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UNITED REPUBLIC OF TANZANIA

COUNTRY STRATEGIC OPPORTUNITIES PAPER

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CURRENCY EQUIVALENTS

Currency unit	=	Tanzanian Shilling (TZS)
USD 1.00	=	TZS 1 039.00
TZS 1.00	=	USD 0.000962

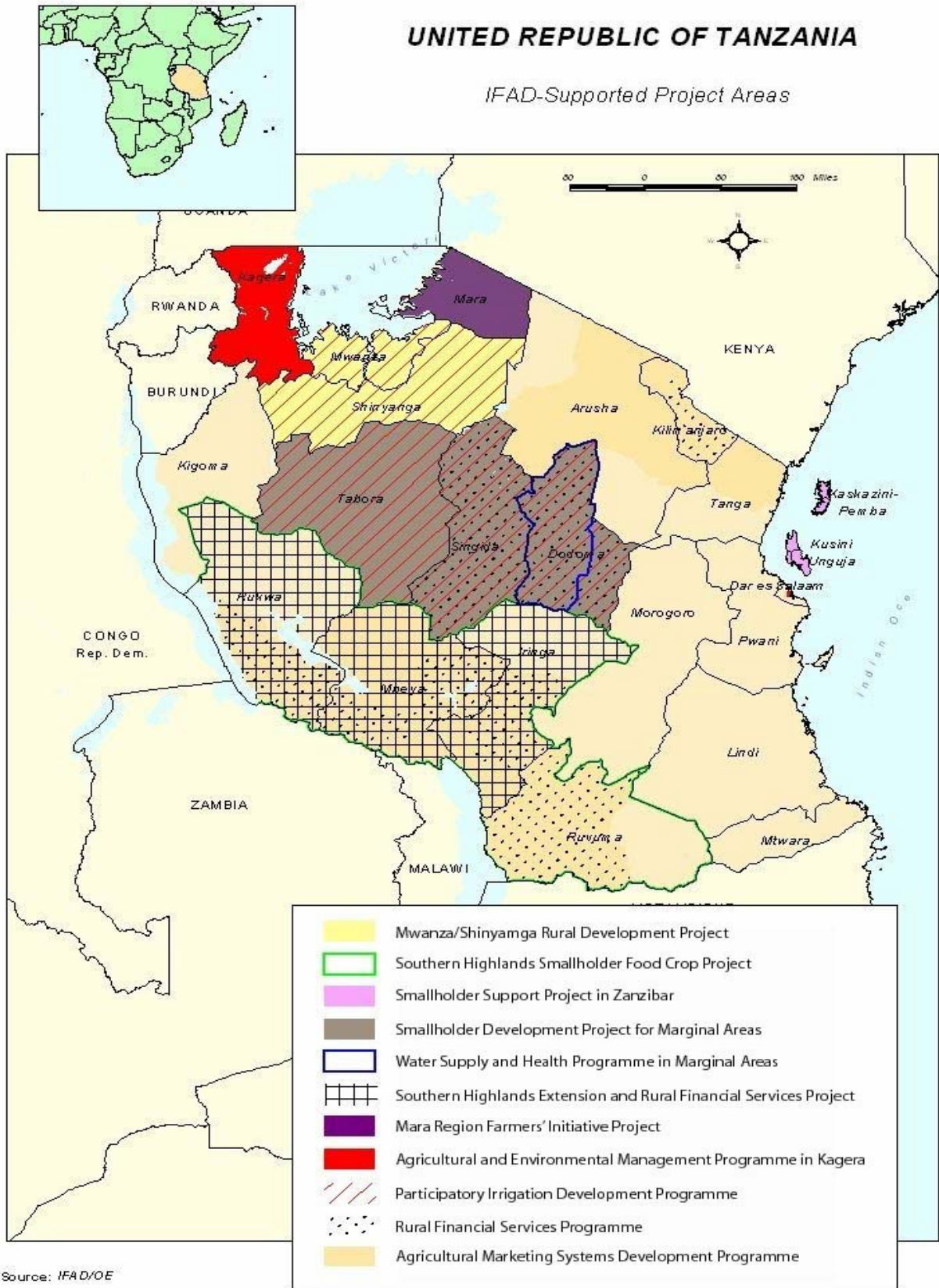
WEIGHTS AND MEASURES

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)
1 acre (ac)	=	0.405 hectares (ha)
1 hectare (ha)	=	2.47 acres

ABBREVIATIONS AND ACRONYMS

ASDS	Agricultural Sector Development Strategy
BSF	Belgian Survival Fund
COSOP	Country Strategic Opportunities Paper
CPE	Country Programme Evaluation
IPM/IPN	Integrated Pest Management/Integrated Pest Nutrition
KAEMP	[Kagera] Agricultural and Environmental Management Project
Mara-FIP	Mara Region Farmers' Initiative Project
MDGs	Millennium Development Goals
MFI	Microfinance Institution
NEPAD	New Partnership for Africa's Development
NGO	Non-Governmental Organization
PIDP	Participatory Irrigation Development Programme
PRSP	Poverty-Reduction Strategy Paper
RDS	Rural Development Strategy
RFSP	Rural Financial Services Programme
WUA	Water Users' Association

COUNTRY MAP: LOCATION OF IFAD-FUNDED OPERATIONS



IFAD PORTFOLIO OVERVIEW

Project/Programme Name	Initiating Institution	Cooperating Institution	Lending Terms	Board Approval	Loan Effectiveness	Current Closing Date	Loan Acronym	Amount Approved
Mwanza/Shinyanga Rural Development Project	World Bank: IBRD	World Bank: IDA	HC	13 Apr 78	28 Feb 79	31 Dec 84	L-I-2-TAN	USD 12 000 000
Southern Highlands Smallholder Food Crop Project	IFAD	World Bank: IDA	HC	05 Sep 85	03 Aug 87	31 Dec 93	L-I-176-TZ	SDR 14 500 000
Smallholder Support Project in Zanzibar	IFAD	World Bank: IDA	HC	13 Sep 89	07 Mar 91	31 Dec 97	L-I-242-TZ	SDR 8 150 000
Southern Highlands Extension and Rural Financial Services Project	IFAD	World Bank: IDA	HC	06 Apr 93	30 Jun 93	30 Sep 00	G-I-502-TZ L-I-324-TZ	USD 22 000 SDR 11 500 000
Smallholder Development Project for Marginal Areas	IFAD	UNOPS	HC	06 Dec 89	05 Oct 90	31 Dec 97	G-S-20-TZ G-S-20-TZ L-S-24-TZ	USD 280 000 SDR 650 000 SDR 11 450 000
Mara Region Farmers' Initiative Project	IFAD	UNOPS	HC	06 Dec 95	25 Jun 96	30 Jun 03	G-S-32-TZ L-I-400-TZ	USD 195 000 SDR 9 650 000
Agricultural and Environmental Management Project	IFAD	UNOPS	HC	04 Dec 96	10 Sep 97	31 Dec 04	G-I-18-TZ L-I-433-TZ	USD 90 000 SDR 10 300 000
Participatory Irrigation Development Programme	IFAD	UNOPS	HC	08 Sep 99	18 Feb 00	30 Sep 06	G-I-603-TZ G-I-77-TZ L-I-511-TZ	USD 11 000 USD 75 000 SDR 12 550 000
Rural Financial Services Programme	IFAD	UNOPS	HC	07 Dec 00	12 Oct 01	30 Jun 11	G-I-110-TZ G-I-602-TZ L-I-550-TZ	USD 75 000 USD 19 000 SDR 12 800 000
Agricultural Marketing Systems Development Programme	IFAD	UNOPS	HC	06 Dec 01	04 Oct 02	30 Jun 10	G-I-128-TZ L-I-575-TZ	USD 90 000 SDR 12 950 000

Note: HC = Highly Concessional

EXECUTIVE SUMMARY

1. **Economic and poverty context (policy and international issues).** The United Republic of Tanzania is the only country in Africa, perhaps in the world, that within a span of 40 years has gone through rapid and radical transitions – from a colonial system, to a ‘villagization’ programme (relocating rural household closer to social services), to a market economy – without sacrificing basic democratic ideals and social equanimity. During the process, all social, political and economic institutions underwent drastic transformations to adjust and conform to rigid national guidelines and priorities. Such changes seriously affected the economy, and resulted in a gradual and protracted decline of all growth indicators during the 1970s and 1980s. Since then, the country has recovered significantly, mainly due to the implementation of various structural adjustment and restructuring programmes led by the Government with the help of a coalition of donors. This recovery has made the country a ‘trend-setter’ in Africa, particularly in terms of adapting to new ideas, dismantling tribalism and ensuring an intrinsic balance between a market economy and social justice.

2. IFAD currently has a strong and diversified portfolio in the United Republic of Tanzania. This has evolved from the many lessons it has learned from its own programmes and policy-related work and from the activities of other donors. In view of this experience, the Government has requested IFAD to expand its role in the agricultural and rural development sectors. Moving this process forward and identifying to what extent IFAD can play a critical and constructive role in helping the Government realize its objectives within the context of the Millennium Development Goals (MDGs) and the New Partnership for Africa’s Development (NEPAD) is the challenge ahead. The various options were intensively debated by the representatives of 21 countries during the last IFAD regional workshop for Eastern and Southern Africa held in Dar-es-Salaam in 2002. Subsequently, the findings of that workshop, the Fund’s portfolio review and the draft country strategic opportunities paper (COSOP) were further discussed at various stakeholder workshops to reach an understanding of and consensus on the nature, direction and scope of IFAD strategies in the United Republic of Tanzania within the framework of the country’s medium-term vision as defined in its Development Vision 2025, rural development strategy (RDS) and agricultural sector development strategy (ASDS).

3. This COSOP is therefore the final outcome of the country-owned process that intends to define a framework for the Fund’s medium-term investment plan, based on lessons learned and experience gained during its project work in the country. It also seeks to deepen the Fund’s understanding of agricultural growth and the poverty situation, examines the progress made so far on economic policy fronts and analyses the impact of change from the perspective of the beneficiaries. The COSOP has identified the main challenges to be addressed in order to accelerate self-sustaining growth in agriculture and quicken the pace of poverty reduction in rural areas. It highlights the need for constructive dialogue with the Government stressing the importance of a comprehensive strategic action plan realigning governmental institutions, finance and resources in favour of IFAD target groups in order to bring them into the mainstream of development activities.

4. **Country and sectoral context and constraints to development.** Within the Eastern and Southern African region, the United Republic of Tanzania is one of the high-potential countries, capable of influencing the region’s economic and social horizon. It has a large population of 34.45 million and a land area that is vaster than that of Kenya and Uganda combined. Despite the extraordinary economic transformation that has been taking place during the last decade, it is still considered one of the poorest countries of the world, with a per capita income of USD 270. As such, it has benefited from the Debt Initiative for Highly Indebted Poor Countries. The country’s economic horizons are dominated by the growth prospects of agriculture, which contributes about 45% of the total gross domestic product, employs 70% of the labour force and accounts for 60% of the country’s foreign exchange. In the last five years, the United Republic of Tanzania has made substantial progress in stabilizing and restructuring its economy. Building on earlier reforms, it is focusing on reducing poverty and maintaining fiscal discipline by allocating resources under strict cash budgeting

principles to prioritized sectors. This has helped the country obtain a growth rate of 4.9% in 2003, which is projected to increase to 5.6% in 2004. Various development indicators show that the economy has now become more resilient and stable, and appears well placed to achieve a growth rate of 7-8% – which is needed to realize MDG targets – provided that donor support and assistance is continuous. From the perspective of overall agriculture-sector performance, the country has grown gradually and steadily from a low base of 2.4% in 1997 to 5.5% in 2001. Within the agricultural sector, fisheries registered the highest growth (7.0%), followed by the crop subsector, which grew by 5.9%. However, the policies relating to agricultural growth have not yet gone far enough to realize the agricultural sector's fuller potential or to create necessary institutional frameworks to lead the process forward.

5. The types of policies needed to stimulate growth must be based within a strategic framework, with an action plan to remove the critical constraints in the main sectors of the rural economy. While the nature and dimension of the problems faced by each subsector are quite different, three cross-cutting issues can be identified: (i) **economic dimension**. The critical economic issue affecting both performance and the incentives for increased production is the lack of access by small farmers to appropriate technology, finance and markets, which has resulted in the gradual and protracted decline of real producer prices for both food and cash crops; (ii) **institutional environment**. The rural poor, particularly women, are faced with an institutional environment that is either neutral or impedes them from moving out of poverty, particularly because of the lack of plurality of agricultural service providers and inadequate emphasis on empowerment of farmers' organizations; and (iii) **policy framework**. Considerable progress has been made on the policy and regulatory fronts, particularly on legislation relating to land titles, water rights, microfinance and animal health. However, these policies and regulations are not yet fully operationalized.

6. The detailed impact of these constraints on each of the subsectors and how they can be addressed within the context of the Fund's mandated objective of rural poverty reduction are discussed in Section II, and a summary of subsectoral constraints is shown in Appendix VIII.

7. **Assessment of agricultural potential and productivity.** The United Republic of Tanzania has abundant land, livestock and natural resources, which could enable it to achieve faster and more diversified agricultural growth and to raise household income through increased production of both food and cash crops. Its four broad agro-ecological zones and six farming systems have generally good soil and water resources and adequate rainfall patterns, except in the arid and semi-arid regions. Their high agricultural potential is evidenced by the fact that they currently sustain 4.4 million smallholder farm households, which cultivate about 3.0 million hectares, or only 34% of the total arable area. Donor-funded production programmes undertaken in various agro-ecological zones, particularly in the Northern and Southern Highlands, the plateaux and the central semi-arid areas, indicate that the productivity of most food and cash crops could be increased from 50% to 150% by improved crop and animal husbandry practices.

8. **Strategic framework and the Fund's future thrusts.** The strategic investment thrusts of IFAD (see Logical Framework – Appendix II) for the medium term are designed as an integral part of the county-owned process to achieve the Government's long-term vision, which is consistent with the MDGs, by: (i) **improving the rural poor's livelihood systems and food security** by putting them at the centre of development and providing services according to their needs and preferences; (ii) **assisting the country in undertaking additional policy and regulatory reforms** in critical areas of rural growth (e.g. rural finance, agricultural taxation and natural resources) to further liberalize the economy and ensure competitiveness, production incentives for producers and improved productivity; and (iii) helping Tanzanians **establish a system of good and transparent governance** with a view to promoting social inclusion, strengthening the accountability of existing institutions and enhancing the performance of projects/programmes supported by IFAD (Appendix III).

9. The Fund's proposes to give priority to: (i) a **pro-poor growth strategy**, which will combine both the economic and social dimensions of poverty to improve the rural poor's overall livelihood systems. This is consistent with the broader guidelines of the country's Poverty-Reduction Strategy Paper, RDS and ASDS at the national level and NEPAD and the Southern African Development Community at the regional level; (ii) **technological change**, which will increase production and productivity of land, labour and capital using improved seeds, inputs and crop husbandry practices; and (iii) **support to the grass-roots institutions of the poor** (e.g. producer organizations, water users' associations, microfinance institutions and seed group associations) to enable them to influence public and private policy formulation, investments and services.

10. Based on the above strategic framework, IFAD will support a number of national programmes that have been successfully tested on a pilot or regional scale in the Fund's earlier programmes. By providing targeted strategic assistance, these programmes will enable the country to consolidate gains achieved earlier and to go beyond the liberalization phase to break new and innovative ground essential to improving competitiveness, food security, agricultural productivity and the rural economy. IFAD's corporate thrusts and the strategic framework of the COSOP and its linkages with national and international processes are shown in Appendixes IV and IX respectively. The programmes are as follows:

- (i) **agricultural technology and advisory services.** The main objective of the IFAD-supported programme will be to reorient the extension programme from a public sector-led operation to a provider of pluralistic institutional approaches to articulate demand for and delivery of pro-poor extension and information services (paragraph 28);
- (ii) **livestock and agropastoral community development.** Guided by the experience of IFAD programmes in the Mara region, the new programme will encompass the critical aspects of livestock economy that directly affect the lives of the pastoral community. These include community empowerment, livestock market infrastructure and facilities, coping mechanisms, early warning systems, and policy reforms and rationalization (paragraph 29);
- (iii) **small-scale irrigation development.** Following the innovative experiments of the Participatory Irrigation Development Programme, this programme will exploit and expand small, cost-effective water control and management systems to satisfy the competing demands of rural people for water (for example, crop irrigation, drinking water for humans and livestock, and power generation (paragraph 30);
- (iv) **development of small-scale agro-processing and income-generating activities.** Liberalization has already opened the door for private sector-led development in small agro-processing, agribusiness activities and non-farm income-generating activities. However, to be effectively capitalized on, this process needs to be broadened and deepened with more incentives for investments, innovation and conducive policies (paragraph 31); and
- (v) **health services, sanitation and HIV/AIDS.** Under this programme, both IFAD and the Belgian Survival Fund will contribute to the national multi-strategic framework for health, water supply and HIV/AIDS, with a focus on rural areas. Drawing on its experience and knowledge, IFAD will seek to reduce the negative impacts of HIV/AIDS on agricultural development and will focus on HIV prevention measures (paragraph 32).

Areas for Policy Dialogue, Donor Coordination and Portfolio Management

11. **Policy dialogue.** IFAD, in collaboration with other donors, is currently assisting the Government in developing a detailed policy and operational framework for grass-roots microfinance institutions, rationalization of the agricultural taxation system, appropriate cost recovery for irrigation systems, and a communications system for marketing information and pricing policies. Assistance is being provided with a view to reducing economic distortions and ensuring efficiency within the

agriculture sector. IFAD will assist the Government further in resolving some of the critical issues identified within the ASDS and RDS framework related to land, water and microfinance policies; removal of marketing and trade barriers; rationalization of cost recovery; sustainability; and decentralization of decision-making processes (paragraph 35).

12. **Donor coordination and complementarity.** Within this broader framework, the IFAD ‘road map’, as outlined in this COSOP, will ensure necessary complementarity and linkages with other in-country processes – both multilateral and bilateral – in order to realize a common vision. The implementation of this COSOP will be coordinated and harmonized through the administrative mechanisms and procedures already established under the National Rural Development Council and the Interministerial Coordination Committee for Agriculture, with the Ministry of Finance remaining the main clearing agency for loan fund administration. In addition, to enhance cofinancing possibilities, the Fund will seek common understandings with all partners by identifying and demarcating the areas of strategic alliance and cooperation within the context of the programmes to be supported in the future (paragraph 34).

13. **Portfolio management and performance.** An in-depth country programme evaluation (CPE) and a specific project evaluation have been undertaken to provide operational guidance on improving the current portfolio’s performance and to identify specific issues and policies that will guide the direction of future interventions. Most operational concerns have been elaborated in Section I and are summarized in the Agreement at Completion Point (Appendix VI). However, several major cross-sectoral issues have emerged and warrant further deliberation. They include: **privatizing agricultural activities** and rationalizing the role of the public sector; **articulating beneficiary demand and designing appropriate exit strategies** to ensure sustainability once the programme closes; **promoting good governance and accountability** within public and private implementation agencies; and **establishing a computerized network system to facilitate debt management** (paragraph 36).

14. **Conclusions and recommendations for follow-up action.** Within the proposed strategic framework, the Government and IFAD have tentatively agreed to include the following investment programmes in **the Fund’s medium-term lending pipeline during 2004-07:**

- (i) Agricultural Technology and Advisory Services Programme;
- (ii) Livestock and Agropastoral Community Development Programme;
- (iii) Small-Scale Participatory Irrigation Programme;
- (iv) Small- and Medium-Scale Rural Enterprises and Agro-Processing Development Programme; and
- (v) Health Services, Sanitation and HIV/AIDS Programme.

**UNITED REPUBLIC OF TANZANIA
COUNTRY STRATEGIC OPPORTUNITIES PAPER**

I. INTRODUCTION

1. This Country Strategic Opportunities Paper (COSOP) is the result of a joint collaboration between the Government of the United Republic of Tanzania and IFAD to design a coherent assistance plan that will contribute to the realization of the objectives of the Tanzania Development Vision 2025 and the Millennium Development Goals (MDGs) while also serving as the key instrument for translating and operationalizing the Fund's medium-term plan for poverty reduction. Within this comprehensive framework, the main objectives of the paper are to:

- (i) provide a historical perspective of the country's macro-micro economic situation, with specific reference to agriculture and rural development, and analyse its performance relative to growth, sustainable development, globalization and governance;
- (ii) deepen understanding of the country's poverty situation and its underlying causes and consequences; locate the current challenges within the framework of the Poverty Reduction Strategy Paper (PRSP), MDGs and the New Partnership for Africa's Development (NEPAD); and identify ways and means to realize the goals agreed under those plans;
- (iii) design a medium-term investment strategy within the framework of the prospective plan for meeting MDG targets by 2015, and suggest appropriate investment actions and agendas as agreed during consultations with various stakeholders at the IFAD Regional Workshop, the Country Portfolio Evaluation Workshop and the Country Strategic Opportunities Workshop held in Dar-es-Salaam in May 2002, November 2002 and September 2003 respectively; and
- (iv) promote a major re-engagement and accelerated pace in rural development by emphasizing that the majority of poor Tanzanians live in rural areas, and are heavily dependent upon agriculture and agro-based activities for their livelihoods.

2. The paper points to the need for a comprehensive strategic action plan to realign governmental institutions, finances and resources in favour of the rural poor, thereby bringing this disadvantaged group into the mainstream of development activities.

II. ECONOMIC, SECTORAL AND RURAL POVERTY CONTEXT

A. Country Economic Background

3. This section gives an overview of trends in the country's rural society and economy during the last decade. In geographical terms, the United Republic of Tanzania is larger than Kenya and Uganda combined. It occupies 945 200 square kilometres (km²) on the coast of East Africa and the islands of Zanzibar and Pemba, and has a population of 34.45 million (2001). Its climate is tropical, and temperatures vary according to altitude. Although the country's population density is now only 31 per km², the population is expanding at a rapid rate of about 3.1% per year. Nearly 70% of the population live in some 8 000 villages in rural areas, which are the country's economic engine as they produce about 80% of the gross domestic product (GDP). The United Republic of Tanzania also has one of the lowest per capita incomes in the world (USD 270) and is afflicted with widespread poverty, disease and malnutrition.

4. Over the last five years, the country has made significant progress in achieving macroeconomic stability through trade liberalization and efficient management of monetary and budgetary systems,

including deregulation of pricing policies and marketing services. These reforms have had a strong impact on the economy, and resulted in an average annual economic growth rate for GDP of about 4.6% during 1997-2001. Despite the global recession in 2001, the Tanzanian economy registered a growth rate of 5.6% compared to world averages of 2.5%, and 3.7% by African economies. Factors contributing to accelerated growth were the Government's ability to reduce inflation (from 35.5% in 1994 to 5.2% in 2001) and to increase capital formation (by 5.8%) and agricultural growth (by 5.5%). So far, the economy has performed well, with significant donor assistance to help the country undertake the structural reforms and make the investments needed to improve the lives of the population in all sectors.

5. However, further acceleration of the economy is constrained by: the Government's limited capacity to generate adequate revenue from internal sources; high debt service payments, amounting to USD 8.3 billion (of which USD 7.4 billion is external debt); a continued deficit in the current account, estimated at 6.5% of the GDP in 2001; the sharp decline of Tanzanian shillings, due to a slow-down of foreign exchange inflows; and increased demand for imports. Continued access to development assistance is essential to enable the country to undertake planned reform measures in financial intermediation and agricultural development, poverty reduction and further rationalization of public-sector operations.

B. Agricultural Sector

6. The United Republic of Tanzania's economic growth and indicators of well-being are highly correlated with the performance of the agricultural sector. It is the dominant and most vibrant sector, employing about 85% of the total labour force. It accounted for 73% of all exports and contributed annually, on average, 48% of total GDP during 1997-2001.¹ Agriculture also accounts for about 90% of the total income of the bottom 20% of the population and 64% of the top 20%. Crop production is the largest subsector in agriculture, contributing around 65% of the GDP. The main food crops are maize, sorghum, millet, banana, cassava, rice, beans, sweet potatoes, wheat and pulses. Despite annual variations in weather, including frequent natural calamities, the agricultural sector has gradually but steadily improved, from a growth rate of 2.4% in 1997 to 5.5% in 2001. Within the agricultural sector, fisheries registered the highest growth (7.0%), followed by the crop subsector (5.9%). Improved performance is mostly due to the liberalization of economic policies relating to pricing and marketing regulations, and the restructuring of services for food crops. These reforms have helped expand trade both within and outside the country, and have made the United Republic of Tanzania a major food supplier to all neighbouring countries. A significant part of its success is due to the support given by IFAD and other donors to various technology-induced innovations, particularly for expanding irrigation facilities; the introduction of high-yielding seeds (rice, maize, beans), accompanied by the application of integrated pest management/integrated pest nutrition (IPM/IPN) technologies; the use of a cost-effective farmer-led and -driven extension system (farmer field schools); and strengthening of non-governmental organizations (NGOs) and grass-roots farmers' organizations, such as water users' associations (WUAs), producer organizations, microfinance institutions (MFIs), and savings and credit cooperatives. Cash crops, principally coffee, sugar cane, cotton, tobacco, cashew nuts, sisal and tea, are grown mainly by smallholders. The subsector has however, suffered during the last two years from wide fluctuations in international commodity prices, international market distortions, the mismanagement of the government-controlled crop boards and cooperatives, and lack of proper quality control and processing facilities. Similarly, the livestock subsector, despite its enormous potential, has remained stagnant as it is not properly integrated into the farming system due to the lack of conducive policies and incentives.

7. The agriculture sector (including livestock and fisheries) has therefore underperformed relative to its potential due to lack of appropriate technology, finance, market linkages and other institutional arrangements. On the positive side, the Government is fully committed to the MDG goal of halving

¹ *The Economic Survey 2001*. Planning Commission, Dar-es-Salaam, June 2002.

extreme poverty by 2015. Translating this commitment into reality will require a growth rate of about 6-8% per year throughout the period. While the rural economy has enormous capacity to achieve such a target on a sustainable basis, the Government needs to undertake fundamental restructuring to remove the major impediments confronting critical growth areas – such as crops, livestock, natural resources and agro-industries – which have high potential and capacity to reduce both the magnitude and intensity of rural poverty (Appendix VIII). Policies to stimulate this growth must be based within a strategic framework, with action plans to remove the country's specific and critical constraints in the following segments of the rural economy:

8. **Agricultural crop production, productivity and technology.** A major cause of poverty in rural areas is low farm productivity arising from low-input crop and livestock production and poor husbandry practices. Despite production increases in the second half of the 1990s, overall productivity has remained stagnant. The case of cash crops such as coffee, cotton, sugar cane and cashew nut is similar. The main factors contributing to this situation are the (i) decline in real producer prices for all food and export crops by 40 to 60% and 25 to 70%² respectively, because of the appreciation of real exchange rates, unfavourable terms of trade between agricultural and industrial goods, and the decline in international trade during the last decade; (ii) gradual reduction of profitability of food crop production, due to withdrawal of the input subsidy, and the consequent increase in real prices for production inputs, particularly fertilizers by a factor of 2.5 to 3.9 relative to the price ratio for food and cash crops³; (iii) abnormally high marketing margins for both export and food crops, constituting about 48% and 25% of their respective free-on-board prices, primarily because of the lack of adequate market integration, infrastructure and facilities in rural areas; and (iv) decrease in the availability of agricultural finance from the formal financial intermediaries to farmers, from 25% in 1980 to less than 5% in 2001.

9. These economic factors have been compounded by other institutional and structural issues, including the: (i) lack of plurality of agricultural service providers that can sustainably extend needs-based, cost-effective services to the farmers; (ii) gradual decline in public-sector investments (from 21% of the total budgetary allocation in 1980 to 2.1% in 1998, but slightly increased to 6.5% in 2002/03), which has affected the productivity of land, labour and capital; (iii) inappropriate land legislation, including tenurial and water rights, which has made it extremely difficult for farmers to secure financing from banks for complementary investments needed to increase land productivity; (iv) lack of appropriate farm power and a mechanization policy, which seriously constrains production and land productivity, and as a result, only 34% of the country's total cultivable land has been used, of which 70% is cultivated with rudimentary tools such as hand hoes; and (v) lack of community-driven, low-cost irrigation facilities, which can bring about technological change by improving production on small and marginal farms through the adoption of improved seed varieties.

10. **Livestock and natural resource constraints.** Livestock is an integral part of farmers' livelihood systems in three agro-ecological zones of the United Republic of Tanzania, within which social organizations, environmental management and production systems are all interlinked. Overall, livestock provides about 30% of total cash income, 70% of protein consumption, and 20% of employment opportunities in rural areas. However, its growth rate has remained almost dormant as the sector's value added increased by only 8%, compared to 36% for crops over the last two decades. This dismal performance is due to: (i) inadequate provision of animal health services, which is causing widespread outbreaks of epidemic and vector-borne diseases, and which has increased the cow and calf mortality rate to 20% and 40% respectively, for an estimated loss of USD 110 million annually. Lack of health services has also affected the promotion of cross-bred cows, whose milk production is ten times that of traditional local cows; (ii) outdated and weak regulatory framework – most legislation relating to animal health and diseases is about 20 years old, and needs to be updated and properly integrated with other complementary services, in consultation with farmers;

² Country Economic Memorandum. World Bank, September 2001.

³ *Agriculture: Performance and Strategies for Sustainable Growth*. Ministry of Agriculture and Food Security, Dar-es-Salaam, February 2000.

(iii) inadequately defined or demarcated legal codes and institutional arrangements relating to land and water rights – improvements are needed to encourage investment, reduce land degradation and improve water management; (iv) lack of market and marketing infrastructure constraining realization of the economic potential of internal and external trade, livestock productivity (in terms of meat and milk production) and higher profits for herders and agropastoralists; and (v) periodic drought and rangeland degradation, which have also adversely affected the livestock population and product quality, particularly because of soil loss, bush encroachment, reduced biodiversity and deforestation. These problems could be addressed through appropriate integration of soil and water conservation measures and rangeland management within the farming system of the community.

11. Small-scale agro-processing and industrial constraints. Agro-processing and agro-based industries contribute about 60% of the value added in industry and earn about 18% of the total exports.⁴ Due to lack of adequate incentives and opportunities internally, most industrial crops (including fruits and vegetables) are now either exported or lost as spoilage due to low internal consumption or absorption capacity, which ranges from 10-30%. Recent data indicate that 95% of cashew nuts are now exported 'raw' and only 4% of the available fruits and vegetables are processed locally. Structural constraints have a paralysing impact throughout the subsector, and consist mainly of: (i) processing constraints primarily related to low technical efficiency and recovery rate, lack of modern machinery, inefficient local know-how and non-availability of critical infrastructure (such as electricity, and supply and service agencies), spare parts, repair and maintenance facilities. Of the total processing capacity for coffee, cotton tea and sugar, only 30%, 60%, 68% and 10% respectively has been used, whereas the capacity utilization for processing plants for cashew nuts, sisal, pyrethrin and edible oil ranges from 5 to 30%; (ii) marketing constraints affect the whole spectrum of the industry (from production incentives to costs, quality, pricing, exports) and as a result, farmers are receiving only 20 to 30% of free-on-board prices, which is a serious deterrent to boosting production; and (iii) financial constraints mainly faced by small processors or business people who cannot access regular financial services needed for business transactions, including working capital, due to the dearth of commercial banks in rural areas.

12. Health, sanitation and HIV/AIDS. The prevalence of malaria, tuberculosis and HIV/AIDS is high, and they are spreading fast, particularly HIV. Studies⁵ indicate that about 1.5 million Tanzanians are living with HIV/AIDS, 70% of whom are between 15 and 59, the most productive age group, and 60 to 80% of whom are women. In 2001, about 2.5 million people sought medical advice in rural health centres; one third of these were affected by malaria. Only 1% of total rural households can access safe pipe water, and 65.5% get their drinking water from unprotected water sources. The cumulative impact of the lack of social services is severe at the farm household level, increasing the vulnerability of households to food and livelihood insecurity, and often pushing them to the brink of poverty. These three diseases, particularly HIV/AIDS, are adversely affecting every aspect of the economic activities of the rural poor through: (i) loss of on- and non-farm labour employment, estimated to range between 13 and 27% during critical production periods; (ii) decline in income and erosion of household asset bases through depletion of savings and forced disposal of assets and livestock, which are reducing potential investment opportunities in agriculture; and (iii) loss of agricultural knowledge, skills and social capital resulting from premature death or incapacity to perform productive physical labour. These problems are also exacerbated by administrative, regulatory and policy issues in dealing with these diseases, particularly HIV/AIDS, and by cultural attitudes that prevent the kind of communications needed for prevention, diagnosis and treatment.

⁴ *Agriculture: Performance and Strategies for Sustainable Growth*. Ministry of Agriculture and Food Security, Dar-es-Salaam, February 2000.

⁵ *Developing a Poverty Baseline in Tanzania*. National Bureau of Statistics and Oxford Policy Management, Dar-es-Salaam, May 2000.

C. Rural Poverty

13. Rural poverty in the country declined from 65% in 1985 to 51% in 1991 and then to 38.7% in 2001. This remarkable progress is reflected in the United Nations Development Programme's Human Development Index, which rose from 0.266 in 1991 to 0.421 in 2002. Nevertheless, poverty is still widespread and acute, and is generally a rural phenomenon: about 85% of the poor live in rural areas and rely on agriculture as their main source of income and livelihood. According to the Household Survey of 2000/01, some 20.4% of the rural population live in absolute poverty as measured by the food poverty line, and about 38.7% are considered poor.⁶ Within agriculture, food crop producers are generally poorer than cash crop farmers, but both operate under cyclical and structural constraints, are subject to frequent natural calamities (drought and flooding), and lack market linkages, inputs, finance and irrigation water. Income inequality for rural areas, measured in terms of the Gini coefficient, appears to have remained more or less constant at 0.33 and is rooted in differential access to productive assets, including land, finance, livestock and education. According to a poverty profile survey of rural households, the percentage of rural population producing food for home consumption dropped from 42% in 1991/92 to 32% in 2000/01. Only 28% of rural households have access to safe drinking water, 29% of adults have had no primary education and 34% of individuals receive no medical treatment.⁷ There is also clear evidence that poverty increases with the distance from markets, drinking water supplies and health clinics.

14. The incidence of poverty varies greatly across the country but is highest among rural families living in arid and semi-arid regions that depend exclusively on livestock and food crop production. In terms of consumption, the people of the Central and Northern Highlands are nutritionally the most deficient (Table 1). In terms of the depth and severity of poverty, the Coastal and Southern Highlands zones are the poorest. From the point of view of policy and strategy design, no region is significantly better-off than the other, and all are very poor by any international standard.

Table 1: Food Consumption per Day by Farming System

Farming System	Zone	Energy in Kcal per day per capita	Protein in grams per day per capita
Cashew/cassava	Southern coast	2 141	52
Maize, coffee, cattle	Southern Highlands	2 510	76
Cotton, rice, sorghum	Central semi-arid	1 547	52
Agropastoralist	Agropastoral, semi-arid	2 168	80
Coffee, banana, dairy	Northern Highlands	1 606	41

Source: World Bank – Agricultural Sector Memorandum, 1994.

15. **The gender dimension of poverty.** The gender dimension of poverty in the United Republic of Tanzania is striking. In principle, laws exist for securing full equality for women, but because of common law and existing social conventions and mores, these laws are not adequately implemented. Though women are de facto heads of 25% of the total households, their average income is 45% below that of man-headed households; and an estimated 69% of these households live below the poverty line. Women's education, access to economic means of production (such as land), ownership of assets and ability to purchase inputs (including from government support services) is very limited, which increases their income and food insecurity. HIV/AIDS has further aggravated the precarious conditions of women, affecting their labour contributions to agriculture and reducing their capacity to engage in other income-generating activities. The perception of the causes of poverty also differs between women and men – while women identify poverty with food and water shortages, men consider the lack of transportation as the critical constraint to development (see Table 2).

⁶ Based on *Household Budget Survey of 2000/01*, the President's Office has defined two poverty lines: a food poverty line – an income level that is not sufficient to meet basic food requirements needed for sustenance; and a basic poverty line – the minimum income required for meeting other basic needs, in addition to food.

⁷ *The Economic Survey 2001*. Planning Commission, Dar-es-Salaam, June 2002.

**Table 2: Priority Activities, by Gender
(%)**

ITEM/ACTIVITY	WOMEN	MEN
Transportation	4	28
Farm inputs	54	23
Water	64	24
Food shortages	71	34
Education	35	17

Source: World Bank, *Tanzania – The Challenge of Reforms Growth, Income and Welfare*, May 1996, Random PPA survey undertaken.

16. Recognizing that women contribute between 60 and 80% of their labour to agricultural production and other income-generating activities, the Government has developed a gender policy that will help mainstream gender into its poverty-reduction strategy and budget through the medium-term expenditure plan/public expenditure review process. IFAD has undertaken a detailed gender analysis and assessment in all of its programmes in the United Republic of Tanzania to reflect the needs and priorities of women. Based on such assessments, specific legal instruments and operational modalities have been designed to ensure women's participation and empowerment within programmes and their access to the resources made available to the country.

D. Constraints on and Opportunities for Poverty Reduction

17. The United Republic of Tanzania has abundant fertile land, livestock and natural resources, which should allow it to achieve faster and more diversified agricultural growth and to raise income through increased production of both food and cash crops. Its four broad agro-ecological zones and six farming systems⁸ have generally good soil and water resources with adequate rainfall patterns (except in arid and semi-arid regions). Their high agricultural potential is evidenced by the fact that they currently sustain 4.4 million smallholder farm households, which cultivate about 3.0 million hectares (ha), or only 34% of the total arable area. Smallholder farmers, however, continue to use traditional cultivation methods, with low-level technology, inadequate inputs and poor farm management practices. Of the regions identified in Appendix X, the highland zones, including the plateaux, have relatively better prospects for increasing the production of coffee, bananas and horticulture through intercropping, and of cereals such as maize and legumes through intercropping outside the perennials. Since rainfall is considerable, high-value vegetables and other crops can be important sources of income if proper market linkages are established. The arid and semi-arid zones have relatively low potential for sustained cropping but can be used for extensive low-intensity livestock grazing. This can be supplemented with cultivation of drought-resistant crops such as cassava, sorghum, millet and sisal. In the coastal zone, the most suitable crops are cashew nuts, coconut and traditional cash crops, but further expansion of these crops is only possible if producer prices are raised, and local marketing infrastructure and arrangements improved. The potential for increasing paddy and sugar cane yields through intensification is also quite high in the alluvial plain **zone**, particularly because smallholders currently use simple technology and furrow irrigation.

18. During the next stage of reforms, a focus on overcoming major constraints is needed to harness the full potential of agriculture. This will entail the following fundamental and strategic changes in the agriculture sector: (i) comprehensive technological change, which will require reorganizing agricultural research and extension systems so that they can respond to farmers' demands and facilitate their access to finance, water, information and markets. This will help increase cereal production by 3 to 4 million tonnes (t) using supplementary irrigation and fertilizers in the central semi-arid zones and the Northern Highlands. Similar possibilities exist for cash crops, particularly for such highly price-responsive crops as coffee, cashew nuts, bananas, rice, cotton and maize; (ii) a focus

⁸ The country is divided into 20 crop-based farming systems and agro-ecological zones. These have been further aggregated into six and four, respectively. Source: Agriculture Sector Monitoring Programme Crop Reports 1999.

on smallholders, in order to broaden their farming base and production capacity. This will help ensure an additional and sustainable growth rate of about 4% for cash crops (coffee, cashew nuts and tea), 3% for food crops, and 5% for fruits and vegetables; (iii) improved access of the poor to land. The poor currently cultivate comparatively small plots (ranging from 0.1 to 0.7 ha)⁹, and most lack proper titles or rights to their land. Giving users property rights and redistributing land to small farmers, particularly the poor, are essential and would contribute to greater production efficiency and increase investments by appropriate use of factors of production; (iv) livestock management and production systems. Rapid development of the livestock sector is possible, but requires the establishment of appropriate legal and regulatory frameworks for small agropastoralists, and a good animal health strategy plan focusing on epidemics and infectious diseases, sanitary control and inspections, and licensing and control of veterinary drugs. The pilot livestock programmes in Mara and Dodoma can serve as an appropriate institutional framework to make further investments in this area; and (v) agro-processing and non-farm income-generating activities. The liberalization of agriculture has created opportunities for private-sector-led agribusiness development. To capitalize on such an environment, the agribusiness and processing sector needs to be strengthened through investments, innovations and the expansion of capacity to use local resources and products.

E. National Strategy for Rural Poverty Reduction

19. Over the last two decades, the Government has paid increasingly greater attention to poverty reduction, as evidenced by its PRSP and Vision 2025. Recognizing that poverty is entrenched in rural areas and that stronger agricultural-sector performance is the key to higher GDP growth and lower poverty rates, it has now completed agricultural sector development strategy (ASDS) and rural development strategy (RDS) papers. These two strategies will be the main vehicles for implementing poverty-reduction programmes to realize the MDGs. Their main objectives are to stimulate rural economic growth and empower the rural poor to overcome poverty by improving their access to land, water, financial resources and markets. In pursuing these objectives, the ASDS will cover crop, livestock production and other related agribusiness activities, whereas the RDS will concentrate on broader rural development issues such as strengthening rural infrastructure, governance and capacity-building, and harmonizing and integrating sector policies into strategic actions.

III. LESSONS FROM IFAD'S EXPERIENCE IN THE COUNTRY

20. Implementation of IFAD operations in the country is progressing relatively well. The four ongoing programmes/projects are paying specific attention to the country's poverty-reduction strategy, policy rationalization, empowerment, transparency, impact analysis and decentralization of power to the grass-roots level. To ensure sustainability of these operations, efforts are being made to integrate them into the Government's annual workplan and budget (AWP/B). Three relatively new programmes – rural finance, participatory irrigation development and agricultural marketing – seek performance improvements by using a sectoral approach to address inherent structural issues relating to regulations, policies and institutions. Despite the sectoral scope of these operations and initial difficulties in their implementation, IFAD has made substantial progress in empowering grass-roots institutions, rationalizing policies, promoting service privatization and putting in place mechanisms for ensuring sustainability. The major impact areas are discussed below.

21. **Production, human and social dimensions.** Recent studies highlight the significant impact of IFAD projects in terms of improving the rural poor's livelihood systems, health and nutritional status. These gains have been achieved largely by increasing agricultural production and creating additional employment opportunities, assets and incomes. In particular, the studies note: (i) sharp increases in the yields of major food grains due to the timely supply of irrigation water (Participatory Irrigation Development Programme (PIDP) and Mara Region Farmers' Initiative Project (Mara-FIP)), improved seeds (Mara-FIP, the [Kagera] Agricultural and Environmental Management Project (KAEMP) and

⁹ *Tanzania – The Challenge of Reform: Growth, Incomes and Welfare*. World Bank, Washington, D.C., 1996.

PIDP), use of IPM/IPN technology (Mara-FIP and KAEMP) and cost-effective extension services using the modified farmer field schools approach; (ii) significant production increases for rice (from 1 to 4 t/ha in PIDP and from 1 to 3.5 t/ha in Mara-FIP), maize (from 1 to 3 t/ha in KAEMP and Mara-FIP), bananas (from 5 to 40 kg for local varieties and from 15 to 65 kg for exotic varieties) and beans (from 600 kg/ha to 2 t/ha in KAEMP); (iii) two- to threefold increases in net margins at the household level for all crops, most notably paddy (from 50 000 to 160 000 Tanzanian shillings on a 0.5 ha farm plot) due to production increases, as well as the financing of complementary components (e.g. road construction and market facilitation) that have helped farmers obtain better prices for their produce and dispose of it quickly; (iv) a sharp decline in malaria, schistosomiasis, respiratory infection and eye and skin diseases in all project locations due to the supply of insecticide-impregnated mosquito nets, medicine and other preventive measures on a cost-sharing basis; and a 20% drop in woman and child mortality rates thanks to greater access to medical services, the introduction of a referral system, improved child care and good drinking water; and (v) a reduction in calf and cattle death rates (51% and 59% respectively in Mara-FIP) following the introduction of community-driven animal disease control measures.¹⁰ Despite this progress, the overall linkages between production and social service programmes are still tenuous, and need further enhancements to make comprehensive impacts on the quality of the rural poor's lives.

22. **Technology generation and innovation.** All IFAD-financed projects emphasize the need to introduce and apply simple, cost-effective and appropriate technology that can increase production, minimize risks and ensure sustainability in terms of costs, efficiency and effectiveness: (i) the introduction of IPN/IPM technology has eradicated cassava mealy bugs and mites in Mara-FIP, whereas the use of new seed technology and pest control methods has improved crop production substantially in PIDP, Mara-FIP and KAEMP; (ii) in addition to better crop husbandry practices, soil fertility has been improved, soil erosion control measures have been put in place and agroforestry options used under community ownership in Mara-FIP and KAEMP; (iii) the introduction of labour-intensive irrigation systems and drilling of locally manufactured tubewells/shallow wells for drinking water have enabled beneficiaries to manage and operate systems cost-effectively and efficiently. The per-hectare irrigation cost is now estimated at USD 400-700 (Mara-FIP, KAEMP and PIDP), compared with the country-wide average of USD 3 000. Thanks to low-cost shallow well construction, women now spend two to three hours less a day collecting water. On the other hand, the Country Programme Evaluation (CPE) indicated that the technical design of water diversion schemes in PIDP is risky because of extreme weather conditions (i.e. drought and floods) and that bund irrigation (used in Mara-FIP) should be investigated as an alternative. In response to the changing policy environment, IFAD and other donors have adopted different approaches to supporting agricultural technological development among small farmers. However, support has now crystallized into a comprehensive institutional framework to be replicated countrywide.

23. **Sustainability and replicability.** All IFAD operations have included specific strategies and actions to enhance sustainability. This strategic framework consists of three basic elements as an integral part of the overall system: empowerment of stakeholders; financial independence; and governance and accountability. Each of these aspects has been monitored during programme/project implementation, and their performance is summarized as follows: (i) empowerment of stakeholders. All project activities in Mara-FIP, PIDP, KAEMP, the IFAD/BSF Water Supply and Health Project in Marginal Areas, and the Rural Financial Services Programme (RFSP) have now been decentralized to district and community levels to enable beneficiaries to own, operate and manage activities; (ii) financial independence. A strict cost-recovery principle has been introduced in all IFAD-financed infrastructure improvement projects to recover full operations and maintenance and a part of capital costs. In addition, a price based on a cost-plus method is charged for inputs supplied and credit extended to beneficiaries to eliminate the need for subsidies; (iii) governance and accountability. To a great extent, communities (in PIDP, Mara-FIP, RFSP) now make their own choices and decisions about many elements of project design and operation, including project sub-components,

¹⁰ *Mara Farmer's Initiative Impact Analysis* (page 33, tables 8 and 9). Mara Region Planning Office, 2002.

procurement, contracting and payments. This has helped establish a system of checks and balances to ensure accountability at all levels. To complement and reinforce this process, IFAD has made provisions for performance- and impact-based monitoring systems and regular auditing through the private sector in all operations it supports.

24. From this perspective, the Government and donors are clearly making some progress in putting in place institutional guidelines, practices and safeguards to ensure the sustainability of operations. However, these governance issues are often not integrated within a programme's or project's implementation plan. Each operation must now make a conscious effort to prepare a clear exit strategy from its outset, with relevant indicators determined in close consultation with the beneficiaries so that overall progress can be monitored during implementation.

IV. STRATEGIC FRAMEWORK FOR IFAD

A. IFAD's Strategic Niche and Proposed Thrusts

25. This COSOP has been prepared as an integral part of a country-owned process and within the framework of the Fund's corporate strategy and regional strategy for eastern and southern Africa. It gives priority to a pro-poor growth strategy addressing the economic and social dimensions of poverty to improve the overall livelihood systems of the poor. It identifies a number of proactive investment options and policies to support the public and private sectors in addressing poverty issues. These options are consistent with the broader guidelines of the PRSP, RDS and ASDS at the national level and NEPAD and the Southern African Development Community at the regional level. Such options will allow the Government to focus on key strategic areas in the rural and agricultural sector, where substantial growth opportunities and potential exist, which, if properly harnessed, could eradicate poverty within the framework of Vision 2025. The provision of targeted strategic assistance will enable the country to consolidate gains achieved through IFAD projects and programmes during the first COSOP and to go beyond the liberalization phase to break new and innovative ground essential for improving competitiveness, food security and agricultural productivity. Innovations will include: (i) designing or restructuring agricultural support systems based on various institutional approaches that articulate the demand for and delivery of pro-poor extension and information services; (ii) developing and supporting small-scale agro-processing and income-generating activities to create added value in agricultural products, and employment opportunities, income and growth; (iii) exploiting and expanding small cost-effective water control and management systems to satisfy competing demands (e.g. crop irrigation, drinking water for humans and livestock, power generation); (iv) supporting a comprehensive smallholder livestock programme to improve the production, processing and marketing of milk, meat and other by-products; and (v) replicating the BSF/IFAD community-driven, health, sanitation and nutrition programme to address malaria, tuberculosis, HIV/AIDS and other infectious diseases that impact negatively on agricultural production and the rural labour force.

26. For these innovations to be operationalized, certain essential instruments need to be embedded in the institutional structure of local government. These instruments will be refined and strengthened under each IFAD-supported programme so that they can become catalysts in a self-sustained process. This will be achieved by: (i) putting the grass-roots institutions of the poor (producers organizations, WUAs, MFIs and seed group associations) at the centre of development, with emphasis on human and social capital, so that they can develop the bargaining power necessary to negotiate contracts and influence public policies, investments and services; (ii) undertaking appropriate legal, regulatory and social reforms to enable the poor to obtain equitable access to productive natural resources, financial assets and technology, and to help remove the inherent structural constraints to production, trade and income; (iii) establishing proper mechanisms such as targeting, empowerment and governance, as basic requisites for channelling funds and ensuring the efficiency and effectiveness of IFAD programmes; and (iv) setting implementation procedures based on the principles of knowledge sharing, partnership development and performance-based logical framework and impact monitoring as tools for enhancing the implementation capacity of the poor.

B. Main Opportunities for Innovations and Project Interventions

27. IFAD will give priority to pro-market, pro-poor growth policies, which have had strong impacts in its earlier district and regional programmes in the country. The experience gained through these pilot programmes have increased understanding of the extent and nature of support needed by the Government to transfer these programmes from the public to the private sector and to replicate them nationally or by sector. A sectoral approach will allow the next generation of IFAD-supported programmes to address inherent structural issues, and to focus on such critical areas as privatization, decentralization and governance, property rights and beneficiary empowerment. Both the Government and other stakeholders have requested such sectoral programmes so that they can participate in that process. All investment programmes will seek to capitalize on the growth potential of the major rural economic subsectors (indicated in paragraphs 18 and 25). To minimize operational risks, they will contain built-in design flexibility to accommodate changes resulting from implementation experiences. The island of Zanzibar will be an integral part of each IFAD-financed programme on the mainland. The main aim of these strategic innovations is to reduce poverty in rural areas, as per MDG guidelines and based on programmatic and flexible programme mechanisms. A brief outline of each programme to be supported by IFAD is given below.

28. **Agricultural technology and advisory services.** Paragraphs 8-9 and 18 discuss the technological, financial and organizational problems encountered by small and marginal farmers in securing needs-based services to improve farm productivity. To overcome such difficulties, various pilot initiatives (the National Agricultural Extension Programme; National Agricultural Livestock Extension Programme; Southern Highlands Extension and Rural Financial Services Project; and KAEMP) are testing extension and research approaches to enable farmers – irrespective of their scale of operations, agro-ecological location and type of farm practices – to receive needed technical and managerial assistance. These highly flexible initiatives have helped farmers to: own, operate and manage the process; build customized, low-cost technology; and disseminate this knowledge through farmers' exchange programmes. They have applied IPM/IPN technologies for cash and food crop production, helped farmers set up their own commercial enterprises, and entered into contractual negotiations with research organizations, NGOs and private service providers to obtain the required extension and research services. They have brought about significant technological change and have increased the productivity of land, labour and capital by 100 to 200% in smallholder farming systems. The Government and donors have understood the potential of these pilot programmes and have agreed to explore how they can contribute to the design of a framework for strengthening agricultural technology, information and extension services. To be successful, however, this framework will need to promote some core reforms such as decentralization, privatization, cost recovery, and ownership by stakeholders within pluralistic financing and delivery systems.

29. **Livestock and agropastoral community development.** Livestock is basically raised in three systems in the United Republic of Tanzania: agropastoralism, pastoralism and intensive commercially oriented schemes. Agropastoralists own about 90% of the total stock. In rural areas, livestock is kept as a form of savings and as a productive asset, providing milk, meat and draught power. It is potentially one of the most profitable enterprises and already provides about 30% of farmers' incomes. Since the economic liberalization process, livestock development has undergone rapid and profound changes, from control to support, from free and subsidized services provided by the state to demand-responsive, commercially oriented services, and from highly centralized state-run operations to a decentralized system under the domain of local district bodies. Despite such changes, the subsector is plagued by a number of socio-economic, institutional and agro-ecological constraints. Guided by its experience in the Mara region, marginal areas and Southern Highlands, IFAD will create an enabling environment, empowering agropastoralists and pastoralist communities to improve their livelihood systems based on identified priority needs. Under this approach, both the public and private sectors will provide necessary extension support services, disease control measures, dams and dual-purpose water points (suitable for livestock and human consumption) and community empowerment training under cost-sharing arrangements. These are small, low-cost interventions and yet have in the past succeeded in transforming rural living

conditions. IFAD and the stakeholders have agreed to capitalize on these experiences to formulate a comprehensive plan of action for future implementation, which will be replicated in potential zones and particularly to benefit IFAD target groups, including women.

30. **Small-scale irrigation development.** To address food insecurity and combat desertification in arid and semi-arid regions, IFAD has financed three small-scale irrigation projects in the country¹¹, and other donors¹² have also financed irrigation infrastructure. By harnessing and optimizing the use of water, these interventions have improved farmers' productivity and allowed them to diversify production of high-value crops such as rice, vegetables, fruits and flowers. So far, however, total investments in this subsector are modest, and have brought 0.17 million ha under irrigation compared with the overall country-wide potential of 2.1 million ha. The various evaluations undertaken by the Office of Evaluation¹³ indicate that investments in water resources in Mara-FIP have benefited more households than envisaged at appraisal. User demand for these investments is strong, as evidenced by considerable upfront contributions and long waiting lists. Despite some management issues, these schemes have helped beneficiaries obtain two crops per year (rather than one) and increase yields from 1 to 4 t, while reducing the average irrigation cost per hectare from USD 1 650 to 740. Therefore, the rationale for IFAD's future involvement in the irrigation subsector is strong and could be guided by three strategic principles: full beneficiary ownership; modifications of engineering design to provide year-round irrigation facilities; and full recovery of operation and maintenance costs.

31. **Development of small-scale agro-processing and income-generating activities.** The reduction of poverty and the acceleration of economic growth in the United Republic of Tanzania hinges largely on diversification of the rural economy, which in the past contributed about 60% of the value added in the industrial sector. The country's agriculture sector also has the potential to create large spin-off effects on the non-farm sector, mainly through forward linkages to agro-processing and consumption, and backward linkages to producers. These linkages are particularly important because agriculture has already reached an upper limit of growth, and its further transformation and diversification warrants the development of other complementary small- and medium-scale rural enterprises, which can then serve as consumers, processors and exporters of agricultural goods and services. In this connection, the subsectors that can play a major role as change agents are: (i) small agro- and food-processing factories, for tobacco curing, cotton ginning, cereal milling, oil extraction and the processing of coffee, tea, sisal, milk, cashew nuts, pyrethrum, and fruits and vegetables; (ii) agribusiness activities (such as wholesale and retail suppliers of agricultural inputs, machinery and spare parts), farm produce buyers and exporters, and transport providers; and (iii) non-farm income-generating activities, such as poultry, piggeries, beekeeping, fish farming and machine-tool factories.

32. **Health services, sanitation and HIV/AIDS.** The integration of social dimensions (health, sanitation and environment) and economic dimensions (assistance relating to production, finance and income-generating activities) within the development process without sacrificing basic market rationale and principles is a complex task. Nevertheless, IFAD and the BSF are pursuing this objective in three areas of the United Republic of Tanzania¹⁴ using a holistic approach based on cost-sharing principles. In the community health sector, they have: (i) constructed and rehabilitated tubewells, small dams, spring protection and pit latrines to ensure adequate household sanitation and water supplies; (ii) strengthened community-based health care services to support health centres and decentralized district health and referral structures with equipment, medicine, training and technical assistance; and (iii) provided awareness-building and sensitization support to rural people helping them cope with major diseases. They have employed both curative and preventive measures to reduce the prevalence and severity of malaria, schistosomiasis and other water-borne infections. The CPE indicated that despite some policy anomalies

¹¹ The IFAD/BSF Water Supply and Health Project in Marginal Areas, Mara-FIP and PIDP.

¹² This includes the World Bank, Japan International Cooperation Agency, United States Agency for International Development, The Netherlands Government and Danish International Development Assistance.

¹³ Country Programme Evaluation of the United Republic of Tanzania – A Progress Report on the Process, submitted to the Evaluation Committee on 2 September 2002. Country Evaluation Report. IFAD, 1997.

¹⁴ Mara, Kagera and the IFAD/BSF Water Supply and Health Project in Marginal Areas.

and ramifications, the health component generally appears to have good prospects of being sustainable, mainly because the introduction of cost-sharing arrangements have increased the availability of funds and medication. The same approach will be further consolidated and replicated with necessary emphasis on HIV/AIDS. The specific measures that will be included to address HIV/AIDS are (i) HIV prevention measures; (ii) preparedness alert; (iii) alleviation of impact; and (iv) technical assistance.

C. Outreach and Partnership Possibilities with NGOs and the Private Sector

33. The Fund's strategy in the United Republic of Tanzania is to build partnerships and coalitions with NGOs, the private sector and civil society, to compensate for the Government's existing budgetary constraints and its limited administrative, technical and management capacity to implement projects and programmes. Such synergistic alliances have produced concrete results in IFAD operations in terms of empowering beneficiaries (Mara-FIP), making local governments fully accountable for budgetary contributions (KAEMP) and helping beneficiaries organize groups and plan and implement programmes (PIDP). Given these results, IFAD is establishing (or will establish) working relationships with various NGOs for providing technical services in (i) microfinance (Mennonite Economic Development Associates, the Foundation for International Community Assistance, Pride Africa); (ii) irrigation (WaterAid); (iii) agricultural marketing (Netherlands Development Organization/FAIDA, TechnoServe, the National Network of Farmers' Groups, the Tanzanian Chamber of Commerce, Industry and Agriculture); and (iv) HIV/AIDS (World Vision). NGOs will also help mobilize groups, provide training and disseminate technologies and information. All programme activities are now also contracted out to the private sector to ensure cost-efficient and effective implementation. These activities have contributed to creating national management capacity and ensuring timely programme/project implementation. Such relationships will be further strengthened and enhanced during the next phase of IFAD operations.

D. Opportunities for Linkages with Other Donors and Institutions

34. IFAD plays a catalytic role in the United Republic of Tanzania, while conforming to the MDGs and the central government objectives stated in the PRSP. Within this broader framework, its 'road map' as outlined in this COSOP will ensure necessary complementarity and linkages with other in-country processes – either multilateral (World Bank, United Nations Development Assistance Framework, Country Assistance Strategy, Poverty Reduction and Growth Facility, Food and Agricultural Sector Working Group and the African Development Bank) or bilateral, including NGOs and the private sector. The implementation of this COSOP will be coordinated and harmonized through the administrative mechanisms and procedures already established under the National Rural Development Council and the Interministerial Coordination Committee for Agriculture, with the Ministry of Finance remaining the main clearing agency for the administration of loan funds. However, IFAD will continue to work through local government to ensure programme efficiency and effectiveness. In the past, this has allowed IFAD to set up a framework to integrate donor support with its activities, thereby avoiding any overlap or duplication of effort. With regard to small agricultural advisory services, livestock development and small-scale agro-processing programmes, IFAD will seek common understandings with all partners, clearly defining areas of cooperation. Partners that have already expressed interest in cooperation are the: (i) United States Agency for International Development – within the context of its privatization, agro-processing and rural electrification programmes; (ii) Department for International Development – within the scope of its livelihood programme for the rural poor; (iii) World Bank – within the context of its Country Assistance Strategy; (iv) African Development Bank; (v) European Union – within its overall agricultural and rural development programme; (vi) BSF and the Irish Government – which already extensively support various IFAD programmes and whose cooperation is likely to be broadened; and (vii) Danish International Development Assistance, in support of its district decentralization plan. Similar cooperation will be explored with the Governments of Finland, France, The Netherlands and Sweden, among others.

E. Areas for Policy Dialogue

35. Dialogue between IFAD and the Government on market-oriented policies and strategies was a contributing factor to agricultural growth in the last decade. To reduce economic distortions further and ensure greater efficiency within the agriculture sector, IFAD, in collaboration with other donors, is presently helping the Government to: (i) develop a detailed policy and operational framework for grass-roots MFIs; (ii) rationalize the agricultural taxation system; (iii) establish appropriate cost recovery for irrigation systems; (iv) set up a communications system for marketing information; and (v) develop pricing policies. However, substantial progress is only possible when policy reforms are managed and driven by internal processes in which the country has sufficient control and leverage. Furthermore, progress is difficult when policy issues are intertwined, involve complex external variables (such as commodity pricing, agricultural subsidies and the removal of global trade barriers) and require different types of platforms for negotiations. Nevertheless, the ASDS and RDS have identified six critical policy areas requiring urgent donor assistance: (i) implementation of the policy relating to property rights and land titling; (ii) improvement of the water policy by introducing appropriate pricing policies, water-allocation procedures and technologies; (iii) establishment of a microfinance policy for rationalizing cooperative laws and private bank regulations; (iv) removal of trade barriers and marketing regulations; and (v) decentralization of decision-making processes to local government and civil-society organizations. IFAD will assist the Government, within the framework of the ASDS and RDS, in addressing these areas.

F. Action Areas for Improving Portfolio Management and the Country Programme Evaluation

36. An in-depth CPE and a specific project evaluation have been undertaken to provide operational guidance on improving the current portfolio's performance and to identify the specific issues and policies that will guide future interventions. This COSOP addresses the major CPE recommendations, which are summarized in the Agreement at Completion Point (Appendix VI). Further action is also needed in relation to the following cross-sectional issues: (i) the Government is presently privatizing all agricultural services without giving due consideration to other concomitant changes required to make them effective. IFAD, in collaboration with other donors, will continue to support the Government in strengthening the delivery capacity of the private sector through the introduction of an appropriate legal, regulatory and incentives framework; (ii) IFAD has established a framework for articulating beneficiary demand in the formulation of all its programmes, which will now be complemented with an appropriate exit strategy to ensure sustainability once a programme closes; (iii) the Government is proactively implementing measures aimed at fostering good governance and accountability within public and private implementation agencies. IFAD will contribute to the process, within the context of the Government's action plan, in areas such as decentralization of administrative power to the districts, capacity-building of the audit bureau, and impact monitoring and analysis of poverty-reduction programmes to enhance their transparency and effectiveness while retaining stakeholder ownership and control; and (iv) based on its ongoing assistance, IFAD will help the Ministry of Finance establish a computerized network system to facilitate debt management.

G. Tentative Lending Framework and Rolling Programme of Work

37. Within the proposed strategic framework, the Government and IFAD have tentatively agreed to include the following investment programmes in the Fund's medium-term lending pipeline during 2004-07: (i) Agricultural Technology and Advisory Services Programme; (ii) Livestock and Agropastoral Community Development Programme; (iii) Small-Scale Participatory Irrigation Programme; (iv) Small- and Medium-Scale Rural Enterprises and Agro-Processing Development Programme; and (v) Health Services, Sanitation and HIV/AIDS Programme. It is expected that the total loan amount for these programmes will be USD 65.0 million, with an additional grant of USD 10.0 million provided by BSF and a further USD 120.0 million mobilized from other cofinanciers.

APPENDIX I

COUNTRY DATA
UNITED REPUBLIC OF TANZANIA

Land area (km² thousand) 2001 1/	945	GNI per capita (USD) 2001 1/	270
Total population (million) 2001 1/	34.45	GNP per capita growth (annual %) 2001 5/	5.6
Population density (people per km²) 2001 1/	39	Inflation, consumer prices (annual %) 2001 5/	5.2 a/
Local currency	Tanzanian Shilling (TZS)	Exchange rate: USD 1 =	TZS 1 039.00
Social Indicators		Economic Indicators	
Population (average annual population growth rate) 1980-2000 2/	3	GDP (USD million) 2001 1/	9 119
Crude birth rate (per thousand people) 2000 1/	39	Average annual rate of growth of GDP 2/ 2000 3/	4.9
Crude death rate (per thousand people) 2000 1/	17	2001 5/	5.6
Infant mortality rate (per thousand live births) 2000 1/	93	Sectoral distribution of GDP 2001 1/	
Life expectancy at birth (years) 2000 1/	44	% agriculture	45
Number of rural poor (million) (approximate) 1/	n/a	% industry	16
Poor as % of total rural population 2/	n/a	% manufacturing	8
Total labour force (million) 2001 1/	17.73	% services	39
Female labour force as % of total 2001 1/	49	Consumption 2001 1/	
Education		General government final consumption expenditure (as % of GDP)	10
School enrolment, primary (% gross) 2003 3/	47 a/	Household final consumption expenditure, etc. (as % of GDP)	83
Adult illiteracy rate (% age 15 and above) 2003 3/	76	Gross domestic savings (as % of GDP)	7
Nutrition		Balance of Payments (USD million)	
Daily calorie supply per capita, 1997 3/	2 360	Merchandise exports 2001 1/	780
Malnutrition prevalence, height for age (% of children under 5) 2001 1/	44 a/	Merchandise imports 2001 1/	1 660
Malnutrition prevalence, weight for age (% of children under 5) 2001 1/	29 a/	Balance of merchandise trade	-880
Health		Current account balances (USD million)	
Health expenditure, total (as % of GDP) 2001 1/	3 a/	before official transfers 2001 1/	67
Physicians (per thousand people) 2002 3/	4	after official transfers 2001 1/	-998
Population using improved water sources (%) 2000 3/	68	Foreign direct investment, net 2001 1/	4 a/
Population with access to essential drugs (%) 1999 3/	50-79	Government Finance	
Population using adequate sanitation facilities (%) 2000 4/	90	Overall budget deficit (including grants) (as % of GDP) 2001 1/	n/a
Agriculture and Food		Total expenditure (% of GDP) 2001 1/	18.8
Food imports (% of merchandise imports) 2000 1/	16 a/	Total external debt (USD million) 2000 1/	7 445
Fertilizer consumption (hundreds of grams per ha of arable land) 1999 1/	56	Present value of debt (as % of GNI) 2000 1/	50
Food production index (1989-91=100) 2000 1/	106	Total Debt service (% of exports of goods and services) 2001 5/	21.6
Cereal yield (kg per ha) 2001 1/	904	Lending interest rate (%) 2001 1/	20
Land Use		Deposit interest rate (%) 2001 1/	5
Arable land as % of land area 1999 1/	4		
Forest area as % of total land area 2000 1/	44		
Irrigated land as % of cropland 1999 1/	3		

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

1/ World Bank, *World Development Indicators* database, 2003

2/ World Bank, *World Development Indicators*, 2002

3/ UNDP, *Human Development Report*, 2003

4/ UNDP, *Human Development Report*, 2002

5/ Ministry of Finance, Bank of the United Republic of Tanzania and Bureau of Statistics of the Government of the United Republic of Tanzania

LOGICAL FRAMEWORK

Summary of Goals, Objectives, Outputs and Activities	Strategic Actions	Objectively Verifiable Indicators*	Means of Verification	Assumptions	Implementing Institutions
Overall Goal ♦ Contribute towards national goals for reduction of rural poverty based on MDGs, the Tanzania Development Vision 2025 and IFAD's regional strategic frameworks, with specific emphasis on HIV/AIDS, malaria and other diseases, accessibility of safe drinking water, gender equality and sustainable environmental development.	1) Help the Government to implement poverty reduction strategies as outlined in PRSP, RDS and ASDS. 2) Create an enabling environment conducive to rural economic expansion. 3) Assist the country in halting the spread of HIV/AIDS and implementing a national strategy for malaria and other diseases in rural areas. 4) Help MOW and PO-RALG to improve access to safe drinking water by rural poor.	1) Rural population below basic poverty reduced from 38.7% to 19.3%, HIV infection rate among 15-24-year-olds by 25% and people unable to access safe drinking water from 53.2% to 26.6% by 2015. 2) Rural economic growth increased from 6 to 8%. 3) Proportion of food poor reduced from 27 to 14% by 2015.	1) Annual economic surveys and reviews, reports. 2) National bureau of statistics. 3) MOH and MWLD statistics. 4) Poverty monitoring statistics.	1) Stable political and economic environment. 2) Continuing the Government's commitments to pursue MDG goals.	Government/ Ministry of Finance (MOF)/ PMO/PO-RALG/ MAFS/MOH
Objectives/Purpose ♦ Improve the overall livelihood situation of the rural poor and ensure food security.	1) Diversify rural economy based on pro-poor growth strategy to increase household incomes, production and employment opportunities. 2) Enable the rural poor to overcome poverty by increasing access to technology, finance, natural resources and information systems.	1) Assist the Government to increase real agricultural GDP growth from present 5% to 8%. 2) Help the Government to implement relevant investment programmes to improve accessibility of the poor to natural resources, finance, markets, etc.	1) Annual economic survey. 2) Agriculture sector data. 3) Annual report of Bank of Tanzania. 4) Poverty monitoring statistics.	1) Stable macro- and micro-economic policy and implementation of sector reforms (relating to agriculture, rural finance, land and water, etc.). 2) Increased allocation of financial resources to agriculture and rural development.	MOF/PO-RALG/ MAFS/MWLD
Outputs 1) Productive capacity/sustainability of the rural poor in both farm and non-farm sector enhanced and increased. 2) Increased overall trade volume of agriculture and livestock products and its share to total export. 3) Farmers' cash flow and employment opportunities enhanced.	1) Grass-roots institutions of the poor empowered and strengthened. 2) Legal, regulatory and economic reforms in agriculture sector undertaken to enable the poor to obtain increased access to productive natural resources (water, land), markets, finance, etc. 3) Capacity of the private sector and civil-society organizations improved.	1) Percentage of growth in rural and agricultural economy. 2) Agriculture and livestock export share and earnings increased. 3) Small and marginal farmers' earnings increased. 4) Increased participation by grass-roots institutions in decision-making, etc. 5) Agricultural taxation system rationalized. 6) Operationalization of land ownership policy.	1) Agricultural statistics and sector data. 2) Annual economic survey. 3) Bank of Tanzania reports.	1) Increased resource allocation. 2) Government's commitments to undertake reforms in agricultural taxation, marketing boards, pricing and trade. 3) Donors' net funding contributions increased.	Government/MOF /PMO/PO-RALG/ MAFS

* The first two verifiable indicators are the same as the MDG figures as all the donors have agreed to work to realize common goals.

Activities					
1) Agricultural advisory services and technology system reorganized and strengthened.	<ol style="list-style-type: none"> 1) Agricultural technology and delivery system improved. 2) Farmer and farmers' organizations empowered. 3) Capacity of extension and research systems strengthened. 4) Agricultural education, information and communication system improved. 5) Agricultural policy, taxation system and regulations liberalized and improved. 6) Gender-specific technology and services extended. 7) Devolution of power to local government and good governance system established. 	<ol style="list-style-type: none"> 1) Increased agriculture and livestock production and productivity. 2) Agricultural extension system is made sustainable and cost-effective. 3) Increased capacity of farmers in group organizations, management and decision-making process. 4) More involvement of private sector, CSOs and farmers' organizations in agricultural extension and research. 5) Transparent and accountable financial records and audit reports made available. 	<ol style="list-style-type: none"> 1) MAFS and MWLD statistics. 2) Farm budgets and surveys. 3) Gender-specific studies and surveys. 4) Reports of Ministry of Agriculture Training Institutes and of Livestock Training Institute. 5) Impact studies. 	<ol style="list-style-type: none"> 1) MAFS' and MWLDs commitments to reforms. 2) Additional resource allocation to streamline existing extension and research services. 	Government/ PO-RALG/MAFS/ MWLD/MCM
2) Agropastoral community development and livestock production programme.	<ol style="list-style-type: none"> 1) Livestock marketing, infrastructure and facilities established. 2) Agropastoral policies/by-laws relating to land and water use rights, trade, veterinary delivery services and access to finance improved. 3) Risk reduced through setting up of early warning systems, contingency planning and disaster preparedness plan. 4) Pastoral communities empowered through training, education and awareness building and community investment fund. 	<ol style="list-style-type: none"> 1) Quality of life and living standards of agricultural pastoral community increased. 2) Livestock production and productivity increased. 3) Livestock mortality rate lowered. 4) Sustainable veterinary services established. 	<ol style="list-style-type: none"> 1) MWLD Reports and studies. 2) Impact studies and monitoring reports. 3) Livestock export statistics. 	<ol style="list-style-type: none"> 1) Government commitment to undertake conducive policies and reforms. 2) Increased budgetary allocation. 3) Enhanced donor commitment to support programme. 4) Increased access to finance and markets. 	Government/ MWLD/MAFS/ PO-RALG
3) Small-scale irrigation system improved and expanded.	<ol style="list-style-type: none"> 1) Institutional mechanism developed to enable WUAs to own, operate and manage the irrigation system. 2) Sustainable cost-recovery system introduced. 3) Operational modalities established to contract out activities requiring commercially available specialized skills. 	<ol style="list-style-type: none"> 1) Increased production and productivity of food and cash crops. 2) Increased farmers' earnings and employment situation. 3) Reduced food insecurity. 4) Farmers' decision-making power and management capacity improved. 5) Farmers using LFIA and AWPB tools. 	<ol style="list-style-type: none"> 1) Impact studies and monitoring reports. 2) MAFS reports and agricultural statistics. 	<ol style="list-style-type: none"> 1) Government's counter-fund contributions increased. 2) MAFS/PO-RALG commitment to devolution of power to WUAs. 3) Farmers' access to finance and market increased. 	MOF / MAFS / PO-RALG
Activities					
4) Small and medium rural enterprises and income-generating activities developed.	<ol style="list-style-type: none"> 1) Conducive legal, regulatory and fiscal policies for improvement of private-sector investment in rural areas established. 2) Access of private entrepreneurs and FOs to bank financing and training increased. 3) Rural electrification and infrastructure 	<ol style="list-style-type: none"> 1) Overall growth of rural economy and employment situation. 2) Prices received by farmers for agricultural products. 3) Percentage of additional value-added generated. 	<ol style="list-style-type: none"> 1) Annual economic surveys and reports. 2) BOT reports and surveys. 3) TCCIA and 	<ol style="list-style-type: none"> 1) Commitment of private banks lending in rural areas increased. 2) Budgetary allocation of financial resources to the subsector increased. 	MOIC / PO-RALG / PMO

	(roads, markets, electricity grid and transport networks) improved. 4) Service agencies such as NGOs, CSOs and agribusiness associations (TCCIA, TCAL) strengthened.	4) Linkages between MFIs and commercial banks increased and strengthened.	TCAL reports. 4) Impact assessment and M&E reports	3) Technical and advisory support to SMREs, NGOs TCCIA and TCAL enhanced.	
5) Health, Sanitation and HIV/AIDS Programme expanded.	1) Strategies formulated for HIV/AIDS prevention, preparedness and alleviation, in consultation with donors. 2) Local communities, NGOs and religious groups involved and supported in providing safety nets to HIV/AIDS victims-orphans and elderly. 3) Household sanitation and drinking water supplies expanded. 4) Community-based health care services and education to prevent malaria and other diseases in rural areas.	1) Percentage of people covered under HIV and health care services programme. 2) Child and women morality rates reduced. 3) Percentage of rural people who have access to drinking water. 4) Water collection time of women reduced. 5) Malarial and other in infectious related diseases reduced	1) NACP, TCAID and MOH reports and studies. 2) Impact assessment and M&E reports. 3) Semi-annual and annual project implementation reports.	1) Donor commitment to increased technical and financial support. 2) Commitment of donors to make available needed drugs for HIV/AIDS victims. 3) Government's commitment to create public awareness for HIV/AIDS through education, involvement of local and national leaders and information dissemination.	PO-RALG / PMO / MOH / TACAIDS

4

ASDS	Agricultural Sector Development Strategy	MAFS	Ministry of Agriculture and Food Security	PMO	Prime Minister's Office
AWP/B	Annual Work Plan and Budget	MCM	Ministry of Cooperatives and Marketing	PO-RALG	President's Office - Regional Administration and Local Government
BOT	Bank of the United Republic of Tanzania	MDGs	Millennium Development Goals	PRSP	Poverty Reduction Strategy Paper
CSOs	Civil-Society Organizations	MFIs	Microfinance Institutions	RDS	Rural Development Strategy
FOs	Farmers' Organizations	MOF	Ministry of Finance	SMRE	Small and Medium Rural Enterprises
GDP	Gross Domestic Product	MOH	Ministry of Health	TACAIDS	The United Republic of Tanzania Commission on AIDS
GIs	Grass-roots Institutions	MOW	Ministry of Works	TCAL	The United Republic of Tanzania Chamber of Agriculture and Livestock
LFIA	Logical Framework and Impact Analysis	MWLD	Ministry of Water and Livestock Development	TCCIA	The United Republic of Tanzania Chamber of Commerce, Industry and Agriculture
M&E	Monitoring and Evaluation	NGO	Non-Governmental Organization	WUA	Water Users' Association

STRENGTHS, WEAKNESSES, OPPORTUNITIES AND THREATS (SWOT) ANALYSIS

Institution	Strengths	Weaknesses	Opportunities/Threats	Remarks
Prime Minister's Office (PMO)	<ul style="list-style-type: none"> Mandate to coordinate the business of all government ministries. Overall responsibility for coordinating preparation of rural development strategy. 	<ul style="list-style-type: none"> Inadequate technical and secretarial support staff. Lack of operational budget. Lack of funds for staff training, supervision and monitoring of activities. 	<ul style="list-style-type: none"> Currently hosting IFAD Liaison Office and implementing two IFAD rural development programmes. 	<ul style="list-style-type: none"> Needs technical support and operational funds to carry out programme-related functions.
Ministry of Cooperatives and Marketing (MCM)	<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"> IFAD providing capacity-building support for policy development, coordination and implementation of all market-related policies and issues.
Ministry of Agriculture and Food Security (MAFS)	<ul style="list-style-type: none"> Experience in support of all agricultural production. Some policy-formulation capacity. Substantial cadre of extension and research staff. Coordinator of ASDS and ASDP. 	<ul style="list-style-type: none"> Inadequate budgetary allocations for its programmes and projects. Lack of operational budget. 	<ul style="list-style-type: none"> Committed to undertake poverty reduction programmes based on pro-poor growth strategy. Greater intervention through SGR. Resurgent influence of crop boards. 	<ul style="list-style-type: none"> Agricultural sector reform and strategy explicitly endorses the actions for translating MDG and Vision 2025 goals.
President's Office of Regional Administration and Local Government (PO-RALG)	<ul style="list-style-type: none"> Commitment to and capacity for local government reform. Coordinator and implementer of all programmes at regional and district levels. Considerable influence in policy formulation. 	<ul style="list-style-type: none"> Residual intervention powers at regional level. Limited funds to provide discretionary grants to local government. Limited planning and implementation capacity at the district levels. 	<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 completed in 39 districts.
Ministry of Water and Livestock Development (MWLD)	<ul style="list-style-type: none"> Strong technical and operational capacity in livestock-sector development. Committed to undertake sustainable agropastoral community development programmes. Can influence formulation of government policies relating to agriculture, water and livestock. 	<ul style="list-style-type: none"> Lack of donor funding support. Inadequate budgetary allocations from the Government. Does not have clear strategy for coordination with industrial and financial sectors. 	<ul style="list-style-type: none"> Potential opportunities in the sector are enormous and it can make substantial contributions to rural growth. Donor coordination and agreement necessary for any intervention. 	<ul style="list-style-type: none"> Successful programmes require small cost-effective operations with active participation of agropastoral communities and private sector.
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 to be 'hijacked' for political reasons. 	<ul style="list-style-type: none"> Programme to provide support to improve district policies vis-à-vis marketing (taxation).

Institution	Strengths	Weaknesses	Opportunities/Threats	Remarks
The United Republic of 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 the United Republic of 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. 	<ul style="list-style-type: none"> Programme to facilitate establishment of district branches with active participation of the private sector.
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 the 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 will provide training.
Tanzania Small Farmers' Group Network (MVIWATA)	<ul style="list-style-type: none"> Only organization representing small producers, though at infant stage. Network now extends to 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.
Cooperative Unions/Primary Cooperative 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 capital base. Failure to deliver 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 (SACCOs)/Savings and Credit Associations (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 members and management to ensure viability and sustainability. 	<ul style="list-style-type: none"> Slow growth in membership. Low level 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 RFSP. 	<ul style="list-style-type: none"> Support provided by IFAD-financed RFSP in seven regions.

Institution	Strengths	Weaknesses	Opportunities/Threats	Remarks
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 cost-effective delivery of services at grass-roots level. 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 programme activities at field level. Useful experience to date in promoting marketing on a small scale. 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.

ASDS Agricultural Sector Development Strategy
ASDP Agricultural Sector Development Programme

MDGs Millennium Development Goals
NGOs Non-Governmental Organizations
RFSP Rural Financial Services Programme

SACCOs Savings and Credit Cooperative Society
SGR Strategic Grain Reserve

IFAD'S CORPORATE THRUSTS AS RELATED TO THE PROPOSED COUNTRY PROGRAMME

<u>Corporate Strategy</u>	<u>Corporate Objectives</u>	<u>Mechanisms to Realize Objectives</u>	<u>Responsibility</u>	<u>Cooperating Partners</u>
<u>Policy Dialogue</u>	Help the Government to formulate micro- and macro-level policies designed to eradicate rural poverty	Policy dialogue will continue as an integral part of programme assistance with conditionalities for fund disbursement. High-level coordination committees will assist in guiding policy formulation and implementation. Specific policies that will be supported consist of land, water, rural microfinance, and removal of marketing and trade barriers and agricultural taxation.	MOF/PMO/PO-RALG/MAFS/MCM/MWLD within ASDP and RDP	Donor committees and groups
<u>Participation</u>	Secure beneficiary participation	Undertake in-depth SEPSS or PRA during programme formulation to ensure demand-driven approach. Appropriate institutional arrangements and operational modalities will be designed to enable beneficiaries to participate effectively in the programme.	FOs (WUAs, POs, SACCOS, SGAs) with block and district development officers will undertake SEPSS or PRA	Studies to be undertaken by contracting out to NGOs, local institutions and private sector
	Secure involvement of grass-roots organizations	FOs will be organized and registered and be responsible for all planning, management and implementation of programmes.	District and block irrigation officers with NGO support	MAFS/DAS/NGO/CDO
	Ensure flexibility in project design	Use process approach with built-in flexibility and scope for modifications and revisions based on annual review and beneficiary demand.	IFAD/Government in association with WUAs, FOs	MOF/RAS/DAS
	Build local capacities	Provision will be made under the programme for training of FOs and their members on planning, programming and budgeting, including organizational, operational and financial management, O&M, construction of structures and LFIA and M&E.	MAFS/MWLD/Ministry of Community Development, Women's Affairs and Children (MCDWC)/MCM/DIE/BIE	Training to be conducted by the local institutions, NGOs and private sector
	Gender responsiveness	Gender analysis together SEPSS to be done before/during formulation. Specific criteria to ensure a certain percentage of women in the project and in decision-making processes; commence an anthropological/economic study.	IFAD/DAS/FOs/MCDWC	MAFS/MCM/MCDWC/NGOs
	Cofinancing	For every dollar invested by IFAD, the programme will mobilize two dollars of cofinancing.	Cofinancing process will be initiated through UNDAF and FASWOG framework and World Bank, AfDB, etc.	IFAD/Government

AfDB African Development Bank
 ASDP Agricultural Sector Development Programme
 BIE Block Irrigation Engineer
 BOT Bank of the United Republic of Tanzania
 CDO Community Development Officer
 DAS District Administrative Secretary
 DC Department of Cooperatives
 DIE District Irrigation Engineer
 FASWOG Food and Agricultural Sector Working Group
 FDSS Financial Demand and Sustainability Survey
 FOs Farmers' Organizations

LFIA Logical Framework and Impact Analysis
 M&E Monitoring and Evaluation
 MAFS Ministry of Agriculture and Food Security
 MCDWC Ministry of Community Development, Women Affairs and Children
 MCM Ministry of Cooperatives and Marketing
 MOF Ministry of Finance
 MWLD Ministry of Water and Livestock Development
 NGO Non-Governmental Organization
 O&M Operation and Maintenance
 PMO Prime Minister's Office
 PO-RALG President's Office - Regional Administration and Local Government

POs Producer Organizations
 PRA Participatory Rural Appraisal
 RAS Regional Administrative Secretary
 RDP Rural Development Programme
 SACCOS Savings and Credit Cooperative Society
 SEPSS Socio-Economic Production System Survey
 SGAs Seed Group Associations
 UNDAF United Nations Development Assistance Framework
 WUAs Water Users' Associations

ACTIVITIES OF OTHER PARTNERS IN DEVELOPMENT – ONGOING AND PLANNED

DONOR	PROJECT TITLE	OBJECTIVE	SECTOR	COMMENTS
African Development Bank	Agricultural Marketing Systems Development Programme	Development of agricultural marketing systems	Agriculture/Rural Development	Cofinanced with IFAD
Food and Agricultural Organization of the United Nations (FAO)	The Special Programme for Food Security	To rapidly increase the production and productivity of major staples according to the suitability and comparative advantage	Agriculture/Food Security	
	Global IPM Facility – IPM/FES	To conduct TOT on Farmer Field Schools in Kagera region under auspices of KAEMP	Agriculture	Technical Assistance
	Capacity-Building in Planning and Co-management of the United Republic of Tanzania Prawn Fishing	To prepare and implement a first annual Participatory Fish-Stock Management Programme covering the industrial fishery and two selected pilot areas for the artisanal fisheries	Fisheries	Technical Assistance
FAO/African Development Bank	Special Programme for Food Security (Extended Pilot Phase)	To rapidly increase the production and productivity of major staples according to suitability and comparative advantage	Agriculture/Food Security	
FAO/IND	Cooperation between Indonesian Farmers and the Mkindo Farmers Training Centre	Provide technical assistance to enhance the capacity of Mkindo Farmers Training Centre to impart skills to extension workers and farmers	Agriculture	Technical Assistance
FAO/SWISS	Support to FAO's Special Programmes for Food Production for Security (SPFP) Extension Phase I: Vegetable Gardens Irrigation Using Pedal Pump Technology	Assist farmers in SPFS Pilot Sites adopt and utilize Swiss pedal pump technology in irrigating small vegetable fields	Water Management	Technical Assistance
German Agency for Technical Cooperation (GTZ)	National Coconut Development Programme	Farming System Research	Food Security	Technical Assistance
	Forestry Policy Implementation Support (FOPIS)	Facilitation and implementation of the Forest Policy		Technical Assistance
	Integrated Pest Management (IPM)	Promotion of IPM approach	Food Security	Technical Assistance
	Tropical Forestry Action Programme (TFAP)	Sustainable management of natural resources		Technical Assistance
	Community Wildlife Management Advisor (CWM)	Introduction of community based conservation (CBS)	Environment	Technical Assistance
	Strengthening natural resources	Follow-up of projects in Lushoto, Handeni and	Natural Resources	Technical

DONOR	PROJECT TITLE	OBJECTIVE	SECTOR	COMMENTS
	Management in selected districts	Mwanga		Assistance
	Katavi-Rukwa Conservation and Development Programme	Sustainable protection and utilization of natural resources in Katavi-Rukwa	Natural Resources	Technical Assistance
	Saadani Conservation and Development Programme	Sustainable protection and utilization of the Saadani ecosystem	Fisheries	Technical Assistance
	Selous Conservation Programme (SCP)	Safeguard ecological integrity of Selous game reserve/Reduce conflicts between the reserve and the local population	Land Management	Technical Assistance
Ireland	Agricultural Marketing Systems Development Programme	Development of agricultural marketing systems	Agriculture/Rural Development	Cofinanced with IFAD
	Participatory Irrigation Development Project	Irrigation Development/Water Management	Agriculture/Irrigation	Cofinanced with IFAD
	Eastern Zone – Client-Orientated Research and Extension Programme (EZ CORE)	Pilot Extension and Research Programme	Agriculture	
	Tanga Costal Zone Conservation and Development Programme	Environmental Sustainability	Natural Resources	
	Agricultural Technology and Advisory Services	Extension Programme	Agriculture	To be cofinanced with IFAD
Swedish International Development Cooperation Agency (Sida)	Land Management Programme	Support to land reform and management	Agriculture	
	District Development Programme	Farmer support	Agriculture	
Swiss Agency for Development and Cooperation (SDC)	Rural Financial Services Programme	Strengthening grass-roots microfinance institutions	Rural Development	Cofinanced with IFAD
World Food Programme	Participatory Irrigation Development Project	Irrigation Development/Water Management	Agriculture/Irrigation	Cofinanced with IFAD
World Bank	Participatory Agricultural Development and Empowerment Programme	Support to the rural communities in accessing the necessary agricultural services, through participatory methods	Agriculture	
	River Basin Smallholder Irrigation Improvement Project	Support Smallholder Farmers in the Rufigi River Basin in the rehabilitation and development of new irrigation capacity	Agriculture	
	National Agricultural Extension Programme II	To revamp the agricultural extension systems in the country, through capacity-building	Agriculture	To be completed in 2003
	The United Republic of Tanzania Agricultural Research Programme	Enhance the efficiency and capacity of the national agricultural research systems	Agriculture	To be completed in 2003

**UNITED REPUBLIC OF TANZANIA
COUNTRY PROGRAMME EVALUATION
AGREEMENT AT COMPLETION POINT**

1. This Agreement at Completion Point (ACP) is an understanding among key partners¹ on the main insights and recommendations from the United Republic of Tanzania Country Programme Evaluation (CPE)². The ACP will constitute a key building block in the formulation of the new United Republic of Tanzania Country Strategy Opportunities Paper (COSOP)³ of IFAD, which will articulate the medium-term (3-5 years) strategic framework and investment options of the Fund in the United Republic of Tanzania.

2. The ACP builds on the discussions and recommendations that were formulated during the CPE National Round Table Workshop held in Dar-es-Salaam on 18-19 November 2002 and draws upon the lessons contained in the CPE report, which highlighted the performance of IFAD-supported programmes that helped target groups in increasing production and access to social services. The ACP is also based on various elements included in the five issues papers that were prepared as background documentation for the above-mentioned workshop and on the closing statement of the Chairman of the CPE workshop. The ACP is organized according to the principal themes discussed during the CPE workshop.

A. Approaches to Rural Poverty Alleviation and Targeting

3. In the last decade, IFAD has pursued two different strategies in the United Republic of Tanzania, which are captured in the 1993 Country Strategy Report (CSR) and the 1998 COSOP. The former strategy targeted the poorest in marginal areas, supporting agricultural interventions that would enhance production and also respond to the social needs of the rural poor, for example in terms of providing drinking water and health services. On the other hand, the COSOP promotes a broad-based growth-oriented approach to rural poverty reduction, with emphasis on those rural poor who are able to contribute to growth in the agriculture sector. Using the IFAD Strategic Framework 2002-2006 as an overall starting point, the alternative approaches to rural poverty alleviation and targeting in Tanzania were discussed during the workshop and the following recommendations were generated:

4. **Issue 1: Consistency with the Tanzanian Government Policy Framework.** In the past few years, the Government of the United Republic of Tanzania has developed key strategies for economic and social development, including the Poverty Reduction Strategy Paper (PRSP), the Rural Development Strategy, the Agricultural Sector Development Strategy and the Agricultural Sector Development Programme (ASDP). These strategies, inter alia, articulate the Government's vision, approaches and priority areas for rural poverty reduction and rural and agriculture development.

5. **Recommendations.** Though IFAD's existing activities support the Government's priorities, there is need to further support the policy framework for rural poverty reduction in the United Republic of Tanzania. All future IFAD assistance should be provided within the existing pro-poor policy context of relevance to rural poverty reduction, in particular within the framework of the PRSP, Rural Development Programme (RDP) and ASDP. This will ensure greater synergies and

¹ The key partners include the Government of the United Republic of Tanzania (represented by the Ministry of Agriculture and Food Security, Prime Minister's Office, Ministry of Finance, the Ministry of Water and Livestock Development and the Vice President's Office), Regional and District Authorities (Dodoma, Kagera, Mara, Mbeya), IFAD-assisted projects (AMSDP, KAEMP, MARA-FIP, PIDP, RFSP and WSHPM), the Cooperating Institution UNOPS, members of the civil society including NGO Pride, bilateral and multilateral development institutions including FAO, UNDP, WFP and World Bank, the Belgian Survival Fund and IFAD (represented by the Eastern and Southern Africa Division and the Office of Evaluation).

² Undertaken by IFAD's Office of Evaluation in 2001/2002.

³ The preparation of the COSOP is the responsibility of IFAD's Eastern and Southern Africa Division.

coordination with other development interventions, contribute to better developmental results and help lower the transaction costs of aid.

6. **Issue 2: Approaches to Rural Poverty Reduction.** There was a consensus that efforts should be made to include the poorest as beneficiaries of IFAD-assisted projects and programmes and that targeting mechanisms should be formulated accordingly.

7. **Recommendations:** IFAD interventions should have a clear strategy for including the rural poor and explicitly analyse the challenges and develop specific strategies of extending reach to the poorest. Project and programme design must entail added information on how to reach the poor and the extent to which the poorest are also among the intended beneficiaries. However, it was noted that extending reach to the poorest segments is challenging. Consequently, targeting should be examined from the perspective of its feasibility so that overall sustainability of the programme is not jeopardized. This will require a more detailed definition of targeting mechanisms during programme development phases. During implementation, periodical reviews should be undertaken to determine how effective IFAD and other stakeholders are in reaching the poor. Finally, a close monitoring and review of the outcomes of the approach to rural poverty reduction promoted by the 1998 COSOP would be useful, in that it could provide additional inputs for developing specific strategies and support interventions targeting different social groups and geographical areas in the country.

8. **Issue 3: Target Group Definition.** Over time, the definitions of the poor and of the poorest during the project and programme design has improved. However, there is still scope to ameliorate targeting definitions and mechanisms, in order to ensure that majority of the benefits reach the poorest.

9. **Recommendations:** Design documents need to distinguish between the ‘poor’ and ‘poorest’ and specify in detail the mechanisms to reach each group. This is best done at the design stage in a participatory manner with the rural poor and their communities. The practice of monitoring periodically the inclusion of identifiable groups of the poor in project activities during implementation should be intensified. Apart from using cost-effective participatory approaches such as wealth-ranking, the methodology could include sample surveys at the beginning, mid-point and conclusion of a project for assessing target group involvement and the corresponding poverty impacts.

10. **Issue 4: Thematic/Subsectoral and Geographic Concentration.** Clearly, the recent steps towards more thematic/subsectoral focus in the IFAD-supported portfolio (partly at the expense of area-based programmes) can improve programme coherence and deepen IFAD’s competencies within these selected themes/subsectors. It will also enhance IFAD’s opportunities to engage more actively in policy dialogue and advocacy in related sectoral and subsectoral platforms. Nevertheless, geographical concentration in areas with high incidence of poverty could complement thematic concentration and potentially produce more pro-poor outcomes. Moreover, geographical targeting does not involve substantial transaction cost and its administrative requirements are low.

11. **Recommendations:** The current trend towards thematic and sub-sectoral concentration needs to be strengthened in future programmes within the Government’s pro-poor policy framework. Opportunities for combining thematic approaches with a geographical concentration should be further explored in order to ensure that IFAD assistance is not diluted in terms of area and sectoral coverage. Existing practices of harmonizing social activities (e.g. health services, water supply and sanitation) and economic (e.g. productive) components should be continued with added emphasis. A clear exit strategy needs to be formulated with all concerned stakeholders at least one year before the closing date of any project/programme to determine the financial and institutional roles and responsibilities to ensure the sustainability of investments.

12. **Issue 5: Policy Dialogue.** Tanzania receives considerable attention from both multilateral and bilateral aid agencies. Since the mid-1990s, many development cooperation institutions have decentralized their operations to the country level where major decisions related to development and resource allocations are now taken. Within the framework of the PRSP, the Government and donors are engaging in a continuous country-level dialogue to define sector and sub-sector strategies and decide on investment programmes and resource envelopes. IFAD has focused on supporting advocacy groups (e.g. NGOs, CBOs and private-sector organizations) representing the interests of the poor, contributing towards their empowerment and participation in the policy dialogue activities in the United Republic of Tanzania.

13. **Recommendations:** Given IFAD's large portfolio in the United Republic of Tanzania and while recognizing its global approach to policy dialogue emphasizes capacity development of the poorest representatives, IFAD should simultaneously enter into a comprehensive policy dialogue and further strengthen advocacy work at the national and local levels with government and other external development partners. This will require greater IFAD representation at the country level and proactive participation in relevant platforms and discussion groups. In particular, the Fund should contribute to the work of various strategy and policy working groups and processes, such as the PRSP, UNDAF, Food and Agriculture Sector Working Group (FASWOG) and the ASDS. In addition, greater presence and participation would allow IFAD to engage other development institutions working in agriculture and rural development in the United Republic of Tanzania in priority-setting and resource allocation.

14. **Issue 6: The New COSOP.** In the past, the Fund regarded the COSOP as an internal institutional process and management document. However, COSOPs have since become increasingly important instruments for IFAD, its partners at the country level and its governing bodies.

15. **Recommendations:** COSOP formulation should be undertaken as a joint exercise between IFAD and the Government. In addition, IFAD and its partners should use the development of the new COSOP as an opportunity to promote a participatory and inclusive process of policy dialogue with the concerned stakeholders. The COSOP will articulate the common IFAD-Government strategy for rural poverty reduction in the medium term and consider various options to support national/sectoral strategies and development programmes. The new COSOP should be discussed within the framework of the FASWOG and finalized by June 2003.

B. Participation and Sustainability

16. **Issues 1: Subsidies and Cost-Sharing Arrangements.** Under exceptional circumstances, subsidies⁴ may be necessary in pursuance of critical short-term objectives, or occasioned by specific local circumstances. However, when a subsidy comes to an end, there are high chances that the activity being supported (for example, there have been instances when farmers who received free inputs from project authorities to produce seeds no longer undertook the task once the inputs were not made available). Subsidies may also not reach the most needy or deserving households. Instead, the relative benefits of cost-sharing schemes are clear enough. They tend to reduce the risk of the dependency syndrome, improve the prospects that services and amenities may be sustained after project closure, and contribute to a sense of ownership by beneficiaries. They also reduce the direct financial burden on government departments operating on a limited budget.

17. **Recommendations:** IFAD has promoted cost-sharing arrangements in the United Republic of Tanzania to ensure sustainability of activities. However, cost-sharing should be promoted in line with

⁴ "A payment by the government to producers or distributors in an industry to prevent the decline of that industry (e.g. as a result of continuous unprofitable operation)" – Todaro in *Economic Development*. In addition, "Subsidies may induce excessive or uneconomic use of inputs and benefits of subsidies are most frequently garnered by the larger and more prosperous producers. Subsidies can be a heavy burden on the public budget" – Baum and Tolbert in *Investing in Development*.

the government policy (public and social sectors). Operationalization of cost-sharing should be determined by participatory approaches, particularly for establishing the level of beneficiary contribution and whether the cost-sharing should be in kind or financial contribution. Cost-sharing arrangements should be associated with high levels of social mobilization and appropriate training, as promoted under the IFAD/BSF joint programme, so that the rural poor and their groups are aware of their roles and responsibilities particularly in terms of O&M of activities. Finally, there is need to develop a consistent approach to cost-sharing across IFAD-supported operations in the United Republic of Tanzania and to undertake advocacy with other donors to follow a similar approach. IFAD could take the lead in promoting a dialogue with various donors and the Government to develop a common framework for rationalizing cost-sharing arrangements for rural poverty reduction purposes in the country.

18. **Issue 2: Participation.** Up until about 1996, IFAD projects paid insufficient attention to beneficiary participation in project design and implementation. In fact, the 1998 COSOP states: "In earlier IFAD-designed projects the question of beneficiary ownership and the need for a participatory approach have not been considered as an instrument for project formulation, appraisal and implementation." Since 1998, however, IFAD has introduced mechanisms for enhanced participation in planning and implementation to ensure that beneficiaries and other local stakeholders become accountable and responsible for operations. More recently, IFAD-supported operations have made efforts to involve beneficiaries, for instance, in planning and using the logical framework tool. However, a number of recommendations on the ways and means to enhance participation were discussed and agreed to during the CPE workshop.

19. **Recommendations:** (a) it is important to develop a common understanding at the outset among key stakeholders on the concept of participation, so that stakeholders have shared expectations and are cognisant of their specific roles and responsibilities; (b) it is essential that participation is not used as an instrument to achieve physical and financial project targets, but promoted as a process of empowerment to allow rural people to become decision-makers and owners of development activities. That is, participation should contribute to a transformation of the rural poor from being mere participants in development work to active agents of change; (c) participation should be used as an opportunity for developing an equal and transparent partnership among different actors; (d) projects/programmes should work through established institutions, including traditional structures, whenever appropriate, and the creation of new, parallel structures for building participation should be limited. Where institutions are not sufficiently oriented to promoting participatory approaches, staff training should be encouraged, specifically in interpersonal skills such as empathy, communication, group dynamics and facilitation, and motivational leadership; and (e) it is recommended to develop specific indicators to monitor qualitative aspects of participation, empowerment and capacity-building, for example in areas such as skills enhancement, training and the overall functioning and management of groups. This will allow implementation staff to monitor the involvement of the rural poor in crucial participatory processes related to decision-making and resource allocation.

20. **Issue 3: Project/Programme Design.** IFAD-supported projects and programmes have broad development goals and include a variety of project objectives ('purpose' level in the logical framework matrix). For example, a particular project's development goal in the United Republic of Tanzania is to rehabilitate and improve food security in one region, whereas its purpose is to: (a) improve household food production and incomes of smallholders; (b) contribute to improving natural resources through tree planting; (c) enhance access to drinking water, health services and sanitation, roads infrastructure; and (d) strengthen the capacity of relevant institutions. A variety of components and sub-components were included to accomplish the project's objectives, for which a range of institutions (for example, line departments, NGOs, CBOs and the private sector) were involved to deliver the required expertise in different subsectors (e.g. water, infrastructure, irrigation, health, agriculture, etc.). Projects with such arrangements have posed a challenge in ensuring

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coordination among different partners and the timely implementation of activities. In addition, the multiplicity of activities undertaken in the context of one project poses greater demand in ensuring synergies and involves higher risks of overlaps with other development interventions that may be ongoing in the same region.

21. **Recommendations:** Rationalize project/programme objectives to ensure enhanced efficiency in delivery and developmental results, while at the same time ensuring greater complementarity with other relevant projects and programmes supported by the Government and other development partners.

22. **Issue 4: Project Management and Implementation.** The Government, IFAD and the main development partners in the United Republic of Tanzania are working towards increasing accountability and transparency of external development assistance, accentuated by the adoption of the PRSP and, more specifically, the Tanzania Assistance Strategy. It is the intention to streamline donor support behind a single approach to management – where appropriate – to enhance consistency, reduce transaction costs and assist in developing national institutional capacity. Although specific project facilitation/coordination units have been established in individual projects/programmes, the Government has increasingly made use of district administrative capacities for implementation purposes.

23. **Recommendations:** Project management and implementation arrangements could be further improved to ensure efficiency and effectiveness of the programme through the following procedures that were agreed upon during the CPE workshop: (a) operate within government policies and with involvement of a cross section of institutions (public sector, private sector, civil-society organizations and NGOs) according to their comparative advantage; (b) upon the completion of the review of the Regional Secretariat, there should be a governmental Facilitation Team in the office of the Regional Administrative Secretary, thereby eliminating the need for specialized IFAD-specific regional project coordination/facilitation units; (c) learn from the experience of MARA-FIP in promoting decentralized project management and ensure capacity-building of local authorities and grass-roots institutions to take up the tasks of project coordination/facilitation; (d) phase out project coordination/facilitation units where existing before the end of the concerned project; and (e) at the District Executive Office there is a facilitation unit responsible for overall coordination of project activities in the district that should be used in facilitating IFAD-supported interventions as well.

C. Agriculture Technology

24. **Issue:** Among the major causes of poverty and low income in rural areas of the country are low farm productivity arising from: low input crop and livestock production and husbandry practices; use of low potential varieties and breeds; and limited use of improved and appropriate technology. These problems are compounded by a weak organizational and institutional structure of agricultural extension and research systems at the grass-roots level, which could hinder realizing the targets set under the PRSP and Agriculture Sector Development Strategy to reduce rural poverty and to ensure food security at the household levels.

25. **Recommendations:** (a) *Knowledge generation.* There is need to institutionalize client-oriented research and improve research-extension and farmer linkages, including taking stock of effective/appropriate technologies and involving poorest farmers in assessing current and new technologies. Farmers, civil-society organizations and the private sector should also be engaged in developing new technologies; (b) *Knowledge dissemination.* Promote dissemination of sustainable and environmentally friendly technologies, for example, by building information/communication systems (strengthen media such as radio, television and email/Internet) and upscaling IPM/farmer field school approaches. Document and share good practices of low-cost technologies manageable by the rural poor (e.g. Mara bunds for small-scale irrigation); (c) *Capacity-building.* Empower

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participatory groups and cooperatives from the community level, ward, district, zonal research, regional and at national levels. Train farmer groups in PRA and logical framework planning and use. Reintroduce agricultural training in primary/secondary schools; (d) *Local/indigenous knowledge systems*. Identify, document and promote traditional knowledge practices and farmer innovations; (e) Establish a sustainable funding mechanism for technology generation and dissemination (e.g. a zonal research fund and an endowment fund), which would benefit from contributions of the rural poor, local governments and international development partners.

D. Monitoring and Evaluation

26. **Issue:** All IFAD-supported projects and programmes in the United Republic of Tanzania have included a monitoring and evaluation (M&E) system. However, as reflected in the 1998 COSOP, the functioning of M&E systems has traditionally been inadequate for multiple reasons that are fairly well known. Since 1998, various efforts have been made to improve the functioning of M&E systems with the participation of beneficiaries and the use of the logical framework to facilitate impact analysis. CPE workshop participants acknowledged the importance of M&E as a management tool and agreed on the below recommendations.

27. **Recommendations:** (a) There is need to promote a change in mindsets of stakeholders from supply-driven to demand-led M&E. In this regard, special efforts should be made to train communities to be involved in M&E activities and make them owners of M&E processes. (b) Implementing authorities need to enhance transparency in M&E data collection, analysis and reporting, in particular by keeping the rural poor and their institutions involved and informed. With regard to the latter point, specific feedback should be provided to the rural poor on a periodic basis. (c) Mainstream participation is needed in projects to facilitate participatory M&E work. (d) Undertaking external evaluation from time to time is essential for learning and building confidence among stakeholders. Beneficiary self-assessments should be undertaken as input for external evaluation exercises. (e) M&E officers' grade and motivation needs to be enhanced to enable an effective discharge of their duties. (f) Intense efforts need to be made to track, follow up on and implement M&E recommendations. (g) The logical framework tool should be simplified and tailored to make it suitable for use with beneficiaries at the grass-roots level. (h) Project objectives and activities should be simplified to facilitate M&E activities. (i) Future programmes should be designed within the ASDP to enhance M&E linkages to ADS, RDS and PRSP. (j) Urgent exposure and training should be promoted in the United Republic of Tanzania in the approaches and principles contained in the new IFAD M&E guide.

E. Gender Issues

28. **Issue:** The notion and importance of getting the poor involved at the heart of the development process, not as mere participants, but as strategic partners lies also at the core of the current IFAD approach and thinking. Following this framework, recent projects have been designed after the undertaking of gender assessments to understand the role of women in development, their interactions with other social groups, and so on. However, there is room to define mechanisms to fruitfully enhance the involvement of women in general, and woman-headed households in particular, in the development process.

29. **Recommendations:** (a) Gender analysis and gender-focused targeting should be included in all programme design and M&E work. (b) Reporting to various stakeholders should include specific references to gender impact. In this regard, relevant gender monitoring indicators contained in the PRSP should be included in M&E work to measure the overall implication for women. (c) The Government should adopt a policy to reserve key decision-making and policy formulation positions for women in public institutions, as well as one that includes minimum criteria for participation of women in development activities. (d) In promoting women's development, the changing social and

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gender relations need to be assessed and necessary offset measures introduced (e.g. training for men). (e) Women-specific PRAs and LFA training should be held. (f) Based on the experience of recent programmes in the United Republic of Tanzania, there is need to build a harmonized approach to gender mainstreaming and training among IFAD-supported projects in the country.

**RECOMMENDATIONS OF COUNTRY PROGRAMME EVALUATION (CPE) AND
REMEDIAL ACTIONS PROPOSED UNDER THIS COSOP**

	Recommendations of CPE	Actions taken under COSOP
1.	Consistency with the Government policy framework	This COSOP has been prepared as an integral part of the country-owned process and within the framework of IFAD's Corporate Strategy and its Regional Strategy for Eastern and Southern Africa Region to realize the MDGs. These options are consistent with the broader guidelines of the PRSP, RDS and ASDS at the national level and the NEPAD and SADC at the regional level. Such options will allow the Government to focus on key strategic areas of the rural and agricultural sector, where substantial growth opportunities and potential exist.
2.	Target group definition	CPE has indicated that the definition of the poor and the poorest during the programme design has been considerably improved. Under the next phase of COSOP supported programmes, efforts will, however, continued to be made for further refinements of these definitions, including incorporation of appropriate instruments and modalities so that the rural poor can become the real beneficiaries of the programme support.
3.	Policy dialogue	IFAD, in collaboration with other donors, is currently assisting the Government in developing a detailed policy and operational framework for grass-roots MFIs, rationalization of the agricultural taxation system, establishing appropriate cost recovery for irrigation systems, and a communications system for marketing information as well as policies on pricing. IFAD will extend its assistance to Government, within the framework of the ASDS and RDS, to resolve some of the critical policy issues relating to : i) implementation of land policy, particularly concerning property rights, land titling and registration; ii) improvement of water policy through introducing appropriate pricing policy and allocation procedures ; iii) microfinance policy for rationalising cooperative laws and regulations of private banks; iv) removal of trade barriers and marketing regulations; v) decentralisation of decision making process to local government and civil society organisations; and v) improvement of cost recovery for sustainability.
4.	Subsidy and cost-sharing arrangements	IFAD does not allow or provide any subsidy in its operations unless it is considered as public good. Based on the existing practices, IFAD will rigorously enforce the principle of a cost recovery system to realize full Operation and Maintenance (O&M) and a part of the capital costs for the services rendered for health, irrigation and livestock diseases to ensure their long-term sustainability.

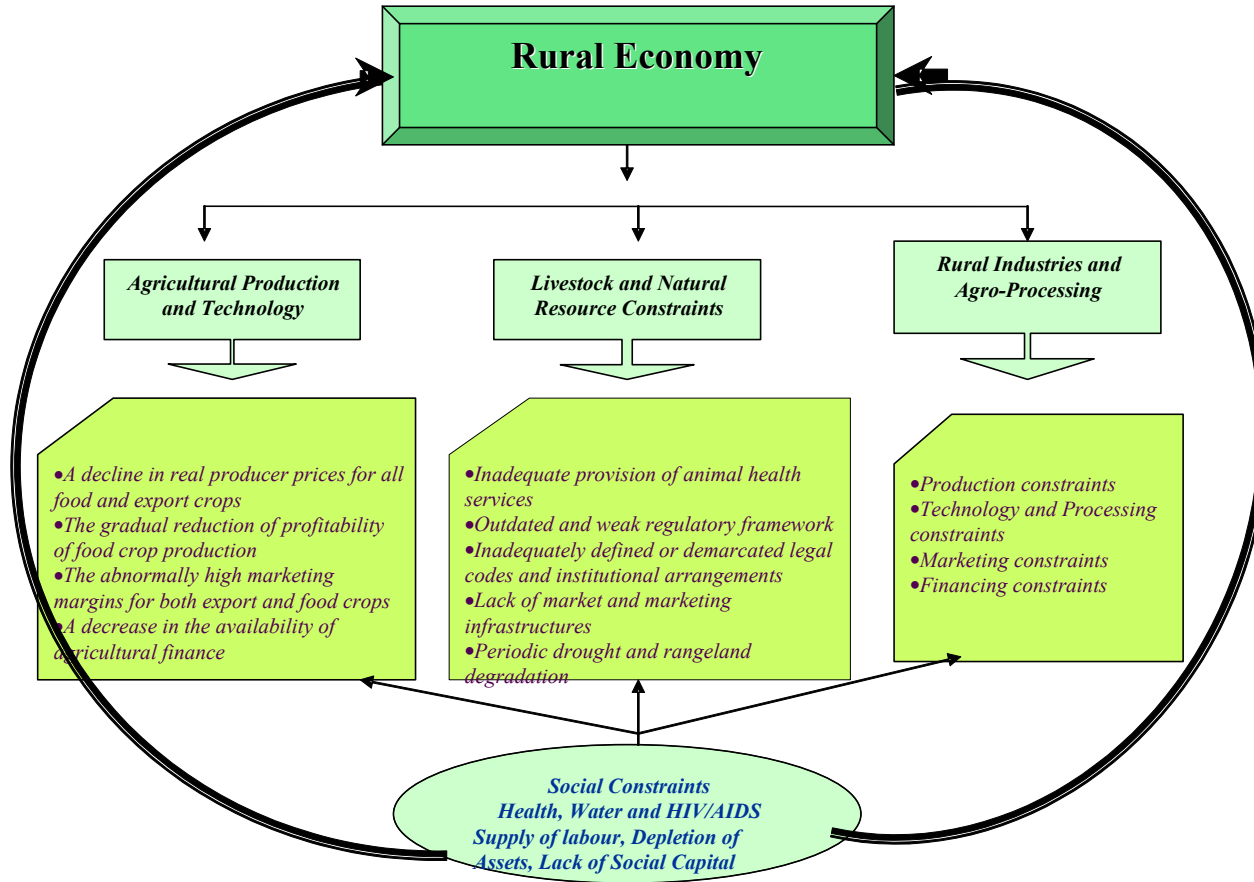
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INTERNATIONAL FUND FOR AGRICULTURAL DEVELOPMENT

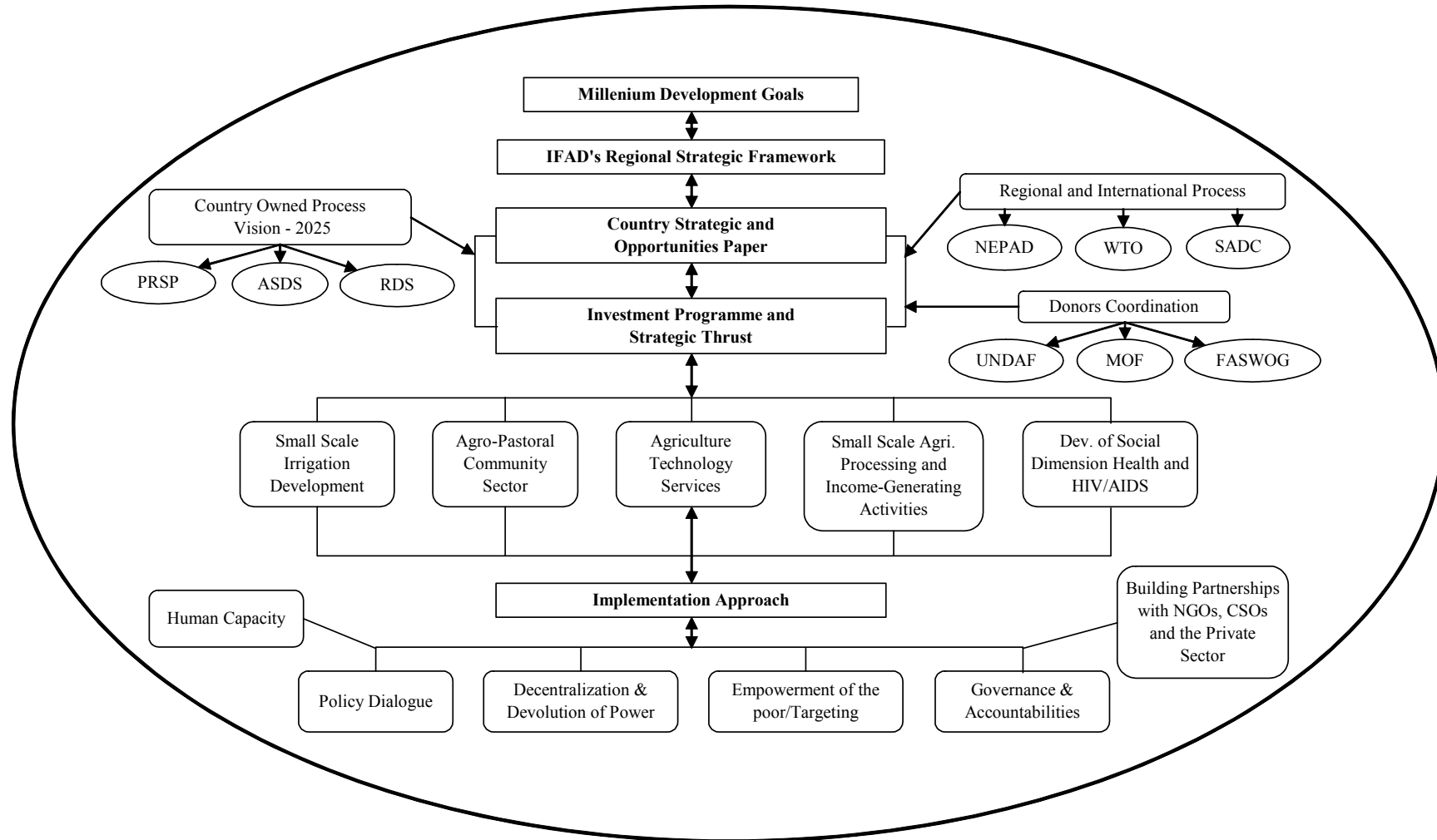
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5.	Support for agricultural technology and knowledge generation	<p>IFAD and the World Bank are currently testing on a limited scale, pilot extension and research approaches in the United Republic of Tanzania so that farmers, irrespective of their scale of operations, agro-ecological locations and diverse farm practices, can receive appropriate technical and managerial assistance based on their needs, demand and priorities. These programmes have produced excellent impacts. Encouraged by such approach, the Government has requested IFAD and the World Bank to replicate this programme country-wide so that the farmers can own, operate and manage process, generate and build customised low cost technology, and disseminate and communicate this knowledge through farmers to farmers exchange programmes. Details see paragraph 27a.</p>
6.	Monitoring and evaluation (M&E)	<p>A number of attempts has been made to improve the M&E system through incorporation of “Log-frame and Impact Analysis” with beneficiaries taking the major responsibilities of collection, compilation and analysis of the indicators based on perceived needs and priorities. This approach will be further refined through independent evaluation and by making appropriate linkages with PRSP, ASDS and RDS to ensure consistency with MDG goals.</p>
7.	Gender issues	<p>IFAD, as a matter of policy, has introduced specific legal instruments and operational modalities to ensure women’s participation and empowerment of women within the programmes and their access to resources made available to the country. Further streamlining of these approaches will be made during the course of programme design to enable women to access productive resources such as land, water, finance and market etc.</p>

SECTORAL CONSTRAINTS AND THE POVERTY DIMENSION



STRATEGIC FRAMEWORK OF THE COSOP AND ITS LINKAGES WITH NATIONAL AND INTERNATIONAL PROCESSES



ASDS: Agricultural Sector Development Strategy
 FASWOG: Food and Agricultural. Sector Working Group
 MOF: Ministry of Finance

NEPAD: New Partnership for Africa's Development
 PRSP: Poverty Reduction Strategy Paper
 RDS: Rural Development Strategy

SADC: Southern African Development Community
 UNDAF: United Nations Development Assistance Framework
 WTO: World Trade Organization

AGRICULTURAL PRODUCTION CONSTRAINTS AND POTENTIAL BY AGRICULTURAL SYSTEM

Zone	Soils and Topography	Altitude	Rainfall (mm/yr)	Farming System	Potential Increase in Production (%)	Assistance Needed to Realize Projections	Rural Population (million)*
I. COAST	<ul style="list-style-type: none"> • Infertile sands on gently rolling uplands • Alluvial soil in Rufigi • Some fertile clays on uplands and river flood plains 	under 300m	Bimodal, 750 - 1200mm Unimodal, 800 - 1200mm	<ul style="list-style-type: none"> • Cassava / cashew / coconut 	30 - 50	<ul style="list-style-type: none"> • marketing • agro-processing industries 	4.50
II. ARID LANDS SEMI-ARID LANDS	<ul style="list-style-type: none"> • Well drained soils with low fertility. • Alluvial hardpan and saline soils in Eastern Rift Valley and Lakes • Black cracking soils in Shinyanga. • Flat or undulating plains with rocky hills. • Moderately fertile loams and clays in the South. 	North: 1300 - 1800m South: 500 - 1500m Central: 1000 - 1500m	Unimodal, 500 - 800mm	<ul style="list-style-type: none"> • pastoral and agropastoral (livestock) • rice • vegetables 	100	<ul style="list-style-type: none"> • improve crop and livestock husbandry practices • Supplementary irrigation 	6.78
III. PLATEAUX SOUTHERN AND WESTERN HIGHLANDS NORTHERN HIGHLANDS	<ul style="list-style-type: none"> • Flooded swamps of Malagarasi and Ugalla rivers have clay soils, with volcanic soils in Mbeya • Undulating plateaux above Rift Valleys • Sandy soils of low fertility • Upland plains with rock hills • Clay soils of low to moderate fertility in the South, infertile in the North • Undulating plains to dissected hills and mountains • Moderately fertile clay soils with volcanic soils in Mbeya • Undulating plateaux • Sandy soils of low fertility • Swampy valleys • Loams and clay soils of low fertility, with alluvium and ponded clays in valleys • Volcanic uplands • Volcanic soils from lava's and ash • Deep fertile loams and clays • Soils in dry areas prone to water erosion. • Steep mountain sides to highland plateaux • Soils are deep, friable and moderately fertile on upper slopes • Shallow and stony on steep slopes 	800 - 1500m Southern: 1200 - 1500m Southwest: 1400 - 2300m Western: 1000 - 1800m Northern: 1000 - 2500m Granitic Mts: 1000 - 2000m	Unimodal, 800 - 1300mm	<ul style="list-style-type: none"> • Sarghom • millet • rice • cotton • coffee • banana • horticulture • maize • legumes 	50 - 80	<ul style="list-style-type: none"> • Microfinance • Supplementary irrigation • Marketing • Suitable area for establishment of agro-processing industries because of surplus production of food and fruits • Livestock development • Extension and technologies 	2.50
IV. ALLUVIAL PLAINS	<ul style="list-style-type: none"> • Central clay plain with alluvial fans • Wide mangrove swamp delta • Alluvial soils, sandy upstream, loamy downstream in floodplain • seasonally flooded clay soils in North, alluvial fans in South • Moderately alkaline black soils in East, and alluvial fans with well drained black loam in the West. 		Unimodal, 600 - 1800mm	<ul style="list-style-type: none"> • Rice • sugar cane 	100	<ul style="list-style-type: none"> • Credit • Water/irrigation management • Extension and technologies 	14.27

Source: Compiled from Tanzania – Agriculture: Performance and Strategies for Sustainable Growth. Ministry of Agriculture and Food Security, February 2000.

* Population estimates of the agro-ecological region are derived from census figures.

