

TANZANIA
Tanzania Agricultural Sector Development Support Program

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1. Key development issues and rationale for Bank involvement

1. Meeting Tanzania's Poverty Reduction Strategy and Millennium Development Goal of halving poverty by 2015, will require annual GDP growth of at least 6-7 percent which is significantly higher than that achieved over the last decade. As agriculture remains the largest sector in the economy accounting for about half of GDP and exports and 70 percent of rural incomes, higher agricultural growth is a key requirement to meeting the MDGs. Future agricultural growth and profitability will need to rely more on productivity gains with the reduced space for further improvements in macro-economic policy, a key contributing factor to improved agricultural incentives in the late 1980s and 1990s.

2. *Government Strategy:* The Government of Tanzania has recently developed an Agricultural Sector Development Strategy (ASDS) and its operational program (ASDP), whose objectives are to achieve a sustained agricultural growth rate of 5 percent per annum, through the transformation from subsistence to commercial agriculture. The transformation is to be private sector led through an improved enabling environment for enhancing the productivity and profitability of agriculture, facilitated through public/private partnerships with participatory implementation of the District Agricultural Development Plans (DADPs). The underlying themes of the ASDS is to create of a favorable environment for commercial activities; delineate public/private roles including continued public financing for core public (agricultural) services with increased private delivery (through contracting arrangements); decentralize service delivery responsibilities to local governments; and focus on the preparation and implementation of District Agriculture Development Plans (DADPs). The ASDP has five key components on which it seeks improvement: (i) the policy, regulatory and institutional arrangements; (ii) agricultural services (research, advisory and technical services, and training); (iii) investment through DADP implementation; (iv) private sector development, market development, and agricultural finance; and (v) cross-cutting and cross-sectoral issues.

3. *Borrower Commitment and Preparedness:* In April 2003, the government appointed three stakeholder Task Forces to oversee the detailed formulation of ASDP priority intervention areas, which included focus on the policy, regulatory, and institutional framework; agricultural services (including research, extension, training, information and communication, and technical services); and investments at district and field level. The Task Forces have established Working Groups and commissioned studies, for which reports were submitted in November 2003. The Task Forces and Working Groups have been guided in their work by the Government's overall policy and strategic framework (ASDS).

4. *Links to CAS:* One of the four strategic areas of the FY00/01 to FY03/04 CAS for Tanzania was sustainable rural development a theme consistent with the PRS. The PRS is currently being updated after which the next CAS starting FY05/6 will be developed. The agriculture elements of the updated PRS will be guided by the ASDS/P.

5. *Lessons Learned:* Several generic lessons from past projects in both Tanzania and in other countries include: weak sustainability of project activities due to the lack in integration into Government systems with the creation of parallel processes and high transaction costs of separate donor supported projects. Past sector wide approaches in support of an agreed sector strategy have not worked as well for agriculture as for health and education due to the heterogeneity of the agricultural activities and the multiplicity of Ministries. However, sector wide approached have provided a useful tool for better co-ordinating sector expenditures, with policy issues being more effectively addressed by broad based policy instruments (such as PRSCs).

6. *Other Development Partner Involvement:* Several other donors are funding agricultural activities in Tanzania, although much of the support has typically been targeted to a small sub-set of districts or crops. Many of these investment cut across the ASDP priorities (see Annex 1 for details). A summary of

development partner support to each ASDP pillar is as follows: (i) Policy Regulatory and Institutional Framework - World Bank; EU; DANIDA; and IFAD/AfDB; (ii) Investment at District and Field Level - World Bank, DANIDA [recent programs]; Sweden; with interest from AfDB; EU; and JICA; (iii) Research, Advisory, and Technical Services and Training - World Bank; IFAD; Ireland Aid; (iv) Private Sector, Market Development, and Agricultural Finance - IFAD/AfDB; World Bank; DfID; DANIDA; and (iv) Cross-Cutting and Cross-sectoral Issues - World Bank/EU (land); World Bank/EU; JICA; NORAD; IFAD/AfDB (rural roads). There are currently about 20-5 different donor supported projects in the sector, although some are fairly small.

7. *Rationale for Bank Involvement:* The Bank continues to play a significant role in ensuring a more integrated approach among development partners both in shifting more to joint financing and to supporting a broader agricultural program (rather than separate project approaches). In addition the Bank can offer greater international experience and lessons learned for the design of the program.

2. Proposed project development objective(s)

8. *If the Agricultural Sector Development Program is successful, what will be its principal outcome?* Sustained 5 percent annual growth of agricultural GDP (averaged over a rolling three year period) through improved productivity and profitability of the sector.

9. *If this support program is successful, what will be its principal outcome?* Higher farm productivity, profitability and incomes through improved access to and use of relevant agricultural knowledge and technology by farmers; increased district level investment; and improved market development.

3. Preliminary project description

10. *APL proposal:* An agreed strategy for the sector is now in place with many on-going donor supported programs each having varying durations and coverage of the ASDP components. Increased donor co-ordination in the sector through a basket funded support program would allow more coherence to external assistance with reduced transaction costs for Government. The support is proposed to be phased covering three of the five pillars of the ASDP (the other two (policy and cross-cutting) are being covered under budget support. Initial focus will be on areas where there are financing gaps and technical support needs. Given the multi-phased, long term technical and financial requirements of the program and APL is proposed. A three phased APL would allow over a 9-10 year period support by development partners to the Government's efforts to (i) improve the responsiveness of agricultural services to farmer needs; (ii) implement district agricultural development plans; and (ii) market development (local, regional and international). Over the three phases the program would progressively increase both its sectoral and geographic coverage. The sequencing and main thrust of the three phases would be (see Annex 2):

- **Phase I** (three years): focus on empowering farmers/clients to make better informed decisions on technology choice; introducing a more contestable and decentralized system of agricultural services and extension to improve its relevance and encourage pluralism in service provision with a greater role for the private sector; clarifying the strategy for technical services and training; strengthening capacity for implementation of the district agricultural development plans, including irrigation; and identification of models for local, regional and international market development.
- **Phase II** (three years): continued roll-out of the competitive grant schemes for research and extension together with empowerment activities; support for technical services and training;

implementation of the district agricultural development plans through investment and capacity building; and implementation of market development models.

- **Phase III** (three years): continued expansion of the competitive grant scheme for research and extension and support for the implementation of the district agricultural development plans; implementation of market development. Dependant on implementation progress, IDA funding could be integrated into direct budget support (PRSC) in this phase – although the basket and support the ongoing activities would continue to be financed by development partners.

11. The first phase of the long-term program will have three components (i) agricultural services; (ii) district investments; and (iii) market development. The first component will be the largest, with component (ii) and (iii) increasing in size in subsequent phases.

12. *Component 1: Agricultural Services:* This component will have three sub-components: (a) strengthening demand through farmer/client empowerment which will include activities focused on strengthening (i) farmer/client knowledge and organizational empowerment and; (ii) institutional and financial empowerment; (b) strengthening supply of services which will include activities focused on (i) institutional reform; (ii) capacity building; and (iii) service provision; and (c) co-ordination and quality control: which will include activities on (i) co-ordination and partnership; (ii) monitoring and evaluation; and (iii) quality control of service delivery.

13. *Component 2: District Investment:* This component will have two sub-components: (a) technical support to the ongoing design of this pillar of the ASDP, including irrigation aspects; (a) capacity building to support improvement in the planning, technical and financial capacity of district; (c) piloting activities to refine design considerations.

14. *Component 3: Market Development:* This component will have two sub-components: (a) technical support: to the ongoing design of this pillar of the ASDP; (b) piloting activities to refine design.

15. *Implementation arrangements:* Overall oversight for the ASDP implementation is being provided by the ASDP Secretariat which will provide oversight for this support program. Implementation of the sub-component will be the responsibility of the associated line Ministries. For the main component of the first phase, namely agricultural services, a Program Implementation Team (PIT), located in MAFS, and comprising members from the agricultural sector lead ministries¹ (ASLMs) would be responsible for implementing the program. The Agricultural Services Task Force would continue to provide technical guidance to the PIT during the initial implementation period.

16. *Alternatives considered:* Budget support; basket funded program; evolution to budget support: While the long term vision is to shift more development partner support directly through the budget, lessons from Tanzania and other countries suggest that there are several pre-requisites which determine the speed with which the shift occurs. A critical challenge is strengthening the budget process and the co-ordination of donor expenditures in the sector to ensure that agreed priorities are adequately accommodated in the planning processes and implemented accordingly. Several options of support were considered (see Annex 3), with basket funding as a shift towards budget support being the proposed approach under an APL approach. This approach could be used over time to gradually expand coverage to more ASLMs expenditures. Efforts will be made to ensure that the basket abides by the principles of the budget process to ensure greater financial sustainability of the program.

4. Potential risks and mitigation

¹ Including MAFS, Ministry of Water and Livestock Development, Ministry of Cooperative and Marketing and President Office – Regional Administration and Local Government.

17. Risks include: (a) slow implementation of cross-cutting ASDP priority areas (e.g. roads and lands); (b) inconsistent implementation of the local government reform program; (c) lack of continued political leadership for the reform program; (d) changing internal Bank directives/directions during preparation could jeopardize donor relations and program preparation quality; (e) delays in reaching agreement on basket funding modalities among participating development partners could slow program preparation; (f) the Government and other development partner pressures for rapid project preparation could jeopardize quality and push preparation/design activities into implementation; (g) lack of financing for technology adoption; (h) low disbursements. To mitigate these issues (a) continued efforts among development partners will be given to ensuring progress on implementation of ASDP priorities, including investments at district level, improving the policy and regulatory framework, and cross-cutting issues such as improving rural roads – some of these are being addressed through the PRSC; (b) program preparation will work closely with the Local Government Reform Program to ensure consistency of reforms of agricultural extension services at district and ward level with the overall local government reforms; (c) engage Parliamentarians in the preparation process, and work through the ASDP Task Force on Agricultural Services to ensure that political leadership has a clear understanding of the benefits to the reform program; (d) ensure clear Bank decisions on how the program should proceed at the outset and ensure consistency in this decision during preparation; (e) engage development partners early in the process on discussions on basket funding modalities; (f) ensure a recognition of Government and development partners on the trade-off's between speed and quality; (g) ensure linkages and coordination with concurrent investments at district level; and (h) ensure effective functioning of demand-driven approaches to pull funding/disbursements.

5. Issues on which the team seeks guidance

18. The Team is seeking assistance on: (a) design features (e.g. number and choice of components which have expanded from the previous concept note); (b) instruments (e.g. SIL, APL, establishment of basket funding mechanism, budget support); (c) realism in preparation timeline; and (d) team composition.

6. Proposed preparation schedule and resource estimate

19. **Preparation Schedule:** Preparation (Feb. 2004), Pre-Appraisal (May 2004), Appraisal (September 2004), Negotiations (Oct. 2004), Board (Dec. 2004). This schedule is consistent with that of other development partners who will provide basket financing, particularly IFAD and was discussed during the Dec. 2003 identification mission.

20. **Team:** Robert Townsend (TTL); Ladisy Chengula (district investment); Guy Evers (co-ordination – FAO/CP); Jacob Kampen (agricultural research); Nick Chapman (M&E - IFAD); Arnoud Braun (empowerment – IFAD); Sizye Lugeye (advisory services/extension – Ireland Aid); Jim Phelan (advisory services/extension – Ireland Aid); James Monday (safeguards); Pascal Tegwe (procurement); Merci Sabai (financial systems); Michael Wong (market development)

21. **Peer Reviewers:** Derek Byerlee (ARD); Chris Garforth (University of Reading), Matt McMahon (LAC) [to be confirmed] (LAC), and Jock Anderson (ARD).

22. **Budget Estimate:** \$250,000 for FY04.

Annex 1: Key Development Partner Programs Across the ASDP Pillars

Not listed in order of priority:

1. Investment at District and Field Level

World Bank – Participatory Agricultural Development and Empowerment Project [just started]

DANIDA – Agricultural Sector Program Support II [just started]

Sweden – District Agricultural Support (Lake Zone)

AfDB – Support for DADPs under design

EU – Support for DADPs under design

JICA – Support for DADPs under design

2. Policy Regulatory and Institutional Framework

World Bank – through PRSC [ongoing]

EU – through STABEX funds and PRBS [ongoing]

DANIDA – Agricultural Sector Program Support II [just started]

IFAD/AfDB - Agricultural Marketing Project [just started]

3. Research, Advisory, and Technical Services and Training

World Bank – (possibly support for the Agricultural Services Support Program)

IFAD – support for Agricultural Services Support Program (through basket fund if Bank involved or just for extension if Bank not involved)

Ireland Aid – Eastern Zone Client Oriented Research and Extension [soon to close]. Also anticipate to contribute to the basket for the Agricultural Services Support Program.

4. Private Sector, Market Development, and Agricultural Finance

IFAD/AfDB – Agricultural Marketing Project [just started]

World Bank – Rural and Micro-finance Project [to close December 2002]

IFAD – Rural Finance Project [just started]

DfID + others – Business Environment Strengthening in Tanzania [BEST – just started]

DANIDA – Agriculture Sector Program Support II [PASS – just started]

5. Cross-Cutting and Cross-sectoral Issues

Land

World Bank/EU – PRSC/PRBS

Rural roads

World Bank/EU – PRSC/BS

JICA – TA-studies

NORAD – TA-studies

IFAD/AfDB - Agricultural Marketing Project

Natural resources management/fisheries

World Bank – Lake Victoria Environmental Management Project

World Bank – Environmental mainstreaming - PRSC

Annex 2: Three Phase Adaptable Program Loan

Increasing geographic coverage

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	Phase I: 3 Year	Phase II: 3 Year	Phase II: 4 Years
1. Agricultural Services	<ul style="list-style-type: none"> • Farmer empowerment • Institutional reform, capacity building, service provision • Quality control 	<ul style="list-style-type: none"> • Scaling up 	<ul style="list-style-type: none"> • Scaling up
2. District Investment	<ul style="list-style-type: none"> • technical design support • capacity building • piloting 	<ul style="list-style-type: none"> • Implementation of the DADPs, including irrigation 	<ul style="list-style-type: none"> • Scaling up
3. Market development	<ul style="list-style-type: none"> • Technical design support • Piloting 	<ul style="list-style-type: none"> • Implementation of ASDP pillar 	<ul style="list-style-type: none"> • Scaling up

Increasing sector coverage

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Annex 3: Support Options and Associated Risks Considered

1. Budget Support vs. Investment Operation

Options		Benefits	Risks
Immediate Budget support	Immediate integration into the PRSC	<ol style="list-style-type: none"> 1. Fully integrated into the Government Budget 2. Used Government systems for all activities 3. Imposes discipline in budget prioritization 	<ol style="list-style-type: none"> 1. Lack of technical support required for the reform and implementation effort (support confined to auditing function on matrix benchmarks). 2. Significant financing gap of research (as IFAD would then likely only finance extension) 3. Continued fragmentation of development partner support for agricultural services 4. Less certainty that funds will go to research and extension 5. PRSC becomes over-burdened, agricultural services is confined to one line in PAF without institutional set-up (annual reviews) to monitor implementation.
Investment Project	As an interim measure to budget support	<ol style="list-style-type: none"> 1. More direct engagement with government on technical design and implementation. 2. Integration of development partner assistance into a multi-donor basket funding arrangement (inclusive of donors who don't provide budget support). 3. Mechanism to allow greater dialogue on MTEF allocations against program targets (as SIL in NAADS) 	<ol style="list-style-type: none"> 1. Lack of full integration into Government systems possibly perpetuating some parallel processes. 2. Lower disbursement levels as more bi-lateral development partners enter the basket.

2. Financing basket for the Agricultural Services Support Program vs. for the full ASDP

Options		Benefits	Risks
Basket for Agricultural Services Support Program (designed as an investment project)	As interim to broader basket arrangements for the sector	<ol style="list-style-type: none"> 1. Implementation can begin sooner on this sub-program (e.g. similar to NAADS Uganda) 2. Can set up and test basket arrangements in the sector for broader use 	<ol style="list-style-type: none"> 1. Slow expansion of the basket to address other ASDP issues, with other baskets developing for other sub-programs, although still an improvement over the list of donor programs above.
Basket for ASDP (designed as an investment project)	Immediate shift to one basket for the sector	<ol style="list-style-type: none"> 1. More complete coverage of the ASDP 	<ol style="list-style-type: none"> 1. Time taken to design all ASDP programs and the broader basket delays implementation (e.g. Mozambique program took five years to prepare) 2. Causes confusion among Government and donors and deviates from the current formulation processes.

3. Financing Role in Investment Project versus More Direct Engagement

Options		Benefits	Risks
Financing Role Only in Investment Project (one option being discussed in that the Bank play just a financing role and let IFAD and DCI provide technical support for implementation)	Passive financing role	1. Frees up WB staff -time to spend on other activities	1. Less rigorous technical support and oversight (UNOPS would likely be the implementing agency) – lack of effective implementation hence impact 2. Maybe seen as being non-supportive of Government request for Bank leadership.
Financing and Technical Support Role in Investment Projects	Active financing and technical support role	1. More rigorous technical support and oversight on design and implementation with hopefully greater impact 2. Stronger partnership with other development partners 3. Seen to be responding to Government request for leadership.	1. Less time to spend on other priorities

4. Differing Duration Support Options

Options		Benefits	Risks
3 year	Three year SIL	1. More flexibility in IDA allocation (only 'tied up' for shorter period of time)	1. Not long enough to complete key institutional reforms 2. Inconsistent with other development partner support timeframes 3. Lack of continuity of (technical and financial) support may disrupt initial implementation
5 year	Five year SIL	1. Should be able to complete some key institutional reforms and advance implementation to a point requiring less technical support for scaling up. 2. More consistent with other development partner timeframe	1. Less flexibility in IDA allocation (funds 'tied-up' for longer period)
	Five year APL (APL was suggested by the peer reviewers so is considered as option)*	1. As above 2. Longer term support to institution building in stepwise process (as indicated by peer reviewer)	1. As above 2. Less flexibility in choice of instrument after five years.
7 year	Seven year SIL (the initial proposed option)	1. As above 2. More substantial scaling up progress could be achieved (this is the same duration as the NAADS program in Uganda).	1. As above with less flexibility