterly/annual progress reports and should be timely addressed by the ASDP management unit and the Bank.

Annex 7: Tanzania: List of On Going Operations as of 31 May 2007 (Page 1 of 1)

Sector/ Project	Fund Source	Approval Date	Sign. Date	Date Effective	Net Amount (UA mil)	Amount Disb. (UA mil)	Disb. Ratio (%)	Last Disb. Deadline	Last Audit Report
<u>A. Agriculture Sector</u>									
1. Agric. Marketing Systems Dev. Programme	ADF Loan	18Sep02	12May03	15Dec03	15.90	6.63	41.71	31Dec08	2006
	ADG Grant	18Sep02	12May03	15Dec03	1.00	0.73	73.24	31Dec08	2006
2. District Agricultural Sector Investment	ADF Loan	24Nov04	11Feb05	20Jul05	36.00	1.19	3.31	30Jun12	2006
	ADG Grant	24Nov04	11Feb05	20Jul05	7.00	0.04	0.5	30Jun12	2006
Subtotal					59.90	8.59	14.34		
<u>B. Multisector</u>									
3. Institutional Support Project for Good Governance	ADG Grant	13Dec04	11Feb05	11Feb05	4.80	0.66	13.77	31Dec08	
4. Poverty Reduction Support Loan II (PRSL)	ADF Loan	28Jun06	31Aug06		50.00	-	0	31Dec07	
Subtotal					54.80	0.66	1.21		
<u>C. Social Sector</u>									
5. Education II Project	ADF Loan	10Dec97	08May98	06Jan99	20.00	19.19	95.93	30Jun07	2006
6. Support to Strategic Action Plan for Voc.Tech.Edu	ADF Loan	09Jul03	15Sep03	16Feb04	14.22	0.27	1.93	31Dec08	
	ADG Grant	09Jul03	15Sep03	16Feb04	1.60	-	0	31Dec08	
7. Alternative Learning & Skills Development In Zanzibar	ADF Loan	31Oct00	30Jan01	24Dec01	5.56	3.26	58.65	30Jun07	2005
	ADG Grant	31Oct00	30Jan01	24Dec01	1.01	0.66	65.42	30Jun07	2005
8. Support to Maternal Mortality Reduction	ADF Loan	11Oct06	29Nov06	05Mar07	40.00	-	0	31Dec12	
9. First Health Rehabilitation Project	ADF Loan	03Dec97	08May98	10Sep99	15.00	11.76	78.42	30Jun07	2005
10. Small Entrepreneures Loan Facility	ADF Loan	11Nov98	04Dec98	29Jul99	8.00	7.66	95.78	31Jul07	2006
Subtotal					105.39	42.81	40.62		
<u>D. Transport Sector</u>									
11. Roads Rehabilitation/Upgrading Project	ADF Loan	03Sep01	28Sep01	05Nov01	38.65	14.27	36.91	30Mar09	2005
12. Zanzibar Roads Upgrading Project	ADF Loan	09Jun04	24Jun04	05Oct04	16.22	4.41	27.18	31Dec07	
	ADG Grant	09Jun04	24Jun04	05Oct04	0.71	0.25	35.59	31Dec07	
Subtotal					55.58	18.93	34.06		
<u>E. Water and Sanitation Sector</u>									
13. Rural Water Supply & Sanitation Program	ADF Loan	13Sep06	29Nov06	14Mar07	45.00	-	0	31Dec11	
	ADG Grant	13Sep06	29Nov06	14Mar07	10.00	-	0	31Dec11	
14. Dar Es Salaam Water Supply & Sanitation	ADF Loan	17Dec01	29May02	19Nov03	36.94	10.26	27.77	31Dec07	2006
	ADG Grant	17Dec01	29May02	19Nov03	1.31	0.57	43.69	31Dec07	2006
15. Monduli District Water Project	ADG Grant	27Nov03	10Feb04	10Feb04	15.51	7.37	47.49	31Dec08	2005
Subtotal					108.76	18.20	16.73		

Annex 8: Highlights on the Preparation and Review Process

1. **Identification:** A Bank's identification mission took place in February/March 2006. The mission discussed with the Government of Tanzania (GOT) and other stakeholders the proposed intervention in support of the ASDP. The programme will focus on investments at district and field level, based on the District Agriculture Development Plan (DADP) process.
2. **Preparation:** The programme was prepared in September/October 2006 by a multidisciplinary team of experts comprising an agricultural economist, agriculturist, rural infrastructure engineer, socio-economist and, environmentalist. The mission met stakeholders in both the public and private sectors including District personnel of line ministries, community based organizations (CBOs), donor representatives, and other private sector representatives. In order to assist the Preparation Mission, the Government established a National Formulation Team, which worked with the mission.
3. **Appraisal:** The programme was appraised in February/March 2007 by a team comprising of an Agricultural Economist, Agriculturist, Rural Infrastructure Engineer, Irrigation Engineer and Environment Specialist. The mission visited Tanzania and continued its broad consultative and participatory process that was commenced at preparation. Public and private interest groups, as well as donors involved in supporting the ASDP were consulted. A systematic review and verification of all aspects of the programme was conducted by the mission.
4. **Re-appraisal:** The programme was re-appraised in May 2007 by a team comprising of an Agricultural Economist, Macro-Economist, and Environment Specialist. The Internal working Group Meeting was held on June 6 2007, followed by an Inter Departmental Working Group meeting on 12 June 2007, and the Senior Management Committee meeting on 19 June 2007.

Annex 9: IMF'S Assessment of Tanzania's Macroeconomic Framework



INTERNATIONAL MONETARY FUND

EXTERNAL
RELATIONS
DEPARTMENT

Press Release No. 07/26
FOR IMMEDIATE RELEASE
February 16, 2007

International Monetary Fund
Washington, D.C. 20431 USA

IMF Executive Board Completes Sixth Review Under Tanzania's PRGF Arrangement and Approves a Three-Year Policy Support Instrument

Press Release No. 07/26
February 16, 2007

The Executive Board of the International Monetary Fund (IMF) today completed the sixth and last review of Tanzania's economic performance under a three-year Poverty Reduction and Growth Facility (PRGF) arrangement (see [Press Release No. 03/128](#)). The completion of the review enables a further release of SDR 2.8 million (about US\$4.2 million) and will bring the total disbursements under the arrangement to SDR 19.6 million (about US\$29.4 million).

The Executive Board also approved a three-year Policy Support Instrument (PSI) for Tanzania to support the country's economic efforts. The PSI seeks high and sustainable growth and more rapid poverty reduction based on enhancing public resource mobilization and efficiency of spending, increasing the financial sector's contribution to growth and the effectiveness of the monetary policy, and improving the business climate. Approval of a PSI for Tanzania signifies IMF endorsement of the policies outlined in the program.

The IMF's framework for PSIs is designed for low-income countries that may not need, or want, IMF financial assistance, but still seek IMF advice, monitoring and endorsement of their policies. PSIs are voluntary and demand driven. PSI-supported programs are based on country-owned poverty reduction strategies adopted in a participatory process involving civil society and development partners and articulated in a Poverty Reduction Strategy Paper (PRSP). This is intended to ensure that PSI-supported programs are consistent with a comprehensive framework for macroeconomic, structural and social policies to foster growth and reduce poverty. Members' performance under a PSI is normally reviewed semi-annually, irrespective of the status of the program. (see [Public Information Notice No. 05/145](#)).

Following the Board's discussion on Tanzania, Mr. Murilo Portugal, Deputy Managing Director and Acting Chairman, stated:

"Tanzania has achieved sustained strong economic performance through market-oriented policies within an appropriate macroeconomic framework. To consolidate recent successes, Tanzania will need to maintain sound policies and steadily pursue key structural reforms, including in the critical energy sector, and capacity building to remove key impediments to growth and achieve lasting inroads against poverty.

"The Tanzanian authorities are undertaking actions and commitments to address the allegations of an impropriety in the management of the government external payment arrears account managed by

the Bank of Tanzania. The authorities remain committed to transparency and to consult with the Fund in adopting and implementing appropriate remedial measures.

"The Policy Support Instrument is viewed as the appropriate next step in the Fund's relations with Tanzania. Tanzania's macroeconomic framework and structural reform agenda are consistent with the government's objectives of high and sustained broad-based economic growth and poverty reduction within a stable macroeconomic environment.

"Tanzania is undertaking structural reforms in three key areas. First, tax, customs, and capacity-building reforms are expected to further mobilize public resources, improve the efficiency of government spending, and support economic and social objectives. Second, financial sector reforms, including improvements in credit information, pension investment guidelines, and liquidity management, will help enhance this sector's contribution to growth and the effectiveness of monetary policy. Third, improvements in the business environment, including anti-corruption efforts, are expected to facilitate productive private sector activity and investment.

"Fiscal policy should remain focused on economic and social objectives while limiting net domestic financing to avoid crowding out private sector credit. The monetary framework remains appropriate, with the envisaged deceleration of broad money growth consistent with inflation objectives while still facilitating adequate credit to the private sector.

"Recent energy production shortfalls have been damaging. Resolving energy supply issues on a timely basis, including through appropriate increases in generation capacity and tariffs as envisioned under the PSI, will be critical to maintaining strong economic performance and putting the finances of the energy parastatal, TANESCO, on a sound and sustainable basis," Mr. Portugal said.

ANNEX

Recent Economic Developments

In the last three years Tanzania has achieved strong economic performance, securing high growth, low inflation, adequate reserves, and a sustainable external debt position. Due to an energy crisis caused notably by drought-related reductions in hydropower and higher fuel prices, real GDP growth is expected to slow to 5.9% in 2006, from 6.8% in 2005. The impact of the energy crisis on inflation has been limited so far, as businesses largely absorbed higher costs. The current account deficit, however, widened to 9.3% in 2006 from 5.3% in 2005, as rapid growth in exports was offset by higher oil and drought-related imports. Nonetheless, the overall balance of payments position remained positive due to continued strong inflows of donor assistance and debt relief of \$3.8 billion received under the Multilateral Debt Relief Initiative (MRDI) in 2006.

Program Summary

Tanzania's program under the PSI aims to achieve sustainable broad-based high growth and poverty reduction, while maintaining macroeconomic stability. The program includes three core objectives:

- *Enhancing public resource mobilization and efficiency of spending.* Boosting Tanzania's revenues would facilitate higher expenditures on key government priorities, particularly infrastructure, and reduce the country's aid dependency over the long term. One goal of the program is therefore to raise central government revenue to about 15.5% of GDP through further tax customs

administrative reforms and tax policy measures. In addition, the government intends to improve efficiency in spending by better aligning spending with poverty-reducing and growth-enhancing measures.

- *Increasing the financial sector's contribution to growth and the effectiveness of monetary policy.* The program includes measures to facilitate lending to small and medium-sized enterprises, considered a key source of economic growth with strong lending prospects, as well as further efforts on legal and regulatory reforms for the provision of medium-term credit. The reform agenda also considers measures to strengthen monetary operations, which the authorities see as an important area given ongoing liquidity pressures from high aid inflows. Strengthening liquidity forecasting by promoting better information flows, and enhancing transparency and communication with financial markets are part of this agenda.

- *Improving the business environment and enhancing investment.* Further improving the business environment will facilitate private sector activity and investment. The program envisages efforts to remove key bottlenecks and impediments, including inadequate infrastructure and energy provision, weak governance and an overly burdensome regulatory environment.

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