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INTERNATIONAL FUND FOR AGRICULTURAL DEVELOPMENT
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REPORT AND RECOMMENDATION OF THE PRESIDENT

TO THE EXECUTIVE BOARD ON A PROPOSED LOAN TO THE

UNITED REPUBLIC OF TANZANIA

FOR THE

AGRICULTURAL MARKETING SYSTEMS DEVELOPMENT PROGRAMME



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CURRENCY EQUIVALENTS

Currency Unit	=	Tanzanian shilling (TZS)
USD 1.00	=	TZS 880
TZS 1 000	=	USD 1.13

WEIGHTS AND MEASURES

1 kilogram (kg)	=	2.204 pounds (lb)
1 000 kg	=	1 metric tonne (t)
1 kilometre (km)	=	0.62 miles (mi)
1 metre (m)	=	1.09 yards (yd)
1 square metre (m ²)	=	10.76 square feet (ft ²)
1 acre (ac)	=	0.405 ha
1 hectare (ha)	=	2.47 acres

ABBREVIATIONS AND ACRONYMS

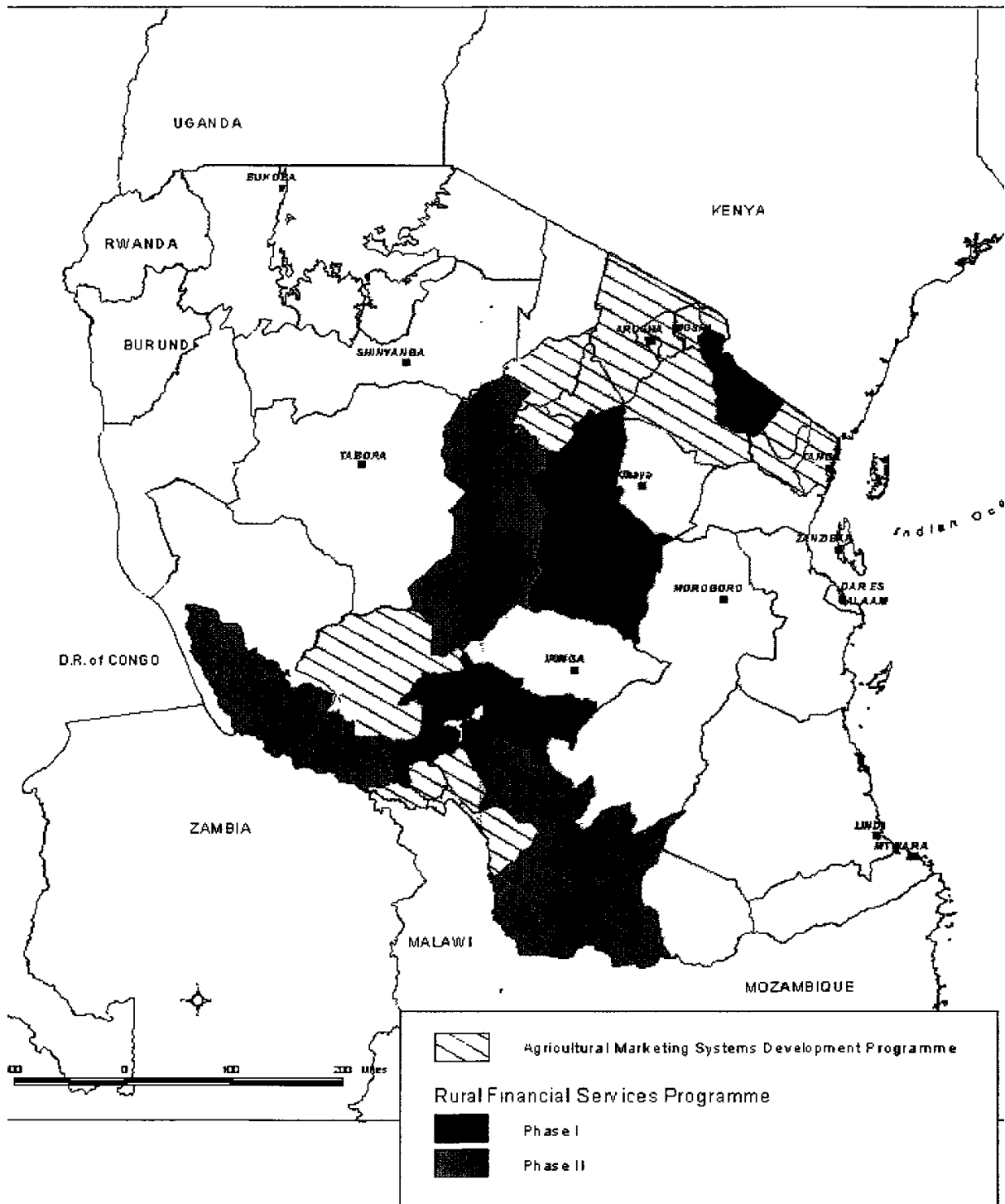
AfDF	African Development Fund
AWP/B	Annual Work Plan and Budget
DANIDA	Danish International Development Assistance
GI	Grass-Roots Institutions
MCM	Ministry of Cooperatives and Marketing
NGO	Non-Governmental Organization
PCB	Participating Commercial Bank
PG	Producer Group
PMO	Prime Minister's Office
PRSP	Poverty Reduction Strategy Paper
SDC	Swiss Agency for the Development and Cooperation
SNV	Netherlands Development Organisation
TCCIA	Tanzania Chamber of Commerce, Industry and Agriculture
USAID	United States Agency for International Development

GOVERNMENT OF THE UNITED REPUBLIC OF TANZANIA

Fiscal Year
1 July - 30 June



MAP OF THE PROGRAMME AREA



Source: IFAD Appraisal Mission

The designations employed and the presentation of the material in this map do not imply the expression of any opinion whatsoever on the part of IFAD concerning the delimitation of the frontiers or boundaries, or the authorities thereof.



UNITED REPUBLIC OF TANZANIA

AGRICULTURAL MARKETING SYSTEMS DEVELOPMENT PROGRAMME

LOAN SUMMARY

INITIATING INSTITUTION:	IFAD
BORROWER:	United Republic of Tanzania
EXECUTING AGENCY:	Prime Minister's Office
TOTAL PROGRAMME COST:	USD 42.30 million
AMOUNT OF IFAD LOAN:	SDR 12.95 million (equivalent to approximately USD 16.34 million)
TERMS OF IFAD LOAN:	40 years, including a grace period of ten years, with a service charge of three fourths of one per cent (0.75%) per annum
COFINANCIERS:	African Development Fund (AfDF) Ireland Aid Others to be determined
AMOUNT OF COFINANCING:	AfDF: USD 14.46 million Ireland Aid: USD 1.10 million Others: USD 4.49 million
TERMS OF COFINANCING:	AfDF: to be determined Ireland Aid: Grant Others: To be determined
CONTRIBUTION OF BORROWER:	
GOVERNMENT OF THE UNITED REPUBLIC OF TANZANIA:	USD 4.22 million
DISTRICT GOVERNMENT:	USD 1.19 million
CONTRIBUTION OF BENEFICIARIES:	USD 513 600
APPRAISING INSTITUTION:	IFAD
COOPERATING INSTITUTION:	United Nations Office for Project Services (UNOPS)



PROGRAMME BRIEF

Who are the beneficiaries? Given the multidimensional and holistic nature of the programme, with major emphasis given to rationalization of overall marketing policies and improvements of related infrastructures, it is expected that all rural market participants will benefit from the programme. The major programme support will be directed to: (a) the smallholder farmer members of producer groups (PGs) and grass-roots institutions (GIs), who have on average less than 2 ha of cultivable land and income generally below the poverty line; (b) small-scale traders and processors operating in rural areas; and (c) medium-scale agribusiness entrepreneurs who have demonstrated their ability to handle significant volumes of smallholder produce. The larger part of the benefits will be captured by small farmers. Small and itinerant traders – mostly women – will also benefit greatly from the programme.

Why are they poor? The causal factors of poverty for 4.4 million smallholder producers, traders and processors include: (a) lack of a conducive marketing policy environment in the country (overvalued exchange rates, prohibitive regulations and high taxation); (b) inadequate market infrastructures and transportation; (c) lack of economies of scale and vertical integration; (d) lack of market information and communication systems, which prohibits small producers and other actors from exploiting market potentials and opportunities; and (e) shortage of both investment and working capital for undertaking production, marketing and processing activities. Taken together, these severely depress the value of output (and income) received by small farmers, and present major obstacles to moving towards new forms of production that offer higher returns.

What will the proposed programme do for them? The programme will assist the Government in bringing about a comprehensive change in the agricultural marketing subsector with the objective of making rural markets work better and empowering smallholders within them. The programme will: (a) strengthen about 1 000 PGs to enable them to have a better bargaining position and more leverage on policy formulation, identification of marketing opportunities and price negotiations for both inputs and outputs; (b) assist the Government in rationalizing the existing policies relating to regulation, taxation, the exchange rate and so on, so that it can contribute to improved marketing system efficiency as a whole; (c) improve market infrastructures through construction and rehabilitation of 700 km of rural roads, 200 km of access roads and 30 market centres, and through financing for post-harvest facilities; (d) strengthen capacity of the Ministry of Cooperatives and Marketing (MCM) to collect, compile and disseminate agricultural marketing information; (e) help PGs, GIs, traders and processors to access inventory and capital loans from the commercial banks as required for promotion of marketing activities; and (f) establish and strengthen both vertical and horizontal linkages among PGs, GIs, processors, local marketing chains and exporters.

How will the beneficiaries participate in the programme? A highly decentralized participatory and consultative process, led from the grass roots and coordinated by the MCM and the Prime Minister's Office, guided the programme design during all stages of the project development cycle. The following institutional mechanisms and modalities will be used to secure participation during implementation: (a) the PGs and GIs – savings and credit cooperatives, savings and credit associations, etc. – will be organized and supported according to a demand-driven approach; (b) resources will be provided to develop ownership, support and implementation of policies at both the district and national levels, with participation of beneficiaries, civil-society organizations and government, through dialogue, lobbying and public-awareness campaigns and discussions; (c) specific measures and criteria will be used to maximize the participation of women in PGs and GIs, including in the decision-making processes; and (d) provision will be made for a participatory impact monitoring and evaluation assessment system that can address the beneficiaries' priority concerns and be used and applied for assessing performance and impacts of their respective enterprise operations.



**REPORT AND RECOMMENDATION OF THE PRESIDENT OF IFAD
TO THE EXECUTIVE BOARD ON A PROPOSED LOAN TO
THE UNITED REPUBLIC OF TANZANIA
FOR THE
AGRICULTURAL MARKETING SYSTEMS DEVELOPMENT PROGRAMME**

I submit the following report and recommendation on a proposed loan of SDR 12.95 million (equivalent to approximately USD 16.34 million) to the United Republic of Tanzania on highly concessional terms to help finance the Agricultural Marketing Systems Development Programme. The loan will have a term of 40 years, including a grace period of ten years, with a service charge of three fourths of one per cent (0.75%) per annum. It will be administered by the United Nations Office for Project Services (UNOPS) as IFAD's cooperating institution.

PART I – THE ECONOMY, SECTORAL CONTEXT AND IFAD STRATEGY¹

A. The Economy and the Agricultural Sector

1. The United Republic of Tanzania stretches from the Equator to latitude 12 degrees south, occupying an area of 945 200 km² on the coast of East Africa, including Zanzibar and Pemba Islands. Its economy is predominantly agricultural. The population totalled 31.3 million people in 2000, and the population growth rate between 1980 and 1997 has been rapid (3.1% annually). About 70% of the population lives in rural areas in over 8 000 villages. With per capita income at USD 478², the United Republic of Tanzania is one of the world's poorest countries. Over the last five years, it has made significant progress in restoring macroeconomic stability through a process of trade liberalization, efficient management of the monetary sector and deregulation of the pricing policy and marketing services. The impact of these reforms has been widespread throughout the economy, resulting in an average annual economic growth rate of about 4% during 1995-2000, reduction of fiscal imbalances from 30% in 1995 to 6.6% in June 2000, and a decline of the annual inflation rate from 21% in 1996 to 5.5% in June 2001. Similarly, foreign reserves have increased from 1.5 to 5 months of merchandized imports during the same period. However, at an estimated USD 7.6 billion, the country's total debt is still high, and servicing it consumes about 40% of the national budget. The recently approved Debt Initiative for the Heavily-Indebted Poor Countries will lighten this burden, but its long-term solution depends on donors' willingness to provide concessionary and grant funding to increase productivity and growth to ensure the overall sustainability of the economy.

2. Agriculture is the dominant sector, accounting for about 45% of gross domestic product (GDP), 85% of rural employment and 73% of all exports. Its annual growth rate in the period 1998-2001 was 3%. Realizing the importance of the agricultural sector, the Government has pursued its reinvigoration through: (a) liberalization of all agricultural markets and removal of state monopolies on the export and import of agricultural goods and produce; (b) redefinition of its food security objective in terms of achieving food security at the national and household levels; (c) reliance on the private sector (comprising smallholders, commercial farmers and pastoralists) for all agricultural production and marketing activities; (d) decentralization of administrative and implementation responsibility to district councils; and (e) continuing Government responsibility for industry

¹ See Appendix I for additional information.

² World Development Report, 1998.



regulation and assistance through commodity crop marketing boards and monitoring of prices at all levels.

3. Although these market-related policies have been only partially implemented, the private sector has responded well: (a) 95% of the total trade in food crops is currently in private hands, while the market share of the National Marketing Corporation has dropped to less than 5%; (b) the private sector's share in the processing and trading of cash crops such as coffee, cotton, tea, sugar and cashew nut has increased to about 70% from nearly 0% in the pre-liberalization period; and (c) the marketing of fruits and vegetables is now entirely in the hands of the private sector. In absolute terms, the farmers have been able to increase considerably their share in export prices. However, in real terms the producer prices for most of the crops have declined by about 25-30% due to overvaluation of the exchange rate. The overall impact of agricultural marketing liberalization has been largely offset by faster increases in prices of non-agricultural goods (purchased by the farmers). As a result, the farmers' net cash flow from agricultural production did not increase commensurate with other sectors of the economy.

B. Lessons Learned from Previous IFAD Experience

4. IFAD has financed eight projects/programmes in the United Republic of Tanzania, of which four are ongoing. Considerable progress has been achieved on some critical fronts, such as decentralization of decision-making power from the centre to the districts, empowerment of civil-society institutions and beneficiaries, increasing agricultural production and promoting grass-roots microfinance institutions. However, the potential benefits of these programmes, in terms of enhancing farmers' net cash flow, have not been fully realized due to continuing obstacles in the policy, legislative, regulatory and institutional framework, including the lack of incentives for innovation in crop-purchase systems, and for product improvement and diversification in the agricultural marketing subsector. Key agricultural marketing issues identified during implementation of these interventions include: (a) lack of economies of scale and vertical integration among producers and primary marketers, which reduced the bargaining position of smallholder producers within the overall system; (b) imperfect market structure, conduct and performance, resulting in a high degree of concentration, lack of transparency and barriers to market entry; (c) poor market and transportation infrastructure, leading to high transaction costs (about 60% of rural roads used for marketing are considered to be impassable); (d) lack of a market information and communications system; (e) irrational and exorbitant agricultural taxation structure (estimated at 64%, 63% and 37% of the gross margin of cashew nut, coffee and cotton, respectively); and (f) inaccessibility of adequate investment and working capital for market operators, making it extremely difficult to increase and expand their marketing activities.

IFAD's Strategy for Collaboration with the United Republic of Tanzania and Donors

5. Both the Government's Poverty Reduction Strategy Paper (PRSP) and IFAD's Country Strategic Opportunities Paper (COSOP) have identified the need for increasing efficiency in the agricultural marketing system and related policies as central to the poverty-alleviation programme. Based on the strategic importance accorded to this issue and a subsequent request received from the Government, IFAD undertook a comprehensive participatory rural appraisal involving 480 rural households and organized a number of technical workshops with stakeholders to identify their needs, constraints and potentials as well as investment opportunities. Following the findings and recommendations of these exercises, IFAD held a series of meetings with key multilateral donors (African Development Fund (AfDF), World Bank and the United Nations Development Programme (UNDP)) and bilateral donors (such as Danish International Development Assistance (DANIDA), the United States Agency for International Development (USAID), France, Sweden, Switzerland and The Netherlands) to agree on a common platform to assist the Tanzanian Government in improving the efficiency of the agricultural marketing system based on the following core elements: (a) designing an appropriate system to promote the producer groups (PGs) and grass-roots institutions (GIs) and thus



enable them to take advantage of available marketing opportunities; (b) establishing proper institutional modalities and critical capacities within PGs, GIs and non-governmental organizations (NGOs) so they can effectively participate in policy formulation and develop leverage in negotiating contracts with other market players; (c) strengthening the agricultural marketing policy and legislative, regulatory and institutional framework to promote economic opportunities for smallholders and the rural population; (d) strengthening linkages within the entire marketing chain, from producer to traders, processors and exporters, through introduction of innovative crop-purchase systems, insurance, product improvements and differentiation; and (e) improving the rural market infrastructures for marketing of agricultural inputs and outputs. Based on this framework, the roles and responsibilities of each of the donors is delineated in such a way that they can complement and reinforce each other on a cofinancing or parallel-financing basis under this programme (see Table 2 Financing Plan).

PART II – THE PROGRAMME

A. Programme Area and Target Group

6. While the policy development support component of the programme will be national in scope, all other programme components will be confined initially to two geographic zones of the country: the Northern and the Southern Highlands Marketing Zones. Both of these zones have a predominance of poorer rural households, with an average per capita gross domestic product (GDP) that is below the national average. However, they also have enormous potential for improvements in small farmer incomes and production, if greater market efficiency and effectiveness can be achieved. These two zones were selected based on the following criteria: (a) significant volumes of marketable and traded surplus produced by IFAD target groups; (b) complementarity with existing and recently completed IFAD-financed investment projects/programmes; (c) availability of NGOs, PGs and GIs with relevant and proven capacity to support programme interventions; and (d) presence of basic market-related infrastructures such as access roads and market facilities. Within these two zones, the programme will concentrate its field activities on identified focal areas to be selected based on criteria including agro-ecological conditions, socio-economic profiles of the target groups, and economic resource mapping consisting of marketing potentiality, concentrations, trade flows and infrastructures. To be eligible to participate in the programme, each of the districts must satisfy pre-conditions consisting of the following: participation in Phase I of the Local Government Reform Programme and commitment to support the PRSP; evidence of producing and trading substantial marketable outputs and indications of supporting potential agribusiness interest, with assurances to provide specific financial and technical assistance to IFAD target groups during programme implementation; avoidance of duplication of programme activities already funded by other donors or the Government; and presence of road networks from the principal zonal business centres.

7. The beneficiary target groups for the programme are members of the poorer segment of the rural population, mainly smallholder producers. PGs and GIs will be eligible for assistance if they satisfy the following conditions: (a) the average landholding of a smallholder or of an individual producer within the PGs and GIs should not exceed 2 ha of cultivable land; (b) over 50% of group members should be from poorer households, with per capita income below the national poverty line; and (c) at least 40% of the beneficiaries of the group should be women or households headed by women. Only small and medium-scale retailers (with a ratio of 50:50) and processors with capital ceilings prescribed by the Ministry of Industry and Commerce will be eligible for receiving support from the programme.

B. Objectives and Scope

8. The overall goal of the programme is to increase the income and food-security situation of the rural poor in the Northern and Southern Marketing Zones of the United Republic of Tanzania. The objectives of the programme are to improve the structure, conduct and performance of the agricultural



marketing and pricing systems in the country in order to raise smallholder incomes and diversify their production in an active and equitable partnership with the private sector. Specific objectives include: (a) improvement of relevant marketing policies; (b) empowerment of the target groups by strengthening them financially and organizationally; and (c) enabling the target groups to own and operate the system, and become active partners in all decision-making processes.

9. The programme will attempt to achieve these objectives through an approach that emphasizes: (a) promotion of stakeholder dialogue throughout the agricultural marketing system, such that the needs, constraints and aspirations of PGs, GIs, traders and other market participants are recognized at both the national and local levels; (b) enhancement of performance for the entire agricultural marketing system based on economic liberalization, while implementing sustainable activities in the targeted geographical zones identified by PRSP, whether national, regional or district; (c) flexibility through a phased implementation that depends on successful completion of trigger mechanisms and on detailed evaluation to be carried out after completion of the first phase will permit rapid modification of programme elements to respond to the success or failure of initiatives; (d) support for new initiatives based on market demand and producer responsiveness; and (e) implementation of programme activities through grass-roots institutions, civil society, private sector and the decentralized district administrations.

C. Programme Components

10. The programme will comprise five components, implemented in two distinct phases, with the first phase to be devoted mainly to articulation of a conducive policy environment; establishment of critical infrastructures; strengthening of PGs, GIs and industry associations; and pilot experimentation. This will help to start up the second phase on a sound footing and allow further replication of successful interventions and experiences gained during the first phase. Transition to the second phase will be subject to satisfactory completion of milestones or performance indicators set for the first phase (Appendix VI), within a flexible approach that will permit necessary adjustments and modifications during implementation. The components that will be supported under the programme are as follows: (a) policy development support; (b) producer empowerment and market participation; (c) financial market services; (d) rural marketing infrastructure support; and (e) programme organization and coordination.

Policy Development Support

11. The policy development support component is systemic in nature and will contribute to improved marketing system efficiency as a whole, benefiting all participants in the marketing system, including producers, intermediaries and consumers. The support to policy transformation and change will be designed, developed and implemented following a consultative and interactive procedure, which will be monitored and evaluated through a transparent and accountable system. Within the overall policy framework, support will be given to the following sub-components:

12. **National policy development process.** Technical assistance will be provided to support the Government in undertaking a series of policy impact and needs assessment studies to equip it and the stakeholders with insights and knowledge necessary to develop policies that will induce rapid market transformation, assist in the development of policy-implementation plans and bring about organizational changes needed for policy reform. Provision will be made to undertake about 12 studies to help the Government rationalize the key policy constraints involved, including:

- (i) **Monetary policy.** This exercise will mainly help to assess the effects of the overvalued exchange rate on agricultural production, exports and markets, with specific reference to its impacts on IFAD target groups.



- (ii) Strategic grain reserve (SGR) policy. Here, the effects of the SGR operation in terms of security and trade will be examined, including its impact on producer prices, government budget and costs.
- (iii) Regulatory policy. Liberalization of regulatory policies is needed for: (a) ensuring the efficiency and effectiveness of crop boards vis-à-vis the industry organization as a whole; (b) the removal of restrictions imposed on the free flow of agricultural inputs and produce across national boundaries for exports and interregional trade; and (c) empowerment of cooperative marketing associations, including the need for organization and regulation in other crop sectors, such as oilseeds and cereals.
- (iv) Taxation policy. An assessment will be made of the importance of this policy as an instrument for mobilizing of internal revenue and determining the extent to which there is need for further simplification and streamlining of existing policies and procedures to ensure optimal allocation of resources for growth, equity and increasing productivity in the agricultural sector. Provision will be made for: (a) holding a series of participatory dialogues, workshops and seminars to crystallize the issues and recommendations arising from these studies and to reach a consensus as to how these could be implemented effectively; (b) drafting legislation on policy issues needing reform and rationalization; (c) supporting legislative working committees to facilitate and assure on-time completion of their work; and (d) strengthening the Marketing Policies and Regulation Division of the Ministry of Cooperatives and Marketing (MCM) through the provision of staff, training, technical assistance and facilities to enable it to discharge its functions (including the monitoring of policy actions) efficiently and effectively.

13. **Support for local government policy development.** Under the Government's existing decentralization policy, the district councils will be responsible for undertaking all development activities, including the mobilization of internal resources (through local taxes, levies, etc.) and formulation of related policies. Currently, they do not have adequate technical capacity to undertake these functions. To overcome this, programme support will include: (i) technical assistance and other complementary services to rationalize their policies with respect to agricultural taxation and other charges; (ii) support to the participation, planning and implementation processes, such as:

- policy appreciation workshops for councillors, executives and other stakeholders;
- holding of dialogues to ensure the participation of all stakeholders on all market-related policy issues such as taxation and other charges;
- study visits by stakeholders to regional countries with different local taxation policies and to other districts in the United Republic of Tanzania;
- training for council executive staff in budget analysis and management, as well as the required provision for support services in streamlining the work of revenue mobilization;
- support for enhanced compliance measures for revenue collection, particularly for village outreach and awareness programmes, vehicles, registration and identification procedures for taxpayers, and monitoring and evaluation procedures;
- establishment of a taxpayers' database at the district level; and
- technical assistance to induce the development and application of appropriate agricultural marketing policies, including: assistance with drafting of specialist legislation; and policy impact demonstrations, mainly special studies and workshops.

14. **Policy coordination and resource mobilization.** The programme will support: (i) the formation and operation of a national agricultural marketing policy coordination committee (NAMPCC); (ii) recruitment of necessary staff, including a full-time agricultural marketing specialist, to advise and guide the Government in managing and facilitating work programmes concerning policy formulation, development and implementation; and (iii) the district councils with relevant training and



support services to prepare and execute their policies, including planning, monitoring and evaluation exercises.

Producer Empowerment and Market Participation.

15. This component is designed to assist the PGs and GIs, small and medium-scale traders and processors to: (a) strengthen their social, organizational and financial structure to enable them to participate effectively in marketing activities; (b) empower them technically through improved market information, extension and research services to enhance their leverage and bargaining power vis-à-vis more organized agro-processors, wholesalers and exporters; and (c) establish appropriate vertical and horizontal linkages with formal market players to minimize the risks and uncertainties associated with the lack of assured market opportunities, and prices for both inputs and outputs. The district-level private sector capacity development sub-component will support the organization and development of enterprises within focal areas in the districts. To realize the above objectives, the programme will support each of the following sub-component activities:

16. **Strengthening of the social, organizational and financial structure of the grass-roots-level producer groups.** Provision will be made to support 1 000 PGs, GIs and small-scale traders involved in marketing activities. A broad spectrum of training programmes will be organized and financed following the training needs assessment exercises to be undertaken in each of the focal areas, covering: (i) the basic elements necessary for formation of producer marketing groups, including their dynamics, organizational structure and financial needs, and HIV/AIDS prevention; (ii) the technical skills training to enable members to identify marketing opportunities and prepare business plans, including training on log-frame and impact analysis; and (iii) training in interactive leadership, with emphasis on business negotiations and communication skills, confidence building, etc. The entire work will be carried out by private-sector contractors, NGOs and institutions designated as the lead or partner agencies in each of the focal areas. Locally active NGOs that have considerable experience and expertise in undertaking these types of activities in the United Republic of Tanzania – such as Mennonite Economic Development Associates (Canada), Technoserve (United States), DANIDA's Private Agricultural Sector Support (PASS) and the Netherlands Development Organisation (SNV) – will operate as lead/partner agencies of the programme. Provision has also been made for travel and other allowances for existing community development officers, cooperative development officers and agricultural extension officers to assist the contracted lead/partner agencies in carrying out their tasks.

17. **Empowerment of producers through market information, communication, extension and research.** Provision will be made to strengthen the Agricultural Marketing Directorate of MCM to: (i) collect, compile and analyse market data on agricultural inputs, produce and price from representative districts, and arrange the systematic and timely dissemination of market information to all concerned; (ii) undertake market studies and analysis, and make appropriate arrangements for dissemination of the results and findings to producers and market agents to help them to organize their production and business plans as necessary for increasing cash flow; and (iii) organize training courses for farmers, PGs and GIs on standardization, grading and quality control of agricultural produce in each of the selected districts. The major cash (coffee, cashew nut, tea, cotton, etc.) and food crops (maize and rice) will be included initially under this training programme; it will gradually be extended later to other crops such as fruits and vegetables. Experience suggests that higher-quality agricultural produce can fetch a price that is at least 30-50% higher than the average market price.

18. **Improvement of vertical and horizontal linkages between producers and other market actors.** Under this subcomponent, and mainly through private-sector contractors or NGOs such as the Farmers' Groups Network in Tanzania (MVIWATA), International Federation for Alternative Trade (IFAT) and PASS, provision will be made to provide training and technological assistance to: (i) improve the producers' exchange functions (bulk buying of inputs and selling of outputs) to increase their bargaining power and relative share of end retail price compared to other actors; (ii) prepare prototype contract documents and manuals, which can serve as guiding tools for



communication and negotiations with industry players; and (iii) enhance the institutional links between the producer groups and the other marketing industry associations (such as the Tanzanian Chamber of Commerce, Industry and Agriculture (TCCIA), distribution chains in Europe, America and neighbouring countries, and a number of end-users (hotels, schools and hospitals, etc.) through organizing workshops, seminars, demonstrations and study tours. This technical assistance will help to exploit alternative market opportunities and facilitate business transactions and negotiations in a systematic manner.

19. **Establishment of district-level private-sector capacity development.** This subcomponent will mainly support four specific activities: (i) formation of local TCCIA branches (following the successful pilot experimentation of SNV) to act as a platform for a variety of initiatives, including development of local capacity for business and investment promotion, and policy formulation; (ii) development of business skills through training and technical assistance; (iii) establishment of an appropriate market information system directly linked to business activities; and (iv) provision of support services for local business promotion (to be provided by the experienced technical advisors recruited under the programme).

Financial Market Services

20. The objective of this component is to test, on a limited scale, a variety of lending instruments using a guarantee fund (GF) of USD 1.5 million, which will be established in a participating commercial bank (PCB) to minimize the risks of lending in rural areas. The lending rate will be based on the market rate and the risks will be shared equally between the PCB and Government. The major activities to be covered under this component are:

21. **Inventory-based lending.** This initiative is designed to promote and facilitate lending operations by PCBs to meet the credit needs of the PGs, traders and processors using crop inventories as collateral. The loans will allow traders and processors to revolve their capital several times during buying seasons and take advantages of interseasonal price increases of produce. This will also allow grass-roots primary societies involved in agricultural marketing to access credit after harvest and realize additional revenue from storage of produce and inputs.

22. **Product value-enhancement activities.** These activities (including small and medium-scale processing, drying, grading, packaging, etc.) will be supported through the PCBs, and will be extended to small and medium-scale processors selected on the basis of appropriate bank lending criteria. Among others, rural microfinance institutions will be one of the effective conduits for this lending.

23. **Technical assistance and studies.** These are expected to support other initiatives and activities in market facilitation, which will include zonal resource mapping and feasibility studies, market identification, agricultural production support and commodity value-enhancement support activities.

Rural Marketing Infrastructure Support

24. The basic objective of this component is to address the high marketing transaction costs associated with inadequate road infrastructure, market centres and storage facilities in rural areas. Within the envisaged programme plan, priority emphasis will be placed on rehabilitation of existing roads already included under the PRSP. Support will also be provided for the construction or upgrading of physical market infrastructure, on a cost-sharing basis, based on needs assessment and beneficiary demand. Due consideration will also be given to satisfying the plan and predefined criteria established through a consultative process, and agreed modalities for implementation using the services of the private sector. The proposed component will mainly finance the following sub-components:



25. **Institutional support.** The programme will provide training and institutional support at the district level. A locally based consulting engineering company will oversee all technical aspects, including training of district engineering staff and local contractors, planning surveys, creating the engineering design, procuring contracts and supervising implementation. Provision will be made to strengthen the capacity of the district engineering division through training and study tours, including transport and equipment for supervision and monitoring.

26. **Roads and bridges.** Provision will be made to undertake: (i) rehabilitation of 350 km of existing priority rural roads and associated bridges, causeways and culverts; (ii) spot improvements on 350 km of dilapidated rural roads; and (iii) minor improvements on 200 km of access roads to facilitate closer links with improved market centres. Provision will also be made for construction of 70 bridges and 350 culverts and other drainage structures, as well as for their maintenance. The maintenance of rehabilitated roads will be the responsibility of local government. Proven technology and modules for rural road rehabilitation applied under Swiss Agency for Development and Cooperation (SDC) and USAID road programmes will be used to ensure cost-effectiveness and long-term sustainability.

27. **Market facilities.** Most of the village markets are in extremely dilapidated condition, with no overnight storage facilities for market produce. To address this situation, the programme will improve about 30 existing market facilities in response to the demand of users. These will then be contracted out to the private sector or existing market operators. Replication of this activity will be based on the interest and initiative taken by the private sector to ensure its operation on a sustainable basis.

28. **Storage.** Storage facilities owned by local government at the village and ward levels and in need of rehabilitation and technical assistance will be eligible for support in the form of 20% contributions from the local government. The construction and rehabilitation of storage facilities to be initiated by the producer and marketing groups will be supported through an inventory credit scheme to be provided through the PCBs. Technical assistance will be provided for, among other things, training, technical design and preparation of a management manual.

Programme Organization and Coordination.

29. Implementation of programme activities is expected to be undertaken largely through contracted service providers, which may include NGOs, consulting firms, local institutions, civil-society organizations and others. Provision will be made for recruitment of some critical staff required for programme coordination units in the two zones, including monitoring, supervision and financial management and accounting. Necessary provision has also been made for meeting training, technical assistance and operational costs required during implementation.

D. Costs and Financing

30. The programme will be implemented over a period of seven years, in two phases. Total programme costs, including physical and price contingencies, are estimated at USD 42.30 million. The foreign exchange component is estimated at USD 9.93 million or about 23% of total programme costs. Taxes make up approximately USD 4.19 million (10%). Of the total programme costs, IFAD will finance about USD 16.34 million, AfDF about USD 14.46 million, Ireland Aid approximately USD 1.10 million, and other donors about USD 4.49 million. Other donors such as USAID, France and The Netherlands, while not directly cofinancing, will complement the programme through their financing to Technoserve and SNV, which are expected to participate as contracted agencies to this programme. The Government's contribution is estimated at USD 4.22 million, mainly in the form of foregone taxes and duties. To enable the programme activities to commence full operation as soon as possible, IFAD has also agreed to allocate an additional amount of USD 90 000 under the Special Operations Facility to allow for the completion of some preparatory works, such as preparation of a programme implementation manual and an annual work plan and budget (AWP/B), and recruitment

of key staff. Summaries of programme costs and the financing arrangements are presented in Tables 1 and 2, respectively.

TABLE 1: SUMMARY OF PROGRAMME COSTS^a
(USD '000)

Component	Local	Foreign	Total	% of Foreign Exchange	% of Base Costs
A. Policy development support					
National policy development process	1 098.3	676.2	1 774.4	38	5
Support fo local government policy development	852.3	97.3	949.6	10	3
Subtotal	1 950.6	773.5	2 724.0	28	7
B. Producer empowerment and market participation					
Organizational strengthening: groups and group associations	7 106.2	368.7	7 475.0	5	20
Market information	510.1	369.9	879.9	42	2
Producer group market access	1 373.0	28.7	1 401.7	2	4
Trader and processor market access	794.3	1 565.4	2 359.8	66	6
Subtotal	9 783.6	2 332.7	12 116.4	19	33
C. Financial market services	1 392.4	272.7	1 665.0	16	5
D. Rural marketing infrastructure support					
Institutional support for infrastructure improvement	2 284.6	1 893.4	4 178.1	45	11
Road works and other marketing infrastructure	9 404.0	2 607.0	12 011.0	22	33
Subtotal	11 688.6	4 500.4	16 189.1	28	44
E. Programme organization and coordination	3 196.0	730.7	3 926.7	19	11
TOTAL BASELINE COSTS	28 011.2	8 610.0	36 621.2	24	100
Physical contingencies	1 687.9	553.6	2 241.5	25	6
Price contingencies	2 673.0	765.5	3 438.5	22	9
TOTAL PROJECT COSTS	32 372.1	9 929.1	42 301.2	23	116

a Discrepancies in totals are due to rounding up.

TABLE 2: FINANCING PLAN ^a
(USD '000)

Components	IFAD		AfDF		Ireland Aid		Other Cofinanciers		District Governments		Communities /Groups		Government		Total		For.	(Excl.	Local	Duties	
	Amount	%	Amount	%	Amount	%	Amount	%	Amount	%	Amount	%	Amount	%	Amount	%	Exch.	Taxes)	and	Taxes	
A. Support for Policy Development																					
National Policy Development	954.5	50.5	-	-	373.2	19.7	522.7	27.6	-	-	-	-	41.4	2.2	1 891.7	4.5	710.5	1 139.9			41.4
Local Government Policy Development	954.6	92.2	-	-	34.9	3.4	-	-	-	-	-	-	45.5	4.4	1 034.9	2.4	110.1	879.4			45.5
Subtotal Support for Policy Development	1 909.1	65.2	-	-	408.1	13.9	522.7	17.9	-	-	-	-	86.9	3.0	2 926.7	6.9	820.5	2 019.3			86.9
B. Producer Empowerment and Market Linkages																					
Organisational Strengthening:																					
Groups and Group Associations	7 787.0	94.9	-	-	-	-	-	-	-	-	222.6	2.7	199.1	2.4	8 208.7	19.4	411.7	7 597.9			199.1
Market Information	628.2	65.0	-	-	-	-	197.1	20.4	-	-	8.2	0.8	133.0	13.8	966.5	2.3	400.3	433.1			133.0
Producer Group Market Access	1 430.7	91.9	-	-	-	-	-	-	-	-	111.3	7.2	14.4	0.9	1 556.5	3.7	32.3	1 509.7			14.4
Trader and Processor Market Access	335.0	13.1	-	-	-	-	2 155.4	84.4	-	-	33.4	1.3	29.6	1.2	2 553.4	6.0	1 697.9	825.9			29.6
Subtotal Producer Empowerment and Market Linkages	10 180.9	76.6	-	-	-	-	2 352.5	17.7	-	-	375.6	2.8	376.1	2.8	13 285.1	31.4	2 542.4	10 366.6			376.1
C. Financial Market Support Services	765.9	44.1	-	-	675.9	38.9	261.4	15.1	-	-	-	-	33.5	1.9	1 736.7	4.1	286.6	1 416.6			33.5
D. Rural Marketing Infrastructure																					
Institutional Support for Infrastructure Improvement	-	-	3 517.6	72.5	-	-	1 186.0	24.4	-	-	-	-	148.0	3.0	4 851.5	11.5	2 187.3	2 516.2			148.0
Road Works and Other Marketing Infrastructure	-	-	10 943.9	72.4	-	-	-	-	1 190.3	7.9	138.0	0.9	2 838.9	18.8	15 111.1	35.7	3 294.2	8 978.1			2 838.9
Subtotal Rural Marketing Infrastructure	-	-	14 461.4	72.4	-	-	1 186.0	5.9	1 190.3	6.0	138.0	0.7	2 986.9	15.0	19 962.7	47.2	5 481.5	11 494.3			2 986.9
E. Programme Organisation and Co-ordination	3 488.7	79.5	-	-	-	-	166.0	3.8	-	-	-	-	735.5	16.8	4 390.2	10.4	798.0	2 881.2			711.0
Total Disbursement	16 344.6	38.6	14 461.4	34.2	1 084.0	2.6	4 488.6	10.6	1 190.3	2.8	513.6	1.2	4 218.9	10.0	42 301.4	100.0	9 929.1	28 177.9			4 194.4

^a Discrepancies in totals are due to rounding.



E. Procurement, Disbursement, Accounts and Audit

31. **Procurement.** Procurement of goods and services will be in accordance with the Government's procedures to the extent that they are compatible with IFAD's current procurement guidelines. Hiring of consultants will be in accordance with the cooperating institution's guidelines. Each AWP/B will include a procurement plan and schedule detailing the goods and services to be procured. International competitive bidding (ICB) will be used for the supply of goods and services, for which the estimated cost will be USD 100 000 or more. To facilitate the procurement under ICB, the programme will use the services of the UNDP Inter-Agency Procurement Service office. Local competitive bidding will be allowed for goods and services costing between USD 20 000 and USD 100 000; and local shopping for those costing less than USD 20 000. All procurement and civil works activities to be financed by AfDF will be undertaken following its guidelines and procedures.

32. **Disbursement.** Programme funds will be disbursed over a seven-year period. Withdrawals from the loan account may be made against certified statements of expenditure in accordance with the procedures of the cooperating institution. The records evidencing such expenditures need not be submitted to IFAD but should be retained at the project coordination unit (PCU) or zonal coordination unit (ZCU) offices for inspection by the representatives of IFAD and the cooperating institution.

33. To allow for the effective flow and management of programme funds and to facilitate implementation, the programme will open a special account to be held in United States dollars at a commercial bank on terms and conditions satisfactory to IFAD. The special account will have an authorized allocation of USD 1.5 million. This will be replenished on the basis of regular withdrawal requests with the appropriate supporting documentation. PCBs will also manage the fund relating to microfinance activities. Quarterly requirements in line with AWP/Bs will be held in a current account with all other unallocated funds held on deposit.

34. **Accounts and auditing.** In line with sound accounting practices, the programme will maintain separate records to accurately reflect costs of the different components and activities financed from programme funds. All such accounts and records will be subject to an annual audit by the Auditor General or a reputable firm of accountants, appointed by the PCU and acceptable to the cooperating institution and IFAD. The audited accounts/financial statements, together with the audit opinion, will be submitted to the cooperating institution and IFAD annually, not later than six months after the end of the financial year.

F. Organization and Management

35. Most of the programme component activities will be carried out through outsourcing, using the services of private-sector contractors, NGOs or other competent actors designated as lead/partner agencies. The Government's responsibilities will principally involve planning, regulations, technical supervision and monitoring. Within this overall framework, the main supply of technical support services will be organized through the decentralized district administration and the MCM. The overall implementation coordination at the district, zonal and national levels will be undertaken through the existing District Development Committee, zonal advisory groups to be established, and the Programme Steering Committee (PSC). The PSC will be headed by the Permanent Secretary of the Prime Minister's Office (PMO), with members drawn from the concerned government ministries, TCCIA, NGOs and stakeholders, including key donors participating directly and indirectly in the programme (DANIDA, SNV, USAID, and the Government of France, The Netherlands, Sweden and Switzerland). Provision has been made to support these coordination units with adequate staff, facilities and equipment. The financial services component will be implemented through the PCBs under a separate subsidiary agreement with the Government. Contracted partner agencies will assist grass-roots market organizations in various activities such as organization, capacity-building and establishing linkages with upstream partners (NGOs, the private sector and banking institutions). The detailed organizational chart is shown in Appendix V.



36. With respect to monitoring and evaluation, the programme will design and operationalize an impact-oriented framework based on participatory logical framework analysis. The programme will assist both the Government and the beneficiaries to design a participatory impact monitoring and evaluation assessment system, which can address their priority concerns and be used and applied for assessing performance and impacts of their respective activities. Support will be provided for training of programme, Ministry of Finance (MOF), PMO, MCM, local government and beneficiary staff to enable them to become fully familiar and conversant with the process and its application in the field. Provision will also be made for designing an appropriate management information system once the participatory impact monitoring and evaluation assessment system is established in consultation with all stakeholders. In addition to the normal six-monthly and annual reporting arrangements and a mid-term review, support will be given for organizing zonal workshops that will (a) review the overall implementation progress in a zone; (b) analyse problems encountered in the course of implementation and discuss possible remedial action; (c) review the programme approach and propose modifications as necessary; and (d) use the findings for planning activities for the subsequent year.

G. Economic Justification

37. Given the multidimensional nature of the proposed programme, involving activities at the national, zonal, district and community levels, it is expected that there will be beneficiary populations at each of these levels. Direct national-level benefits will arise entirely from the activities financed under the policy development support component, although it is also expected that activities such as market linkages and district-level private-sector development will have significant influence on marketing system activities beyond their immediate area of implementation. The component is expected to lead to improvements in the overall market environment and to have positive results for 6.6 million households in the United Republic of Tanzania in terms of reduced food costs, improved food availability and increased participation of the private sector in both trade and agro-processing activities. About 1.4 million households will directly benefit from the programme. The internal rate of return for the programme is estimated at about 17%.

H. Risks

38. The major risks associated with the programme include: (a) failure on the part of the Government to commit fully on rationalization of key market policies that currently inhibit free play of market forces; (b) reluctance to implement the major programme activities through private-sector operators; and (c) failure to decentralize power to the districts and civil-society organizations. Adequate safeguards have been built into the programme design together with review mechanisms to minimize these risks and reduce the negative impacts. Participation of stakeholders (including donors) in policy dialogues will encourage the Government to remove barriers and to take positive action. Phased targets have been established for implementation of each programme component, and failure to fulfil these target goals will result in suspension of disbursements. However, adequate technical assistance will be given to assist the stakeholders to achieve the stipulated targets. Flexible phasing of the programme will also allow for annual reviews and for corrective action to be taken on the basis of lessons learned during implementation.

I. Environmental Impact

39. An environmental screening and scoping note undertaken during appraisal classified the programme as category "C". The Department of Environment of the Vice-President's Office has formulated guidelines for environmental impact assessment, according to which proposals for projects from the responsible ministries have to be submitted for vetting. The PMO will apply to the Vice-President's Office for appropriate local classification. The programme will have a positive environmental impact due to the improvement of marketing facilities based on government sanitation



regulations, HIV/AIDS awareness-building training, and assistance for quality control, grading and standardization of marketed products.

J. Innovative Features

40. The programme is designed to encourage more active, holistic participation of small-scale producers and the private sector. Although more intensive support at the local level (such as improvement of market infrastructure and strengthening of farmers' groups) will be provided in some selected geographical areas, the programme also aims at facilitating the creation of an enabling policy and legislative and institutional framework at both the national and local levels. Hence, a broad partnership with different stakeholders (including the Government, the private sector, farmers, PGs, GIs, donors, NGOs, and others) will be actively sought. The programme will facilitate a broad-based policy dialogue and seek to build consensus among stakeholders. The programme also intends to play a catalytic role as a facilitator rather than through implementation. It will stimulate and develop linkages between smallholders, other service providers and the private sector through facilitating dialogue, building institutional mechanisms and capacity, and offering technical support and incentives.

PART III – LEGAL INSTRUMENTS AND AUTHORITY

41. A loan agreement between the United Republic of Tanzania and IFAD constitutes the legal instrument for extending the proposed loan to the borrower. A summary of the important supplementary assurances included in the negotiated loan agreement is attached as an annex.

42. The United Republic of Tanzania is empowered under its laws to borrow from IFAD.

43. I am satisfied that the proposed loan will comply with the Agreement Establishing IFAD.

PART IV – RECOMMENDATION

44. I recommend that the Executive Board approve the proposed loan in terms of the following resolution:

RESOLVED: that the Fund shall make a loan to the United Republic of Tanzania in various currencies in an amount equivalent to twelve million nine hundred and fifty thousand Special Drawing Rights (SDR 12 950 000) to mature on and prior to 1 December 2041 and to bear a service charge of three fourths of one per cent (0.75%) per annum, and to be upon such terms and conditions as shall be substantially in accordance with the terms and conditions presented to the Executive Board in this Report and Recommendation of the President.

Lennart Båge
President



SUMMARY OF IMPORTANT SUPPLEMENTARY ASSURANCES INCLUDED IN THE NEGOTIATED LOAN AGREEMENT

(Loan negotiations concluded on 4 December 2001)

1. Most of the programme's activities will be carried out through outsourcing arrangements using the services of contracted private-sector contractors, NGOs and other competent actors (collectively, "partner agencies") chosen under terms of reference prepared by the programme coordination unit (PCU) and approved by IFAD. The programme implementation responsibilities of the Government of the United Republic of Tanzania (the "Government") will consist largely of planning, regulations, technical supervision and monitoring. PCBs involved in the implementation of activities under the financial market support component will be selected by the PCU subject to the prior review and approval of IFAD and the programme steering committee (PSC).
2. The Government, through the PCU, will enter into a credit guarantee agreement (CGA), satisfactory to IFAD, with each PCB with respect to the implementation of the loan guarantee scheme of the financial market support services component (the "loan guarantee scheme"), whereby the Government will guarantee part of the loan repayment in the event of default by the PCB's borrowers under the programme. The Government will submit a draft of each PCB CGA to IFAD for its comments and approval before its signature.
3. The PCU will open and thereafter maintain in a commercial bank acceptable to IFAD, two current accounts denominated in Tanzanian shillings (TZS) to finance programme operations with the exception of those relating to the loan guarantee scheme, which will be financed through the loan guarantee scheme accounts described in paragraph 4, below. One such account will be opened in Arusha for programme operations in the Northern Zone and one will be opened in Mbeya for programme operations in the Southern Highlands Zone (collectively, the "programme accounts"). The Government will annually make available to the programme accounts the amount of counterpart contributions specified in the AWP/B for each programme year (PY) in accordance with the AWP/B. The PCU will be fully authorized to operate the programme accounts.
4.
 - (a) As soon as practicable after the effective date but in any event prior to disbursement under the loan guarantee scheme to a PCB, the PCB will open and thereafter maintain a dedicated interest-bearing account denominated in TZS for operations under the loan guarantee scheme (collectively the "loan guarantee scheme accounts"), which will be maintained in accordance with the practices of the PCB following the prudential guidelines of the Bank of Tanzania.
 - (b) Signatories to the loan guarantee scheme accounts will be a representative from the respective PCB and a designated representative of the Government, both of whose signatures will be required in order to disburse funds from the account.
 - (c) The interest earned on the funds in the loan guarantee scheme accounts will be redeposited into the respective loan guarantee scheme account and be used towards the financing of the loan guarantee scheme.
5. Each PCB will use its respective loan guarantee scheme account in accordance with the terms of the loan agreement, the PCB CGA and the credit by-laws at least until such date as will be specified in the PCB CGA or such later date as may be approved by IFAD; or, if no date is so specified, until the programme completion date. Upon termination of each PCB's lending activities under the programme, the Government will ensure that the PCB will close out its loan guarantee scheme account and return the remaining funds therein, with accrued interest, to the Government.



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6. The PCU will prepare draft by-laws for the financial market support component. It will then submit the draft credit by-laws to the PSC for approval. When approved by the PSC, the PCU will submit the draft credit by-laws to IFAD for its comments and approval, after which the PSC will adopt the credit by-laws, substantially in the form approved by IFAD, for application to all credits extended to programme beneficiaries financed directly or indirectly by the IFAD loan.
7. The programme will be implemented in two phases, the first of which (Phase I or First Phase) will be implemented over four years, and the second of which (Phase II or Second Phase) will be implemented over three years. The mid-term review for the programme will analyse the specific minimum indicators, specified in the loan agreement, that will be used as triggers for the confirmation, by IFAD, of funding for and subsequent detailed design of the Second Phase of the programme.
8. During PY 1, the Government will establish the national agricultural marketing policy coordination committee.
9. During PY 1, the Government will also, in consultation with and with the approval of IFAD, make the following appointments based on terms of reference approved by IFAD: a national policy adviser and an international policy adviser, who will be assigned to the PMO; a national policy specialist, who will be assigned to MCM; and an international marketing specialist, who will be assigned to the PCU.
10. The Government will take all necessary action to ensure that its counterpart contributions for the programme are accurately reflected in its annual public investment budget. Such counterpart contributions will, in accordance with the AWP/B for each programme year, be applied to the payment of forgone taxes and office space. The Government will further ensure that its counterpart contributions are made available to the programme in a timely fashion throughout the programme implementation period.
11. The programme's monitoring and evaluation (M&E) system will be stakeholder-driven, facilitated by the PCU. The programme will assist the Government and stakeholders in designing and implementing a participatory impact monitoring and assessment system, based on the programme's logical framework analysis, to assess programme performance at the grass-roots level. The selection of indicators and overall design of the monitoring system will be results-based and objective-oriented, and will be satisfactory to and approved by IFAD. The overall responsibility for the proper functioning (and reporting thereunder) of the M&E system will rest with the PCU, through the M&E officer and his/her two specialists (one in each office of the PCU), which will also monitor the programme's financial and physical progress and report back to the stakeholders to create a better learning environment.
12. Annual review and planning workshops will be held in each programme marketing zone commencing in PY 2. Such workshops will be organized by the PCU and be attended by representatives from a wide range of stakeholders in the focal zones within the programme marketing zone.
13. The Government will exempt from taxes the importation, procurement and supply of all goods and services financed by the loan. The value of such exemptions will be credited against the obligation of the Government to provide counterpart funds for the programme.
14. The Government will insure key programme personnel against health and accident risks to the extent consistent with the Government's procedures and regulations.



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15. The Government will confirm the appointment of its controller and auditor-general to audit the accounts relating to the programme. To that effect, the programme coordinator (PC) will formally notify the controller and auditor-general of the requirements to audit such accounts in accordance with the General Conditions for Agricultural Development Financing (the “General Conditions”). The Government will also ensure that each PCB appoints an independent auditor to audit its accounts relating to the financial market support component and that such auditor audits such account in accordance with the General Conditions. The Government will ensure that the annual audit reports for the programme are long-form audit reports based on financial statements that have been prepared in accordance with generally accepted accounting principles and that adequately reflect the progress and operations of the programme. The audit reports will, *inter alia*, refer to: (a) the statements of expenditure under the programme; and (b) the utilization of the Special Account.

16. In order for a district to qualify for participation in the programme, it will be a participant in the Government’s (a) Poverty Reduction Strategy Programme, and (b) Local Government Support Programme.

17. During its first year of participation in the programme, each programme district will: (a) constitute a district agricultural marketing policy coordination committee; and (b) formulate a road maintenance plan, which will be accepted by the PCU.

18. The Government will ensure that the district councils in each programme district will appropriate sufficient funds, as set forth in the AWP/Bs, for repairs and maintenance of all rural roads, bridges and culverts financed under the programme

19. In line with the overall programme to improve the agricultural marketing systems in the country through, *inter alia*, the active participation of women, the Government will ensure that target group representation on the marketing zone advisory groups and the focal area advisory groups will include women.

20. The Government will ensure that each partner agency will open and maintain a separate account in an acceptable commercial bank for its operations under the programme.

21. The following are specified as additional events of suspension of the right of the Government to request withdrawals from the loan:

- (a) on or after the effective date, the African Development Fund (AfDF) agreement has failed to enter into full force and effect by the date or dates specified therein or such later date or dates established by AfDF for that purpose and substitute funds are not available to the Government on terms and conditions acceptable to IFAD;
- (b) the right of the Government to withdraw the proceeds of the AfDF credit and/or other donor grant(s) or credit(s)/loan(s) has been suspended, cancelled or terminated, in whole or in part, or the AfDF credit or other donor credit(s)/loan(s) has (have) become due and payable prior to the agreed maturity thereof; or any event has occurred that, with notice or the passage of time, could result in any of the foregoing;
- (c) the credit by-laws, or any provision thereof, has been waived, suspended, terminated, amended or otherwise modified without the prior consent of IFAD, and IFAD has determined that such waiver, suspension, termination, amendment or modification has had, or is likely to have, a material adverse effect on the financial market support component;



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- (d) the programme implementation manual (PIM), or any provision thereof, has been waived, suspended terminated, amended or modified without the prior consent of IFAD, and IFAD has determined that such waiver, suspension, termination, amendment or modification has had, or is likely to have, a material adverse effect on the programme; and
 - (e) the Government and IFAD have not agreed on the recommendations, action plan and design resulting from the mid-term review with respect to the Second Phase, within the time specified therefor, or the same have not been implemented within the time specified therefor.
22. The following are specified as conditions of disbursement of funds from the loan to any PCB in respect of expenditures under the financial market support component:
- (a) the credit by-laws shall have been approved by IFAD in draft and a copy of the credit by-laws as adopted by the PSC, substantially in the form so approved and certified as true and complete by a competent officer of the lead programme agency, shall have been delivered to IFAD;
 - (b) the PCB CGA shall have been approved by IFAD in draft; a copy of such PCB CGA, as signed by the PCU and such PCB, substantially in the form so approved and certified as true and complete by a competent officer of the Government, shall have been delivered to IFAD; the signature and performance thereof by the PCU and such PCB shall have been duly authorized or ratified by all necessary corporate, administrative and governmental action; and all conditions precedent to the effectiveness thereof shall have been fulfilled; and
 - (c) the PCB shall have appointed independent auditors, acceptable to IFAD, to audit the respective PCB's accounts relating to the financial marketing support component of the programme in accordance with paragraph 15, above.
23. The following are specified as conditions precedent to the effectiveness of the loan agreement:
- (a) the PSC and PCU shall have been duly established;
 - (b) the PC and financial controller shall have been duly appointed by the Government and approved by IFAD;
 - (c) the PIM shall have been approved by IFAD and adopted by the PSC;
 - (d) the Government shall have duly opened the Special Account and the PCU shall have duly opened the two programme accounts;
 - (e) the Government shall have made arrangements for and provided proof of the availability of counterpart contributions for PY 1;
 - (f) the AWP/B for PY 1 shall have been submitted to IFAD for its review and approval and the PSC shall have adopted same;
 - (g) the Government shall have provided satisfactory office accommodation: (i) for the PCU in Arusha and Mbeya; and (ii) for the programme specialists and support staff in the offices of the lead programme agency and MCM in Dar es Salaam;



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- (h) the loan agreement shall have been duly signed, and the signature and performance thereof by the Government shall have been duly authorized and ratified by all necessary administrative and governmental action; and
- (i) a favourable legal opinion, issued by the Attorney-General of the Government and in form and substance acceptable to IFAD, shall have been delivered by the Government to IFAD.

APPENDIX I

COUNTRY DATA
UNITED REPUBLIC OF TANZANIA

Land area (km² thousand) 1997 1/	884	GNI per capita (USD) 1999 4/	260
Total population (million) 1999 4/	32.9	Average annual real rate of growth of GNP per capita, 1990-98 2/	0.5
Population density (people per km²) 1998 1/	36	Average annual rate of inflation, 1990-98 2/	24.3
Local currency	Tanzanian Shilling (TZS)	Exchange rate:	USD 1 = TZS 880
Social Indicators		Economic Indicators	
Population (average annual population growth rate) 1980-98 1/	3.0	GDP (USD million) 1999 4/	8 760
Crude birth rate (per thousand people) 1998 1/	41	Average annual rate of growth of GDP 1/ 1980-90	n.a.
Crude death rate (per thousand people) 1998 1/	16	1990-98	3.0
Infant mortality rate (per thousand live births) 1998 1/	85		
Life expectancy at birth (years) 1998 1/	47		
		Sectoral distribution of GDP 1998 1/	
Number of rural poor (million) (approximate) 1/	n.a.	% agriculture	46
Poor as % of total rural population 1/	n.a.	% industry	15
Total labour force (million) 1998 1/	16.4	% manufacturing	7
Female labour force as % of total 1998 1/	49	% services	39
		Consumption 1998 1/	
Education		General government consumption (as % of GDP)	8
Primary school gross enrolment (% of relevant age group) 1997 1/	67	Private consumption (as % of GDP)	83
Adult literacy rate (% age 15 and above) 1998 3/	74	Gross domestic savings (as % of GDP)	8
		Balance of Payments (USD million)	
Nutrition		Merchandise exports 1998 1/	589
Daily calorie supply per capita 1997 3/	1 1 995	Merchandise imports 1998 1/	1 365
Prevalence of child malnutrition (height for age % of children under 5) 1992-98 1/	43	Balance of merchandise trade	-776
Prevalence of child malnutrition (weight for age % of children under 5) 1992-98 1/	31		
		Current account balances (USD million)	
Health		Before official transfers 1998 1/	-1 348
Health expenditure, total (as % of GDP) 1990-98 1/	n.a.	After official transfers 1998 1/	-907
Physicians (per thousand people) 1990-98 1/	0.04	Foreign direct investment 1998 1/	172
Percentage population without access to safe water 1990-98 3/	34		
Percentage population without access to health services 1981-93 3/	7		
Percentage population without access to sanitation 1990-98 3/	14		
		Government Finance	
Agriculture and Food		Overall budget surplus/deficit (including grants) (as % of GDP) 1997 1/	n.a.
Food imports as percentage of total merchandise imports 1998 1/	17 a/	Total expenditure (% of GDP) 1997 1/	n.a.
Fertilizer consumption (hundreds of grams per ha of arable land) 1995-97 1/	120	Total external debt (USD million) 1998 1/	7 603
Food production index (1989-91=100) 1996-98 1/	100.0	Present value of debt (as % of GNP) 1998 1/	70
		Total debt service (% of exports of goods and services) 1998 1/	20.8
Land Use		Nominal lending rate of banks 1998 1/	26.7
Arable land as % of land area 1997 1/	3.5	Nominal deposit rate of banks 1998 1/	7.8
Forest area (km ² thousand) 1995 1/	325		
Forest area as % of total land area 1995 1/	36.8		
Irrigated land as % of cropland 1995-97 1/	3.8		

n.a. not available.

a/ Data are for years or periods other than those specified.

1/ World Bank, *World Development Report*, 20002/ World Bank, *Atlas*, 20003/ UNDP, *Human Development Report*, 2000

TARGET GROUPS' MAJOR CONSTRAINTS, PROPOSED PROGRAMME RESPONSE AND SELECTION CRITERIA

Target Group	Major Constraints	Programme Response	Selection Criteria
Poor smallholder farmers: Producer groups (PGs) and grass-roots institutions (GIs)	Low return to agricultural activity: <ul style="list-style-type: none"> • Lack of understanding of markets • Lack of market information • Lack of commercial orientation • Limited linkages with buyers • Lack of cash liquidity • High post-harvest losses • Production systems characterized by low value, unstable production and limited value-added • Lack of organizational capacity and bargaining power • Poor physical access to markets • Lack of transportation options • High costs of existing transportation • Trade restriction (unclear taxation, low transparency) 	Based on participatory needs assessment, planning and market opportunities: <ul style="list-style-type: none"> • Provide training and technical support • Establish, develop and strengthen producer groups • Improve access to price information • Facilitate linkages with buyers • Facilitate access to financial services by microfinance institutions (MFIs) and loans through the inventory credit scheme • Facilitate organizational capacity-building • Provide training on quality and quantity enhancement in relation to market demand • Rehabilitate rural roads and other market-support infrastructure • Provide support for district-based policy reform to reduce levies and trade restrictions 	Geographical area : <ul style="list-style-type: none"> • Actual or potential marketable agricultural output; at least one crop with high market potential identified for cultivation and local trade • Within reasonable reach from the main access road (existing or planned to be improved) • Income should not exceed USD 270 For existing or emerging groups to be eligible for programme support: <ul style="list-style-type: none"> • Based in programme area • +40% of women membership • Minimal critical mass of participants for a new focal area (numbers to be determined by project coordination unit (PCU)) • Democratic management structure • Demonstrated commitment to participation and self-development • Geographical proximity and desire to collaborate for specific activities • Average cropped area should not exceed 2 ha • 50% of training to be for women • 50% of management/leadership roles filled by women For village access roads: <ul style="list-style-type: none"> • Community contribution
Poor smallholder farmers – women	As above, plus: <ul style="list-style-type: none"> • No land or little land of their own • Lack of knowledge to pursue off-farm income-generating opportunities • Low return from on- and off-farm activities per labour • Limited access to financial services due to remoteness and cultural factors • Cultural constraints, especially for woman-headed households 	As above, plus: <ul style="list-style-type: none"> • Technical assistance and training for special needs and priorities (e.g. value enhancement) • Implementation to facilitate women's access (i.e. timing, location of activities, etc.) • Promotion of high-value crops and semi-processing • Monitoring of participation level by vulnerable groups and impact; implementation of a strategy to make it as inclusive as possible • Promotion of access to rural finance institutions through groups 	<ul style="list-style-type: none"> • Demonstrated commitment for self development • Desire to develop/participate in group activities and development

APPENDIX II

Target Group	Major Constraints	Programme Response	Selection Criteria
Small-scale rural enterprises (traders, retailers, processors)	<ul style="list-style-type: none"> • Limited access to investment and working capital • Lack of business and financial management skills • Limited access to market information • Minimal storage facilities • High procurement cost for raw material • High transport costs in rural areas • Non-conducive business environment (e.g. taxation, permits, licences, etc.) • Lack of collaboration between small enterprises for mutual interest • Limited adoption of improved technology 	<ul style="list-style-type: none"> • Facilitate access to financial services by MFIs and through the inventory credit scheme • Provide training in business and financial management • Support market information services • Support policy, legislative and regulatory reform • Facilitate market linkages • Rehabilitate rural roads and market support infrastructure • Group strengthening/establishment of small-scale entrepreneur groups • Support business organizations through promotion of Tanzanian Chamber of Commerce, Industry and Agriculture (TCCIA) associations at district level • Provide technical assistance 	<ul style="list-style-type: none"> • Deals with agricultural commodities • Owns neither fixed business premises nor vehicles • Business registered or in the process of registering • No more than three employees • Operates within the programme area • Demonstrated commitment and commercial orientation • Desire to collaborate for specific activities • Minimal critical mass of participants for a new focal area (numbers to be determined by PCU)
Medium-scale agribusiness enterprises	<ul style="list-style-type: none"> • Limited access to capital for investment • Non-conducive business environment (taxation, permits, licences, etc) • Limited dialogue with Government for better business environment • Limited access to information • Low confidence in smallholders as low-cost and reliable suppliers • High transport costs in rural areas 	<ul style="list-style-type: none"> • Facilitate access to participating commercial bank (PCB) financial services through loan guarantees and through inventory credit scheme • Provide support for policy, legislative and regulatory reform • Facilitate organization of private sector and dialogue with public sector at district and national levels • Improve availability of market information • Facilitate market linkages with rural smallholder producers • Rehabilitate rural roads • Provide business-management training and advice on a cost-sharing basis • Organize smallholder farmers to reduce transaction costs and facilitate market linkages. 	<ul style="list-style-type: none"> • Agribusiness oriented • Willingness to deal with smallholder producers and small-scale entrepreneurs • Registered or in the process of registering • Potential for commercially viable investment and business operation, but with demonstrated needs for external assistance • Minimal critical mass of produce from smallholder farmers (numbers to be determined by PCU) • No more than 50 employees • Willingness to secure agricultural products locally produced by smallholder farmers • Willingness to establish and maintain (after programme support) relationship with smallholders on fair terms • Willingness to share the cost for some technical assistance under programme

PREVIOUS IFAD LOANS TO THE UNITED REPUBLIC OF TANZANIA

Project Name	Initiating Institution	Cooperating Institution	Lending Terms	Board Approval	Loan Effectiveness	Closing Date	Loan/Grant Acronym	Currency	Approved Loan/Grant Amount	Disbursement %
Mwanza/Shinyanga Rural Development Project	World Bank	World Bank	HC	13 Apr 78	28 Feb 79	31 Dec 84	L - I - 2 - TAN	USD	12 000 000	0.790704696
Southern Highlands Smallholder Food Crop Project	IFAD	World Bank	HC	05 Sep 85	03 Aug 87	31 Dec 93	L - I - 176 - TZ	SDR	14 500 000	0.516053595
Smallholder Support Project in Zanzibar	IFAD	World Bank	HC	13 Sep 89	07 Mar 91	31 Dec 97	L - I - 242 - TZ	SDR	8 150 000	0.611001825
Southern Highlands Extension and Rural Financial Services Project	IFAD	World Bank	HC	06 Apr 93	30 Jun 93	30 Sep 00	L - I - 324 - TZ	SDR	11 500 000	0.998391574
Smallholder Development Project for Marginal Areas	IFAD	UNOPS	HC	06 Dec 89	05 Oct 90	31 Dec 97	G - S - 20 - TZ	SDR	650 000	0.905201662
Smallholder Development Project for Marginal Areas	IFAD	UNOPS	HC	06 Dec 89	05 Oct 90	31 Dec 97	L - S - 24 - TZ	SDR	11 450 000	0.592962107
Mara Region Farmers' Initiative Project	IFAD	UNOPS	HC	06 Dec 95	25 Jun 96	30 Jun 03	L - I - 400 - TZ	SDR	9 650 000	0.892321576
Agricultural and Environmental Management Project	IFAD	UNOPS	HC	04 Dec 96	10 Sep 97	31 Dec 03	L - I - 433 - TZ	SDR	10 300 000	0.595322526
Participatory Irrigation Development Programme	IFAD	UNOPS	HC	08 Sep 99	18 Feb 00	30 Sep 06	L - I - 511 - TZ	SDR	12 550 000	0.142364998
Rural Financial Services Programme	IFAD	UNOPS	HC	07 Dec 00	31 Oct 01	30 Jun 01	L - I - 550 - TZ	SDR	12 800 000	n.a.

HC = Highly concessional

LOGICAL FRAMEWORK

Narrative Summary	Verifiable Indicators	Means of Verification	Risks/Assumptions
Long-Term Goal			
The incomes and food security of at least 25 000 rural poor households living in the northern and southern marketing zones increased.	<ul style="list-style-type: none"> Reduction in the % of total household expenditure on food, from about 60% Reduction in percentage of households below the food poverty line, from 32% Reduction in the prevalence of child malnutrition from about 31% Reduction in the rate of rural unemployment 	<ul style="list-style-type: none"> Bureau of Statistics census and surveys (e.g. household budget survey, poverty monitoring for the poverty-reduction strategy, health survey, etc.) District statistics 	
Intermediate Goal			
The structure, conduct and performance of agricultural marketing system improved in the northern and southern marketing zones.	<ul style="list-style-type: none"> Increase in producer's share of domestic market or export prices Decrease in price differentials between seasons and regions Increase in the number of commercial entities providing services to the agricultural sector (buyers, traders, banks, etc.) 	<ul style="list-style-type: none"> MCM price data Domestic price data Records of MCM, Bank of Tanzania and Ministries of Agriculture and Food Security and of Industries and Commerce 	<ul style="list-style-type: none"> Political and economic stability Monetary policy rationalized
Objectives			
Smallholder farmers increase and diversify production in response to market demand from a greater number of small and medium-scale entrepreneurs actively participating in rural areas.	<ul style="list-style-type: none"> Increase in the volume and value of agricultural output marketed by smallholder farmers Reduction in the percentage of households that sell none of their production, from 38% Increase in the production and processing of non-staple food products 	<ul style="list-style-type: none"> Ministry of Agriculture and Food Security (MAFS) statistics (district level) Bureau of Statistics surveys Baseline farm and group surveys and sample repeater surveys Records of business associations/producer groups Periodic survey of marketing actors 	<ul style="list-style-type: none"> Government and stakeholder commitment to good governance Agricultural sector reform implemented
Outputs			
1. Awareness created and action taken by national and local government policy-makers to reduce the adverse economic impacts of marketing policies on smallholders and traders.	<ul style="list-style-type: none"> New policy and legislation enacted and implemented Reduction in the number of levies and taxes charged, at both national and district level Reduction in the number of steps and time taken for registering and obtaining licenses/permits for business operation Increase in official cross-border and inter-regional trade 	<ul style="list-style-type: none"> Government gazette Opinion surveys with private/business sector Stakeholder evaluations District agricultural records National customs reports Programme monitoring and evaluation (M&E) 	<ul style="list-style-type: none"> Government's commitment to pro-market reform continues Tanzanian agricultural production remains competitive
2. More efficient, less regressive agricultural taxation policies put in place at district level.	<ul style="list-style-type: none"> Reform by-laws enacted (vis-à-vis agricultural levies/taxes) Number of district levies/cesses reduced or eliminated Increase in collection rates of local government taxes 	<ul style="list-style-type: none"> District Council budgets/records Programme M&E District tax-collection records 	<ul style="list-style-type: none"> Local government reform programme effectively implemented
3. Strengthened and newly formed producer and trader groups use improved production, processing and marketing techniques.	<ul style="list-style-type: none"> Increase in the number and membership (male/female) of producer and trader organizations Improvement in the quality of marketed produce (for certain crops) – measured by % of graded produce and % rejected by buyers Number of formal associations/organizations registered 	<ul style="list-style-type: none"> Records by producer and trader organizations Official association registration records PCU interviews with producer organizations and buyers Programme M&E 	<ul style="list-style-type: none"> No drastic price fluctuation of agricultural commodities due to external shocks

Narrative Summary	Verifiable Indicators	Means of Verification	Risks/Assumptions
4. Replicable market linkages established between smallholders and traders/processors.	<ul style="list-style-type: none"> • Increase in number of contractual arrangements made and maintained between producers and private traders/enterprises • Increase in the value and volume of output sold through contractual arrangements • Increase in the number of agribusiness enterprises • Increase in number of people employed and/or investments by agribusiness enterprises 	<ul style="list-style-type: none"> • Records by producer/trader groups • Official business registration records • Staff/financial records kept by agribusiness enterprises 	<ul style="list-style-type: none"> • Local government authorities supportive of private-sector development
5. An effective market information system put in place.	<ul style="list-style-type: none"> • Increase in percentage of districts from which data is received • Improved regularity of data collection and broadcasting • Number of quarterly MCM bulletins disseminated on time • Increase in percentage of listeners to market information programmes • Increase in number of requests made for market information from private service providers 	<ul style="list-style-type: none"> • MCM records • Contracted diagnostic surveys and focus group interviews • Records by private market information providers 	
6. Access of smallholder producers and traders to agricultural markets and market infrastructure improved	<ul style="list-style-type: none"> • Increase in % of roads considered passable year-round, from 20% • Decrease in the number of households more than 10 km from passable roads, from 20% • Increase in the volume of goods moved within focal areas • Increase in revenue raised from road/market facilities users 	<ul style="list-style-type: none"> • Bureau of Statistics census and surveys • District Council records and reports • Interviews with traders/transport operators • Interviews with farmers and producers • Programme M&E 	<ul style="list-style-type: none"> • Rural market infrastructure constructed/maintained based on market imperatives.
7. Capacity of district councils to plan, supervise and maintain infrastructure (particularly roads) in a sustainable and cost-effective manner improved.	<ul style="list-style-type: none"> • Funds spent in districts for infrastructure maintenance work • Road length maintained per year by district • Length of village access roads maintained by village councils 	<ul style="list-style-type: none"> • District records • Road Fund expenditure reports • District Council road maintenance plans • Focal Area maps 	<ul style="list-style-type: none"> • District councils use Road Fund monies for road maintenance effectively. • Village councils undertake maintenance of village access roads.
8. Impact-oriented programme coordination mechanism established and functioning	<ul style="list-style-type: none"> • % of achievement of AWP/B targets/benchmarks • Quality of AWP/B and progress reports submitted to cooperating institution/IFAD by set deadline, including description of activities/support related to impact monitoring and assessment • Perception of stakeholders towards the programme and programme coordination 	<ul style="list-style-type: none"> • Progress reports and supervision reports • Programme AWP/B and progress reports • Evaluation at stakeholder workshop • Focus group interviews, beneficiary interviews • Zonal Advisory Groups – assessments • Focal Area Advisory Groups – assessments 	
Activities			
1.1.National agricultural policy finalized with grass-roots stakeholder contribution 1.2.National Agricultural Marketing Policy Coordination Committee functioning 1.3.MCM capacity for policy development and analysis improved	1.1.1. Seven studies conducted by PY 3 1.1.2. Consultative workshops take place at district, zonal and national level by PY 3 1.2.1. Committee meets four times annually 1.3.1. Number of staff trained 1.3.2. Specialist technical assistance put in place by end of PY 1	<ul style="list-style-type: none"> • Programme policy M&E • Minutes of meetings • Programme M&E • MCM records 	

Narrative Summary	Verifiable Indicators	Means of Verification	Risks/Assumptions
2.1. District Councils trained and equipped to implement economically efficient agricultural taxation policies.	2.1.1. District staff and councillors trained in participating districts by end of PY 5 2.1.2. Studies of district taxation policies completed in each participating district 2.1.3. Computerized taxpayer database system put in place at district level	<ul style="list-style-type: none"> • District records • Programme M&E 	<ul style="list-style-type: none"> • District councils willing to rationalize agricultural taxes
3.1. Producer groups strengthened/established 3.2. Trader/processor groups strengthened/ established	3.1.1. At least 360 new producer groups established and trained in each marketing zone by PY 7 3.1.2. At least 50 existing producer groups trained in each marketing zone by PY 7 3.2.1. At least 30 trader/processor groups established in each marketing zone by PY 7 3.2.2. At least 60 existing processor groups trained in each marketing zone by PY 7	<ul style="list-style-type: none"> • Group records • Programme M&E 	
4.1. Interaction between producers and traders/processors facilitated 4.2. Business advisory services provided to producer, trader and processor groups 4.3. Inventory lending scheme operational 4.4. Loan guarantee fund established	4.1.1. Marketing specialist recruited in PY 1 4.1.2. About 40 village-level workshops and demonstrations take place by PY 5 4.2.1. Number of market feasibility studies undertaken by PY 5 4.2.2. Market identification studies undertaken 4.3.1. Number of bonded warehouses financed and quantity of produce stored 4.3.2. Number and amount of loans made under scheme to MFIs or individuals 4.4.1. Number and amount of loans approved under scheme	<ul style="list-style-type: none"> • Programme M&E • Focal Area Advisory Group reports 	<ul style="list-style-type: none"> • Participating commercial banks willing to assume share of lending risk
5.1. Computerized market information system established at MCM 5.2. Regional and district capacity to collect price information improved	5.1.1. Computer system put in place in PY 1 5.1.2. Training course in computerized statistical analysis completed 5.2.1. Equipment and motorcycles provided at district and regional level 5.2.2. Training in data collection completed by participating districts	<ul style="list-style-type: none"> • MCM records • Programme M&E • Interviews with traders, processors, producers 	<ul style="list-style-type: none"> • Producers, trader and processor groups recognize the value of timely market information.
6.1. Network of rural roads in focal areas improved and maintained 6.2. Other market infrastructure improved and maintained	6.1.1. By programme end, 350 km of roads (including bridges and culverts) rehabilitated, 350 km undergo spot improvement 6.1.2. About 200 km of village access roads rehabilitated 6.1.3. Cost of rehabilitation per km per district 6.2.1. Equivalent of 30 market centres rehabilitated by programme end	<ul style="list-style-type: none"> • District council records • Reports from consulting engineers • Programme M&E 	<ul style="list-style-type: none"> • All infrastructure works undertaken in support of other programme activities
7.1. District council staff and councillors and village communities trained in planning and maintenance of infrastructure	7.1.1. Number and type of training courses attended 7.1.2. Infrastructure works planned and executed by district	<ul style="list-style-type: none"> • District council records • Reports from consulting engineers • Programme M&E 	

Narrative Summary		Verifiable Indicators		Means of Verification	Risks/Assumptions
8.1.Responsive programme coordination unit established		8.1.1. Two zonal offices staffed and equipped in PY 1 8.1.2. Number of stakeholder consultations held annually, including planning and review workshops 8.1.3. Contracts negotiated and executed in timely manner		<ul style="list-style-type: none"> • Programme progress reports, AWP/B • Supervision missions and reports • Stakeholder interviews • Assessments by partner agencies • Mid-term review 	
8.2.Effective programme M&E system put in place		8.2.1. Programme M&E system (PMES) established in PY 1, including system for monitoring policy 8.2.2. Number of staff and others trained in logical framework and PMES			
Inputs		Financing			
	USD '000		USD '000	Loan agreements President's Report	<ul style="list-style-type: none"> • IFAD Executive Board approves project • Cofinancing agreements approved and executed
Civil works	14 194.6	IFAD	16 344.6		
Equipment and Other Goods	654.1	African Development Fund (AfDF)	14 461.4		
Vehicles	1 655.1	Swiss Development Agency (SDC)	3 042.2		
Technical Assistance	8 871.7	DANIDA	2 530.4		
Training	9 584.5	District Governments	1 190.3		
Studies	1 568.9	Groups/Communities	513.6		
Guarantee Fund	741.0	Government	<u>4 218.9</u>		
Recurrent Costs	<u>5 631.5</u>	Total	42 301.4		
Total	42 301.4				

TABLE 1: RURAL POVERTY AND AGRICULTURAL SECTOR ISSUES

Priority Area	Major Issues	Actions Needed
Policy setting	<p><i>National level</i></p> <ul style="list-style-type: none"> • Restrictions on internal and international trade • Inconsistent policy application • Overvalued exchange rate • Ineffective stakeholder dialogue • Interference from crop boards and Strategic Grain Reserve (SGR) <p><i>District level</i></p> <ul style="list-style-type: none"> • Revenue raising policies • Market regulation • Direct government intervention in markets 	<ul style="list-style-type: none"> • Undertake studies on crop boards, trade restrictions, food security, food crops, exchange rate • Facilitate stakeholder dialogue with grass-roots representation • Build capacity in policy development, coordination and implementation • Support policy and legislative reform • Undertake district-level studies of local taxation policy • Build capacity at district level in market-oriented policy development
Commercial orientation by producers and relevant organizations	<ul style="list-style-type: none"> • Poor understanding of the functioning of markets, in particular supply and demand (inexperience; lack of information) • About one third of smallholders do not sell produce • Inadequate market power of producers (buyer and supplier cartels; lack of or low level of organization; lack of public debate) • Limited commercial management capacity • Limited access to financial resources • Absence of effective market linkages (contract negotiation and mechanisms; contacts; legal enforcement) 	<ul style="list-style-type: none"> • Strengthen market-oriented producer organizations and their ability to respond to market demands • Improve producer access to market information • Enhance public discussion and debate on marketing issues • Training in financial and business management • Facilitate access to financial services • Facilitate contacts and intermediation for market linkages • Develop efficient arbitration and enforcement mechanisms
Barriers to private- sector participation in rural marketing	<ul style="list-style-type: none"> • Limited access to financial resources for operations and investment • Regulation (barriers to movement; licensing) • Physical accessibility and high transaction costs • Lack of information and communication • Unequal application of charges/legislation • Uncertainty over policies and regulations 	<ul style="list-style-type: none"> • Facilitate access to financial services • Support dialogue with producer groups and district/national authorities • Support organization of private sector (market points; lobbying/dialogue; information; ethics and consequences) • Support for business planning and operations • Develop market linkages (between producers and buyers)
Marketing support system	<ul style="list-style-type: none"> • Poor availability of market-related information • Lack of government capacity to monitor marketing system performance and contribute to conducive policy formulation and implementation 	<ul style="list-style-type: none"> • Identify and support generation and utilization of market information • Support performance studies and information dissemination (number of participants; margins; price differentials; trade and volumes of flows) • Capacity-building of government staff to analyse and disseminate market-related information
Rural market support infrastructure	<ul style="list-style-type: none"> • Limited capacity of local government to plan and manage investments • Lack of resources for road improvement (funds for maintenance used) • Road and other works do not respond to market imperatives • Some 20% of rural households more than 10 km from nearest market 	<ul style="list-style-type: none"> • Strengthen local government institutional capacity for planning and management of civil works (transparency) that respond to market demands • Strengthen revenue-collection capacity and development of cofinancing arrangements with infrastructure facility users • Promote the sustainable improvement of market access roads and other market-related infrastructure

TABLE 2: TARGET GROUP PRIORITY NEEDS AND PROGRAMME PROPOSALS

Typology	Poverty Level and Causes	Coping Actions	Priority Needs	Programme Response
Poor smallholder farmers (in general)	<i>Severe</i> <ul style="list-style-type: none"> Lack of understanding of markets Low returns from agricultural activity; production systems characterized by low-value and little value-added Low trading volumes Lack of cash liquidity Limited physical access to markets Regulatory restrictions on trade Prevalence of HIV/AIDS 	<ul style="list-style-type: none"> Wage labour Immediate sale of crops Support from relatives Subsistence agriculture 	Increase return to agricultural activity: <ul style="list-style-type: none"> Improved understanding of markets and better commercial orientation Improved linkages with buyers Improved cash liquidity Reduce post-harvest loss Access to crop storage facilities Increase information and access to inputs in order to produce higher-value marketable produce (types of crops, better quality, etc.) Better organizational capacity and bargaining power Improved physical access to markets Relaxation of trade restrictions 	Based on market opportunities (demand): <ul style="list-style-type: none"> Strengthen/establish producer organizations Provide training and technical support Improve access to price and market information Facilitate linkages with buyers Provide training on quality and quantity enhancement to respond to market demand Facilitate access to financial institutions through MFIs and loans (inventory credit scheme) Rehabilitate rural roads and other market support infrastructure Support district-based policy reforms to reduce crop levies and trade restrictions
Vulnerable groups (female/elderly-headed households, youth)	<i>Severe</i> As above, plus: <ul style="list-style-type: none"> Little or no land of their own Lack of time to undertake more remunerative activities Lack of assets or access to financing 	As above	As above, plus: <ul style="list-style-type: none"> Non-farm income-generating opportunities such as small-scale processing Higher returns to labour from on-farm and non-farm activities Access to financial services 	As above, plus: <ul style="list-style-type: none"> Promote high-value crops and semi- (on farm) processing of produce Enhance efficient use of time through participation in effective producer/processor organizations Promote access to rural financial services through groups
Small-scale rural enterprises (traders, retailers, processors, etc.)	<i>Moderate/high</i> <ul style="list-style-type: none"> Little or no collaboration between small enterprises for mutual gain Lack of business and financial-management skills Lack of access to investment and working capital Limited market information Lack of conducive business environment (related to taxation, trade, licenses/permits) High transport costs in rural areas Little overnight or longer-term storage facilities 	<ul style="list-style-type: none"> Other part-time employment and farming activities High labour input Act as agents for larger traders 	<ul style="list-style-type: none"> Better access to investment and working capital Improved business and financial-management skills Better access to information Rationalized agricultural taxation system Reduced procurement cost for raw material Collaboration between small enterprises for mutual interest Adoption of improved technology 	<ul style="list-style-type: none"> Strengthen/establish small-scale entrepreneur groups Provide training in business and financial management Facilitate access to financial institutions through MFIs and loans (inventory credit scheme and loan guarantee schemes) Support market information services Support rationalization of taxation, licensing and trade systems Rehabilitate rural roads and other market-support infrastructure Support business organizations/associations

Typology	Poverty Level and Causes	Coping Actions	Priority Needs	Programme Response
Medium-scale agribusiness enterprises (traders, processors, exporters, etc.)	<i>Low</i>	<ul style="list-style-type: none"> • Working capital from commercial banks • Limited growth or expansion 	<ul style="list-style-type: none"> • Better access to capital for investment and working capital • More conducive business environment • Improved dialogue with government for better business environment • Better access to information • Secure, reliable source of agricultural produce 	<ul style="list-style-type: none"> • Provide business-management training and advice (cost-sharing basis) • Improve quality of produce from smallholders • Facilitate access to financial services by PCBs through inventory and loan-guarantee schemes • Support policy and legislative reform • Facilitate organization and dialogue/fora with public sector at district and national level • Increase/improve availability of market information • Improve rural roads

TABLE 3: INSTITUTIONAL CAPABILITIES MATRIX

Institution	Strengths	Weaknesses	Opportunities/Threats	Remarks
Prime Minister's Office	<ul style="list-style-type: none"> Mandate to coordinate the business of all government ministries 	<ul style="list-style-type: none"> Specific skills for coordination weak Lack of operational budget 	<ul style="list-style-type: none"> Currently hosting IFAD Liaison Office. 	<ul style="list-style-type: none"> Programme to provide funds for operating budget
Ministry of Cooperatives and Marketing	<ul style="list-style-type: none"> Mandate for agricultural market promotion, registration, regulation and support for cooperatives Some experience/capacity in market information services 	<ul style="list-style-type: none"> Newly established ministry with still unclear breadth of responsibilities Limited policy expertise Small staff complement in marketing Lack of operational budget 	<ul style="list-style-type: none"> Roles and functions unclear 	<ul style="list-style-type: none"> Programme to provide capacity-building for policy development, coordination and implementation
Ministry of Agriculture and Food Security	<ul style="list-style-type: none"> Experience in support of all agricultural production Some policy formulation capacity Substantial cadre of extension staff at grass-roots level 	<ul style="list-style-type: none"> No specific mandate for produce market development Lack of operational budget 	<ul style="list-style-type: none"> Reform in interventionist policy Greater intervention through SGR Resurgent influence of crop boards 	<ul style="list-style-type: none"> Agricultural sector reform explicitly endorses improved marketing of agricultural produce
President's Office of Regional Administration and Local Government	<ul style="list-style-type: none"> Commitment and capacity for local government reform 	<ul style="list-style-type: none"> Residual intervention powers at regional level Limited funds to provide discretionary grants to local government 	<ul style="list-style-type: none"> Strong donor support and drive for ongoing decentralization and reform process Continued intervention in markets 	<ul style="list-style-type: none"> Reform process has begun in 39 districts
District Councils	<ul style="list-style-type: none"> Democratically elected local representatives Mandate to provide a range of extension and other services Works department in all districts 	<ul style="list-style-type: none"> Poor resource/asset base Lack of discretionary funds and poor revenue-collection capacity Nearly 40% without qualified district engineer Lack of trained staff 	<ul style="list-style-type: none"> Increased autonomy and improved capacity through reform process Possibility of district planning process being 'hijacked' for political reasons 	<ul style="list-style-type: none"> Programme to provide support to improve district policies vis-à-vis marketing (taxation)
Tanzania Chamber of Commerce, Industry and Agriculture (TCCIA)	<ul style="list-style-type: none"> Relatively extensive rural network, including 20 regions and 28 districts Membership of over 5 000 enterprises, mostly small-scale Only formal representative of the private sector in Tanzania Recent success in influencing national budget in favour of private sector 	<ul style="list-style-type: none"> Factionalized membership Large enterprises most influential, small traders/processors not well represented Only represents a fraction of the 150 000 registered private enterprises Presence principally in major urban centres (including district branches) Despite private-sector mandate, still with significant ties to public sector 	<ul style="list-style-type: none"> Pilot activities underway to encourage formation of TCCIA branches in rural districts New services (market information, business advice) could increase membership and efficacy Recent formation of competing Chamber of Agriculture 	<ul style="list-style-type: none"> Programme to facilitate establishment of district branches
Crop-based associations	<ul style="list-style-type: none"> Specific focus Represent larger players with extensive resources 	<ul style="list-style-type: none"> Membership very limited Not seen as representative of the sector as a whole 	<ul style="list-style-type: none"> Could provide the basis for development of true sectoral representation Could federate to provide basis for a national association 	
Local construction contractors	<ul style="list-style-type: none"> Well represented in regional centres Experienced in conventional road works 	<ul style="list-style-type: none"> Lack of experience in labour-based technology Not well represented at district level 	<ul style="list-style-type: none"> Need for more district-based road maintenance contractors 	<ul style="list-style-type: none"> Programme would provide training
Tanzanian Small Farmers' Group Network (MVIWATA)	<ul style="list-style-type: none"> Only organization representing small producers, though at infant stage Network now extends over 17 mainland regions No historical links to government-sponsored institutions 	<ul style="list-style-type: none"> Low visibility at national/local level 	<ul style="list-style-type: none"> Capacity support from donors and international NGOs Could easily fail if expanded too fast May lose contact with initial objectives and purpose 	<ul style="list-style-type: none"> Potential partner for farmer capacity-building and as smallholder representative in policy dialogue

Institution	Strengths	Weaknesses	Opportunities/Threats	Remarks
Cooperative unions/primary co-operative societies	<ul style="list-style-type: none"> • Widest presence in rural areas of any market-related institutions • Intimate knowledge of local populations and producers • Existing physical facilities in many cases • Experience in marketing of inputs and certain crops 	<ul style="list-style-type: none"> • Poor and weak capital base • Failure to deliver the services to members • Drastic decline in membership • Non-democratic management structure and low accountability • Low level of autonomy due to political interference 	<ul style="list-style-type: none"> • Most immediately accessible base for rural producers • Viewed with suspicion by smallholders due to historic mismanagement • Ad hoc political interference 	<ul style="list-style-type: none"> • Some return of primary cooperative membership, and an increase in democratic control in some societies
Savings and Credit Cooperatives/Savings Credit Association (SACCOs/SACAs)	<ul style="list-style-type: none"> • Members linked by a common bond • Provide access to savings and comprehensive credit facilities • Proper credit repayment culture through local peer pressure • Strong commitment by the members and management to ensure viability and sustainability 	<ul style="list-style-type: none"> • Slow growth in membership • Low levels of women membership in most SACCOs • Low levels of organizational and financial-management skills • Lack of facilities and equipment in many institutions • Limited areas of operation and poorly diversified loan portfolios 	<ul style="list-style-type: none"> • Conducive policy framework and capacity-building to be supported by Rural Financial Services Programme (RFSP) 	<ul style="list-style-type: none"> • Support provided by IFAD-financed RFSP in seven regions
NGOs (local)	<ul style="list-style-type: none"> • Local presence and knowledge • Principal target/partners of international NGOs 	<ul style="list-style-type: none"> • Lack of technical and managerial skills • Often lack sufficient resources for operations 	<ul style="list-style-type: none"> • Could provide basis for delivery of services at grass roots • May be seen as competitors by cooperatives and other producer organizations 	
NGOs (international)	<ul style="list-style-type: none"> • Ability to mobilize committed and experienced staff • Solid financial base • Good access to information 	<ul style="list-style-type: none"> • Lack of local roots • Often dependent on donor contracts for operations 	<ul style="list-style-type: none"> • Only well-organized partners to support the programme activities at field level • Useful experience in promoting marketing on a small scale to date • Despite their emphasis on strengthening of local NGOs, could be seen as impeding development of local capabilities 	<ul style="list-style-type: none"> • Expected to play key role in implementation of the programme

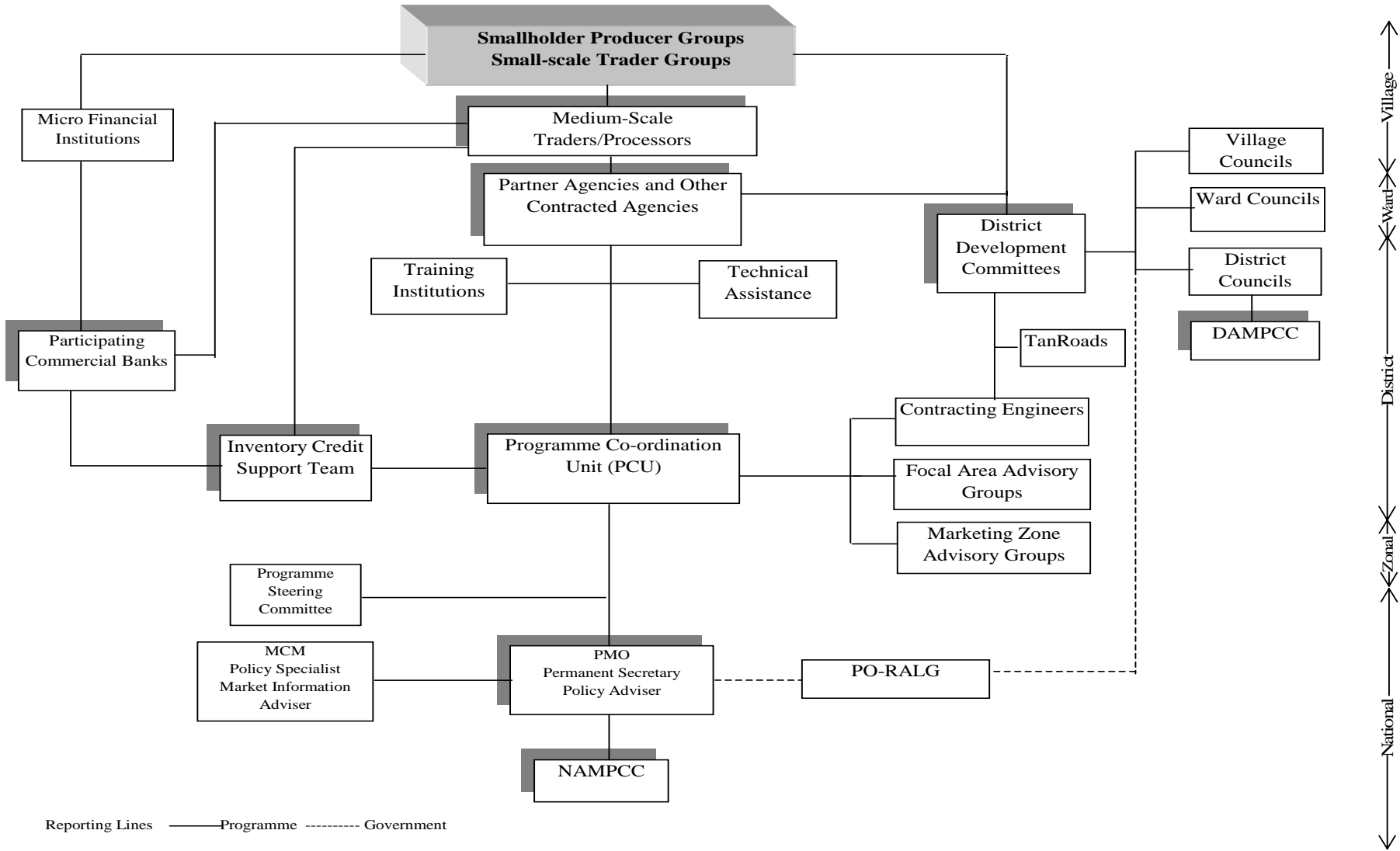
TABLE 4A: DONOR OPERATIONS/PARTNERSHIP POTENTIAL

Donor	Nature of Programme	Programme/Programme Coverage	Status	Complementarity/Synergy Potential
DANIDA	<ul style="list-style-type: none"> Private Agricultural Sector Support (PASS) component under Agricultural Sector Programme Support (ASPS) 	<ul style="list-style-type: none"> PASS commencing activities in Morogoro, Dodoma, Iringa and Mbeya regions ASPS (national coverage) 	<ul style="list-style-type: none"> Ongoing 	<ul style="list-style-type: none"> Very high; potential for cofinancing, particularly with respect to policy development
Swiss Development Cooperation	<ul style="list-style-type: none"> District Roads Support Programme 	<ul style="list-style-type: none"> Morogoro Region 	<ul style="list-style-type: none"> Ongoing 	<ul style="list-style-type: none"> Very high; potential for cofinancing, particularly with respect to rural roads
AFD (French Development Agency)	<ul style="list-style-type: none"> Support to community-level marketing activities and physical market infrastructure development 	<ul style="list-style-type: none"> Eastern and Central Tanzania 	<ul style="list-style-type: none"> New phase being proposed 	<ul style="list-style-type: none"> Moderate; Agricultural Marketing Support Programme (AMSP) could learn from French experience with respect to community market access facilitation; however, different geographic focus
USAID	<ul style="list-style-type: none"> Agricultural Transport Assistance Programme 	<ul style="list-style-type: none"> Southern Highlands (Rukwa, Mbeya, Iringa and Ruvuma); further expansion to Morogoro and Tanga under consideration 	<ul style="list-style-type: none"> Ongoing 	<ul style="list-style-type: none"> High; complementary in Southern Highlands for market-support infrastructure, and similar goals vis-à-vis policy development
World Bank	<ul style="list-style-type: none"> Soil Fertility Recapitalization and Agricultural Intensification Programme 	<ul style="list-style-type: none"> Mainly districts under Local Government Reform Programme Phase I (plus some in Phase II) 	<ul style="list-style-type: none"> Appraisal stage 	<ul style="list-style-type: none"> High; some geographic overlap Project plans to improve access of smallholder farmers to fertilizer through MFIs with 50% subsidy over two-year period Project plans to finance 200 new village stores and 30 new village markets through loans to local government <p>Due to this project, marketing of farm inputs is not included in the IFAD programme</p>
SIDA	<ul style="list-style-type: none"> Institutional support to TCCIA 	<ul style="list-style-type: none"> National headquarters and regional branches 	<ul style="list-style-type: none"> Ongoing 	<ul style="list-style-type: none"> High; directly related to proposed district TCCIA branch formation under the programme
African Development Fund	<ul style="list-style-type: none"> Livestock Marketing Project 	<ul style="list-style-type: none"> 11 regions (Arusha, Dodoma, Kagera, Kigoma, Kilimanjaro, Mwanza, Shinyanga, Singida, Tabora and Tanga) 	<ul style="list-style-type: none"> Ongoing 	<ul style="list-style-type: none"> Very high; expressed interest in cofinancing infrastructure <p>Due to this AfDF project, livestock marketing is not included in the scope of AMSP.</p>

TABLE 4B: STAKEHOLDER MATRIX/POTENTIAL PROGRAMME ACTORS AND ROLES

Component	Sub-Component	Coverage	Perennial Institution(s) Involved	Potential Other Contractors/ Periodic Input	Other Possible Partners in Execution
Policy Development	• National Policy Development	• National	• MCM • MAFS • PMO • Ministry of Finance • Private traders, processors and exporters • Farmer representatives	• International/national consultants • Specialist NGOs • Specialist international research institutes • Local academia	• TCCIA • MVIWATA • DANIDA • SDC • SGR • crop boards
	• Local Government Policy Development	• Sixteen districts in two marketing zones, with national replication	• President Office for Regional Administration and Local Government (PO-RALG) • District Councils • Farmer and private-sector representatives	• International/national consultants • Specialist NGOs • Academia	• NGOs • TCCIA branch
Producer Empowerment and Market Linkages	• Organizational Strengthening: Groups and Group Associations	• Twenty focal areas across two marketing zones	• Producer organizations • Local NGOs, CBOs • TCCIA	• NGOs/consulting firms • DC staff • Training institutions	• FAIDA (SNV) • Jiendeleze (SNV)
	• Market Information	• National • Twenty focal areas across two marketing zones	• MCM • Private sector		
	• Producer Group Market Access	• Twenty focal areas across two marketing zones	• Agribusiness enterprises • District council staff • Producer organizations • NGOs/consulting firms	• Business development service providers • Training institutions	• SNV • TechnoServe
	• Trader and Processor Market Access	• Twenty focal areas across two marketing zones	• Trader/processor organizations • Agribusiness enterprises • NGOs/consulting firms	• Business development service providers • Training institutions	• SNV • TechnoServe
Financial Market Support Services		• Twenty focal areas across two marketing zones	• PCBs • MFIs	• Inventory credit • Loan guarantees	• Producer groups • Agribusiness enterprises
Rural Marketing Infrastructure	• Institutional Support for Infrastructure Improvement	• Sixteen focus districts across two marketing zones	• PO-RALG • District councils • District-based contractors	• In-country consulting engineering firms	• SDC (Swiss)
	• Road Works and Other Marketing Infrastructure	• Sixteen focus districts across two marketing zones	• Local government • Communities • Local contractors	• Community-based organizations • NGOs	• AfDF
Programme Organization and Coordination		• National • Zonal • District • Focal Area	• PMO • MCM • MOF	• M&E and impact assessment • Stakeholder coordination (national, zonal, district and focal area levels)	• Partner agencies • Consultants • Beneficiaries

PROGRAMME ORGANIZATIONAL STRUCTURE



PO-RALG = President Office for Regional Administration and Local Government
 DAMPCC = District Agricultural Marketing Policy Co-ordination Committee
 NAMPCC = National Agricultural Marketing Policy Co-ordination Committee
 MCM = Ministry of Cooperatives & Marketing
 PMO = Prime Ministers Office



**TRIGGERING MECHANISMS FOR PHASE II**

1. Policy Development Support
<ul style="list-style-type: none">• Consultative and participatory workshops at zonal and national levels completed• Consultants appointed to prepare comprehensive agricultural marketing policy and strategy• Legislation with respect to the trade restrictions between the regions and across the national boundaries redrafted• Reform of at least one crop board initiated• National agricultural marketing policy coordination committee (NAMPCC) established and functioning• At least two district agricultural marketing policy and coordination committees established and functioning• Agricultural taxation and revenue system rationalized, reformed and applied in at least in two districts
2. Producer Empowerment and Market Linkages
<ul style="list-style-type: none">• Ten focal areas must be effective• One hundred and forty producer groups have agreed on their by-laws• Forty small-scale entrepreneur groups have agreed on their by-laws• Two hundred and eighty producer groups have received group strengthening and technical training• Eighty small-scale entrepreneur groups have received group strengthening and training• Ten district TCCIA groups formed• Ninety per cent of the last 12 months' thrice weekly radio announcements contained up-to-date prices on all major crops for all regions• Four new district data-collection locations in the programme area are regularly submitting all local price information• Ten pilot market linkages have been initiated and are satisfactorily performing according to the participatory beneficiary assessments
3. Financial Market Support Services
<ul style="list-style-type: none">• At least six warehouses participating in the inventory credit scheme• At least 300 warehouse clients with stocks deposited in the facility are receiving loans• At least 20 guarantee loans disbursed by PCBs
4. Rural Marketing Infrastructure
<ul style="list-style-type: none">• District roads for rehabilitation selected based on selection criteria in at least four Phase I districts• 200 km of district roads rehabilitated, spot improved• 50 km of village access roads rehabilitated with community contribution• Road maintenance plans and road maintenance funds used for road maintenance in all Phase I districts• Mechanism for revenue raising from village access roads and market facility users put in place at least in four Phase I districts• Traffic flows increased at least 50% on rehabilitated roads