Executive Board

President's report
Proposed loan
United Republic of Tanzania
Climate-Smart Dairy Transformation Project

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Action: The Executive Board is invited to approve the recommendation contained in paragraph 77.

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Map of the project area

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

IFAD *Map compiled by IFAD | 27-11-2023*

Financing summary

Initiating institution:	IFAD
Borrower/recipient:	United Republic of Tanzania
Executing agency:	Ministry of Agriculture
Total project cost:	US$174.36 million
Amount of IFAD loan 1:	US$40.00 million
Terms of IFAD loan 1:	Highly concessional terms: 40 years, including a grace period of 10 years, to be repaid at 4.5 per cent of the total principal per annum for years 11 to 30, and 1 per cent of the total principal for years 31 to 40
Amount of IFAD loan 2:	US$5.00 million
Terms of IFAD loan 2:	Ordinary terms: Maximum maturity period of 35 years, with maximum grace period of 10 years, subject to a maximum average maturity of 20 years and interest at a rate equal to the IFAD reference interest rate, including a variable spread
Cofinanciers:	Green Climate Fund (GCF), OPEC Fund for International Development (OPEC Fund), Heifer International, Tanzania Agriculture Development Bank (TADB), Agence Française de Développement (AFD)
Amount of cofinancing:	GCF: US$31.00 million OPEC Fund: US$20.00 million Heifer International: US$5.14 million TADB: US$7.00 million AFD: US$32.50 million
Terms of cofinancing:	Loans, grants
Contribution of borrower:	US$17.95 million
Contribution of beneficiaries:	US$4.26 million
Financing gap:	US$11.53 million
Amount of IFAD climate finance:	US$21.34 million
Cooperating institution:	IFAD

I. Context

A. National context and rationale for IFAD involvement

National context

1. The United Republic of Tanzania is a lower-middle-income country with a population of 61.7 million. The country's GDP growth rate accelerated marginally from 4.3 per cent in 2021 to 4.6 per cent in 2022 and is expected to accelerate to 5.3 per cent in 2023.

2. Poverty has increased from 26.2 per cent in 2019 to 27 per cent in 2021, owing to the COVID-19 pandemic and the war in Ukraine, which have triggered a global economic slowdown. The country was ranked 160th out of 189 on the 2022 United Nations Human Development Index.

3. Prolonged dry spells and erratic rainfall, causing crop and livestock production failure, combined with pests and disease, poor infrastructure and inadequate market access leading to a sharp increase in prices, as well as low purchasing power, are the major drivers of food insecurity.

4. Nutrition remains a challenge, with high levels of malnutrition among children and women. According to the Tanzania Demographic and Health Survey, stunting prevalence among children under 5 stands at around 30 per cent for the mainland and 24 per cent for Zanzibar (2022).

5. Dairy production is low, accounting for only 2 per cent of national GDP. To meet national demand, 20 million litres of liquid milk equivalent are imported annually, at a cost of US$25 million. The milk production-consumption gap is estimated to reach 5.4 million litres by 2033. Data shows that breeding high-yielding dairy cattle offers significant potential to help the country to reduce its dependency on imports and meet its climate commitments.[1]

Special aspects relating to IFAD's corporate mainstreaming priorities

6. In line with IFAD's mainstreaming commitments, the project has been validated as:

   ☒ Including climate finance

   ☒ Gender-transformational

   ☒ Nutrition-sensitive

7. **Nutrition.** To improve access to and the availability of high-quality dairy products, the project will increase dietary diversity by combining the income pathway with (i) a nutrition-sensitive dairy value chain; (ii) heightened nutrition awareness and greater consumption of dairy products; and (iii) closer links between local farmers and schools. Nutrition knowledge can heighten the impact of production and income in rural households, which is especially important for women and young children.

8. **Gender equality and women's empowerment.** Dairy livestock keeping is intertwined with gender roles. Men generally own the cattle, while women have ownership of the milk. Women are hindered in dairy development by a lack of ownership and access to resources and assets, which also results in lack of collateral for financial instruments. Enhancing women's decision-making and leadership positions in farmers' groups will lessen gender inequality.

9. **Youth (aged 15-35)** and children account for 75 per cent of the population. Two thirds of the labour force is below the age of 35. For youth, having access to assets, linkage to a market and working with modern and digital technologies are important.

10. **Greenhouse gas (GHG) emissions.** According to the 2019 National Climate Change Statistics Report, the country still has negligible per capita emission levels,

[1] https://www.lancaster.ac.uk/news/a-win-win-win-for-dairy-production-in-east-africa.

which are estimated at 0.2 tCO_2e. However, projections show a potential twofold increase in total emissions by 2030, under a scenario of continuous population growth, increased deforestation, the expansion of agricultural land and farming activities, the continued dominance of free-range livestock keeping, continued use of biomass energy and the current industrial development pathway the country is pursuing. Interventions from the Climate-Smart Dairy Transformation Project (C-SDTP) in the dairy sector will contribute to the mitigation of GHG emissions.

Rationale for IFAD involvement

11. In August 2022, IFAD received a request from the Government of the United Republic of Tanzania to invest in the dairy sector. The Government, through the Ministry of Livestock and Fisheries, and IFAD began designing C-SDTP in March 2023. The project is being presented to the Executive Board through the lapse-of-time procedure in 2023. It is expected to begin in early 2024 for a 10-year period and has a phased approach consisting of four phases.

12. IFAD has successfully supported development of the dairy sector in several countries, forging strategic partnerships at the regional and global level. IFAD's support in developing an inclusive dairy sector in the country offers significant opportunities for smallholder dairy-farming households.

13. The project's use of a climate-smart dairy intensification approach will also enhance resource and energy use efficiency along the dairy value chain. Finally, it will invest in carbon-tracing schemes and introduce farmers to low-carbon certification in the dairy sector, enhancing climate change adaptation and mitigation.

B. Lessons learned

14. Livestock farmer field schools (L-FFS) are a proven means of educating farmers about innovations. The L-FFS approach, combined with household methodologies and the Gender Action Learning System, plays a pivotal role in farmer capacity-building, the organization of groups, the introduction of technologies, gender transformation and market access.

15. "Pass on the gift" systems are effective in scaling up cow placement in poor households at minimal cost. Sustainability is conditioned on the close involvement of local authorities and implementation in L-FFS groups where social ties are strong.

16. Milk collection centres (MCCs) and milk collection points (MCPs) are efficient mechanisms for milk aggregation and require intensive support to improve their governance and business management.

17. Productive partnerships provide farmers with significant opportunities for sustainable development of the value chain, where farmers have access to a guaranteed milk market and essential services such as extension, inputs and credit.

18. Access to animal health services is critical for productivity and climate-smart dairy management. Therefore, doorstep services in health and dairy management and proper diagnostic testing while reducing OneHealth risks are essential.

19. Nutrition-sensitive approaches have a greater impact when they combine nutrition-sensitive agriculture and value chains with outreach to nutrition-vulnerable locations and link it with nutrition education and social and behaviour change communication.

20. Empowering women is essential, ensuring their access to productive resources, income opportunities, extension services, credit, and energy and water services and supporting their voice in household and cooperative decisions.

21. Value chain digitalization, piloted by ASAS Dairies Ltd., has enabled stakeholders to access advisory services and support service delivery in the dairy sector.

22. **Animal registration.** The Tanzania National Livestock Identification and Traceability System has registered a large number of livestock. Further scaling up is needed for a robust system.

23. **Access to finance.** Digitalization of financial services is instrumental to increasing the cost efficiency of delivering services to rural enterprises.

24. Agricultural insurance, based on IFAD's experience through the Insurance for Rural Resilience and Economic Development (INSURED) programme, is a powerful tool for reducing the vulnerability of smallholder farmers.

II. Project description

A. Objectives, geographical area of intervention and target groups

25. C-SDTP's goal is to contribute to transformation of the dairy value chain to improve livelihoods, increase food safety and mitigate the dairy sector's impact on climate change. The project's development objective is to enhance the income, climate resilience and nutrition of smallholder dairy producers and their participation in a competitive and safe value chain.

26. The main selection criteria for C-SDTP target areas are the potential for impact and geographical concentration including: (i) the importance of dairy production in the area; (ii) the prevalence of smallholder systems; (iii) the existence of offtakers; (iv) the presence of a local market; (v) the interventions of other development partners; and (vi) vulnerability to climate change. The project will be implemented in 17 districts across 6 regions[2] on the mainland and 10 districts in Zanzibar.

27. The C-SDTP will reach 600,000 rural people (120,000 households), 40 per cent of whom will be women and 30 per cent youth. Special attention will be paid to the needs of vulnerable groups, including people with disabilities.

B. Components, outcomes and activities

28. The project has three components: (i) productivity and resilience of dairy production systems; (ii) inclusive climate-smart value chains, private investment, milk consumption and policy; (iii) policy support and project management, monitoring and evaluation, and knowledge management.

Component 1: Productivity and resilience of dairy production systems

29. This component aims to increase the productivity of dairy farmers through the climate-smart livestock development approach, which combines boosting productivity with reducing livestock-related GHG emissions. Animal health, breed choice, fodder and farmer management are the cornerstones of both resilience and productivity increase, the latter of which also results in lower GHG emissions.

30. Productivity increase requires management and adequate knowledge and practices, as well as last-mile services and greater animal health support. To achieve this, farmers first receive L-FFS training, including climate-smart and OneHealth priorities, followed by a dairy management coaching trajectory.

Component 2: Inclusive climate-smart value chains, private investment, milk consumption and policy

31. This component aims to promote inclusive climate-smart value chains by leveraging private investment and increasing milk consumption. The project will achieve this by: (i) creating and strengthening dairy producers' groups and cooperatives in MCC/MCP governance and management; (ii) supporting primary MCCs, including with the rehabilitation of feeder roads; (iii) supporting productive partnerships to

[2] Mbeya, Njombe, Iringa, Morogoro, Pwani and Tanga.

facilitate access to inputs and services at aggregation points; and (iv) digitalization to help value chain actors increase efficiency gains.

32. The project will support youth entrepreneurship, access to financial services, livestock insurance and support to small and medium-sized enterprises across the sector. The project will promote milk consumption and nutrition awareness throughout the project area. Finally, it will work with policymakers and actors on the mainland and Zanzibar to create a conducive policy environment for transformation of the dairy sector.

Component 3: Policy support and project management, monitoring and evaluation, and knowledge management

33. This component deals with overall implementation, including the collection, analysis and dissemination of project data to inform decision-makers.

C. Theory of change

34. Smallholder dairy production in the United Republic of Tanzania faces two major challenges: low production, and difficult market access. Low production is the result of insufficient and/or poor quality fodder and water, poor animal health, inferior genetic material, and limited technical and business management capacity. Farmers also face challenges with transport and cooling, causing loose raw-milk products to predominate in the milk market, impacting both the quantity and safety of the milk sold.

35. C-STDP aims to remove these bottlenecks by: (i) setting up L-FFS; (ii) strengthening extension, veterinary and laboratory services, conducting vaccination campaigns and promoting genetic improvement through AI; (iii) promoting access to cows and piloting biogas generation; (iv) building dams and boreholes to facilitate water availability for cows; (v) developing technical innovations and nature-based solutions; and (vi) promoting energy-efficient and GHG emission reduction technologies. The project will adopt nutrition and gender pathways to ensure that women are empowered in decision-making and leadership roles.

36. To address market challenges, the project will promote efficient cooling and processing and strengthen market access; improve food safety; create new jobs across the value chain, facilitating investment in entrepreneurship through access to credit and promoting insurance; and provide policy support and facilitate stakeholder dialogue.

37. An important indicator of change along the theory of change impact pathway would be for producer groups, small and medium-sized enterprises and larger agribusinesses to apply, adapt and sustain digital and nature-based innovations, as well as productive partnership arrangements and sustainable financing mechanisms. Moreover, the success of the project is based on: macroeconomic and political stability; a supportive policy environment; sufficient levels of public and private investment in the sector; and institutional and technical capacities.

D. Alignment, ownership and partnerships

38. C-SDTP is fully aligned with Sustainable Development Goal (SDG) 1 (no poverty), SDG 2 (zero hunger), SDG 5 (gender equality), SDG 8 (decent work and economic growth) and SDG 13 (climate action). It will also contribute to three outcomes in the United Nations Sustainable Development Cooperation Framework, namely prosperity, people and planet.

39. C-SDTP is fully aligned to the Agricultural Sector Development Programme II, the Zanzibar Development Vision 2050 and the third National Five-Year Development Plan (2021/22 – 2025/26). C-SDTP directly contributes to the implementation of Livestock Sector Transformation Plan outcomes to ensure strong government ownership and commitment.

40. C-SDTP is aligned with the three strategic objectives of the IFAD Strategic Framework 2016-2025 and the strategic objectives of the IFAD country strategic opportunities programme (COSOP) 2022-2027 identified jointly with the Government. C-SDTP is also aligned with the overarching priority of the Thirteenth Replenishment of IFAD's Resources (IFAD13) of building sustainable, inclusive and resilient local food systems and transforming rural livelihoods.

E. Costs, benefits and financing

41. The financing gap of US$11.53 million may be sourced through performance-based allocation system (PBAS) cycles from the remaining IFAD12 allocation or by cofinancing identified during implementation.

42. A contingency plan has been developed to ensure smooth project implementation should the financing gap materialize.

43. As per the multilateral development banks' methodologies for tracking climate change adaptation and mitigation finance, the total amount of IFAD climate finance for this project is estimated at US$21.34 million (47.4 per cent of IFAD total project costs).

F. Project costs

44. Overall project costs are estimated at US$174.36 million, US$143.27 million of which represents the base cost and US$31.10 million, the contingency allowances. The PBAS and government contributions are considered secured at the start of implementation. The AFD contribution is not yet secured and GCF has its own timeframe and conditions to be met. If cofinancings are not confirmed, project activities will need to scale down to approximately 40 per cent in the start-up years. This risk has been foreseen in the design and can be mitigated by starting with 44 districts in the 6 regions and postponing some activities until cofinancing is secured.

Table 1
Project costs by component and financier
(Thousands of United States dollars)

	Government		*IFAD loan 1*		*IFAD loan 2*		*OPEC Fund*		*GCF PADNET**		*AFD (TBC)*		*TADB*		*Heifer International*		*Financing gap*		*Beneficiaries*		*Total*	
Component	*Amount*	*%*	*Amount*	*%*	*Amount*	*%*	*Amount*	*%*	*Amount*	*%*	*Amount*	*%*	*Amount*	*%*	*Amount*	*%*	*Amount*	*%*	*Amount*	*%*	*Amount*	*%*
1. Climate-smart productivity and resilience of smallholder dairy production systems	7 796	12.8	18 648	30.6	-	-	-	-	24 862	40.8	1 798	2.9	447	0.7	2 282	3.7	919	1.5	4 258	7.0	61 010	35.0
2. Inclusive climate-smart value chains, private investment, milk consumption and policy	9 188	9.7	15 244	16.0	5 000	5.3	20 000	21.0	4 588	4.8	25 828	27.1	6 553	6.9	2 856	3.0	5 902	6.2	-	-	95 159	54.6
3. Policy support and project management, monitoring and evaluation, and knowledge management	957	5.3	6 108	33.6	-	-	-	-	1 550	8.5	4 874	26.8	-	-	-	-	4 705	25.9	-	-	18 195	10.4
Total	**17 941**	**10.3**	**40 000**	**22.9**	**5 000**	**2.9**	**20 000**	**11.5**	**31 000**	**17.8**	**32 500**	**18.6**	**7 000**	**4.0**	**5 138**	**2.9**	**11 527**	**6.6**	**4 258**	**2.4**	**174 364**	**100.0**

Table 2
Project costs by expenditure category and financier
(Thousands of United States dollars)

	Government		*IFAD loan I*		*IFAD loan 2*		*OPEC Fund*		*GCF PADNET**		*AFD (TBC)*		*TADB*		*Heifer International*		*Financing gap*		*Beneficiaries*		*Total*	
Expenditure category	*Amount*	*%*	*Amount*	*%*	*Amount*	*%*	*Amount*	*%*	*Amount*	*%*	*Amount*	*%*	*Amount*	*%*	*Amount*	*%*	*Amount*	*%*	*Amount*	*%*	*Amount*	*%*
I. Investment costs																						
Works	10 098	16.1	7 293	11.6	556	0.9	18 850	30.0	14 215	22.6	5 791	9.2	619	1.0	185	0.3	2 960	4.7	2 308	3.7	62 874	36.1
Vehicles	317	4.9	1 268	19.6	-	-	-	-	-	-	1 812	28.0	3 070	47.5	-	-	-	-	-	-	6 468	3.7
Goods, services and inputs	6 719	15.2	15 223	34.4	205	0.5	-	-	8 018	18.1	4 693	10.6	3 310	7.5	3 282	7.4	826	1.9	1 950	4.4	44 226	25.4
Equipment and materials	159	18.0	718	81.3	-	-	-	-	-	-	-	-	-	-	-	-	6	0.7	-	-	883	0.5
Consultancies	-	-	4 388	34.0	611	4.7	1 150	8.9	2 479	19.2	2 084	16.1	-	-	-	-	2 204	17.1	-	-	12 915	7.4
Training and workshops	-	-	6 882	37.0	3 628	19.5	-	-	4 738	25.5	741	4.0	-	-	1 671	9.0	948	5.1	-	-	18 609	10.7
Grants and subsidies	-	-	940	6.7	-	-	-	-	-	-	12 855	91.3	-	-	-	-	285	2.0	-	-	14 079	8.1
Total investment costs	**17 293**	**10.8**	**36 722**	**22.9**	**5 000**	**3.1**	**20 000**	**12.5**	**29 450**	**18.4**	**27 965**	**17.5**	**7 000**	**4.4**	**5 138**	**3.2**	**7 229**	**4.5**	**4 258**	**2.7**	**160 055**	**91.8**
II. Recurrent costs																						
Salaries and allowances	-	-	2 627	24.5	-	-	-	-	224	2.1	3 558	33.2	-	-	-	-	4 298	40.1	-	-	10 707	6.1
Operating costs	648	18.0	651	18.1	-	-	-	-	1 326	36.8	976	27.1	-	-	-	-	-	-	-	-	3 602	2.1
Total recurrent costs	**648**	**4.5**	**3 277**	**22.9**	**-**	**-**	**-**	**-**	**1 550**	**10.8**	**4 535**	**31.7**	**-**	**-**	**-**	**-**	**4 298**	**30.0**	**-**	**-**	**14 309**	**8.2**
Total	**17 941**	**10.3**	**40 000**	**22.9**	**5 000**	**2.9**	**20 000**	**11.5**	**31 000**	**17.8**	**32 500**	**18.6**	**7 000**	**4.0**	**5 138**	**2.9**	**11 527**	**6.6**	**4 258**	**2.4**	**174 364**	**100.0**

* PADNET = Pathway to Dairy Net Zero.

Table 3
Project costs by component and project year
(Thousands of United States dollars)

Component	*2024*	*2025*	*2026*	*2027*	*2028*	*2029*	*2030*	*2031*	*2032*	*2033*	*Total*
1. Climate-smart productivity and resilience of smallholder dairy production systems	5 345	8 366	9 210	6 812	6 625	5 660	4 130	2 639	1 673	350	50 810
2. Inclusive climate-smart value chains, private investment, milk consumption and policy	3 393	7 436	13 473	14 405	12 789	10 291	5 599	5 503	3 128	1 208	77 225
3. Policy support and project management, monitoring and evaluation, and knowledge management	3 414	1 393	1 371	1 234	1 439	1 247	1 233	1 198	1 239	1 456	15 223
Components total	**12 152**	**17 195**	**24 055**	**22 451**	**20 853**	**17 198**	**10 963**	**9 339**	**6 040**	**3 014**	**143 258**
Physical contingencies	**-**	**191**	**789**	**877**	**958**	**702**	**508**	**434**	**264**	**12**	**4 734**
Price contingencies											
Inflation											
Local	186	809	1 852	2 395	2 945	3 109	2 385	2 395	1 846	1 164	19 086
Foreign	61	267	755	1 098	1 340	1 281	1 008	1 011	698	235	7 754
Subtotal inflation	247	1 076	2 607	3 493	4 285	4 390	3 393	3 406	2 544	1 399	26 841
Devaluation	(4)	(19)	(43)	(56)	(70)	(76)	(59)	(61)	(48)	(32)	(468)
Subtotal price contingencies	**243**	**1 057**	**2 565**	**3 438**	**4 215**	**4 314**	**3 334**	**3 345**	**2 496**	**1 367**	**26 372**
Total project cost	**12 395**	**18 442**	**27 408**	**26 765**	**26 025**	**22 214**	**14 804**	**13 118**	**8 799**	**4 393**	**174 364**

Financing and cofinancing strategy and plan

45. The overall cost of the project is estimated at US$174.36 million, to be disbursed over 10 years. Of this, IFAD's contribution amounts to US$40.00 million from the United Republic of Tanzania's IFAD12 PBAS and US$5.00 million already confirmed from IFAD's Borrowed Resource Access Mechanism, for a total of US$45.00 million (25.9 per cent). The project will leverage financing from a regional GCF operation covering the country, including "Pathways to Dairy Net Zero," estimated at US$31.0 million (17.8 per cent); US$20.0 million will be financed by the OPEC Fund (11.5 per cent), and AFD will provide US$32.5 million for the project (equivalent to EUR 30 million, to be confirmed). TADB will finance US$7.0 million (4 per cent). Heifer International will provide US$5.14 million (2.9 per cent). The Government contribution is estimated at US$17.95 million (10.3 per cent). The beneficiaries will contribute US$4.26 million (2.4 per cent). Finally, the project will have a financing gap of US$11.53 million (6.6 per cent), which could be covered by the next PBAS allocation. The project is supposed to attract other financiers, as it is designed to be a flagship programme in line with the agreed country compact.

Disbursement

46. IFAD financing will flow into two designated accounts (DAs) opened in United States dollars at the Bank of Tanzania, one to receive IFAD loans and one to receive GCF financing through IFAD. Similarly, C-SDTP will maintain two operational bank accounts, in Tanzanian shilling, to receive the resources from the DAs.

47. For the OPEC Fund, withdrawal applications (WAs) will follow IFAD procedures and be submitted through the IFAD Client Portal. IFAD will notify the OPEC Fund of the satisfactoriness of WAs. The OPEC Fund will then disburse the funds into a dedicated designated account opened in hard currency.

48. For AFD funds, the project coordination office (PCO) will submit WAs to IFAD, which will review each one and notify AFD to transfer the payments into a separate DA.

49. Heifer International funds will be channelled by the PCO in local currency to a commercial bank account opened by Heifer International. This will be done quarterly on justification of previous advances and based on reporting requirements.

50. A partnership agreement between TADB and the project will be signed. The agreement will indicate the disbursement arrangements and quarterly reporting requirements. TADB will open a segregated operational account in Tanzanian shilling to receive project funds. TADB will then enter into individual agreements with eligible partner financial institutions for the utilization of funds.

51. C-SDTP will maintain a separate operational account for counterpart contributions from the United Republic of Tanzania.

Summary of benefits and economic analysis

52. The economic analysis indicates that the dairy projects are viable, with a net present value of US$132.69 million and an economic internal rate of return (EIRR) of 24.13 per cent, suggesting that the overall project is profitable to the target groups. A two-year delay in the generation of benefits or a 30 per cent decline relative to the base scenario would reduce the EIRR to 17.85 per cent and 18.40 per cent, respectively, substantially above the discount rate. Cost overruns would have limited impact, with EIRR falling to 19.94 per cent with a 30 per cent increase.

Exit strategy and sustainability

53. The sustainability of C-SDTP interventions relies on the implementation of productive partnerships and private sector engagement. Strengthening farmers' organizations will also ensure the sustainability of the services provided to farmers. Finally, it is expected that local governments will continue to maintain the investments post project.

III. Risk management

A. Risks and mitigation measures

54. The integrated project risk matrix details the risks that need to be considered. The main risks are as follows.

55. **Financial management risks.** The inherent financial management risk of the current IFAD portfolio in the United Republic of Tanzania[3] is substantial, with the quality of financial management moderately satisfactory. The portfolio has experienced delays in the start-up phase and slow disbursement due to administrative burdens. Furthermore, the lengthy tax exemption process, as an upfront condition prior to payment,[4] as well as insufficient training in the use of this system, represents a serious bottleneck in the flow of funds to the project. Mandatory adoption of the Integrated Financial Management Information System (IFMIS), which is not sufficiently customized with a suitable chart of accounts to report by component/category, leads to the excessive use of manual operations prone to errors. At the district level, high staff turnover and the lack of working computers for accountants are noted (see the integrated project risk matrix in the project design report annexes for mitigation measures).

Table 4
Overall risk summary

Risk areas	*Inherent risk rating*	*Residual risk rating*
Country context	Moderate	Moderate
Sector strategies and policies	Substantial	Moderate
Environment, social and climate context	Substantial	Moderate
Project scope	Moderate	Moderate
Institutional capacity for implementation and sustainability	Substantial	Substantial
Financial management	Substantial	Substantial
Project procurement	Moderate	Moderate
Overall	**Moderate**	**Moderate**

[3] Reversing Land Degradation Trends and Increasing Food Security of Degraded Ecosystems of Semi-Arid Areas of Tanzania; Agriculture and Fisheries Development Programme.
[4] I.e. applications for exemptions are processed through a new online system where credentials are provided only to a limited number of users.

B. Environment and social category

56. The environmental and social category is **substantial**. From a social perspective, women and youth need particular attention. The project will promote gender-transformative and nutrition-sensitive activities to ensure a positive impact on livelihoods. The project will also promote youth engagement for people aged 18-35, and international labour standards will be applied.

57. Environmental degradation, increased use of pesticides and fertilizers, pollution risks associated with the intensification of dairy production and lack of appropriate waste management, significant water extraction or containment, and raw materials consumption are important issues to consider along the dairy value chain. The project will include measures to boost resource and energy use efficiency and reduce emissions associated with dairy production. Improving pasture productivity and quality, and promoting low-carbon sources of energy are important means of improving food security and natural resource management and mitigating environmental risks.

C. Climate risk classification

58. The climate risk classification for the project is **moderate**. A detailed climate risk and adaptation assessment has been prepared, including a list of climate change mitigation and adaptation investments, to be implemented along the dairy value chain. The choice of adaptation measures to be applied will be guided by the analysis of each subproject and the climate risks most relevant to local conditions.

D. Debt sustainability

59. According to the 2021 Debt Sustainability Analysis by the International Development Association and International Monetary Fund, the country’s risk of external debt distress remains moderate. The report underscored the importance of accessing external financing on concessional terms. Also, to maintain fiscal and debt sustainability, authorities should improve public investment management and proceed with investments with socioeconomic pay-offs.

IV. Implementation

A. Organizational framework

Project management and coordination

60. A semi-autonomous PCO under the Ministry of Livestock and Fisheries will oversee daily implementation of the project at the central level. District implementing units, through district facilitation teams, will implement activities at the local level. The implementing units will be supported by teams of competitively recruited and seconded staff.

Financial management, procurement and governance

61. The C-SDTP is expected to use the financial management arrangements adopted by the current IFAD project portfolio, which are fully aligned with country systems and national procedures. The project will submit quarterly interim financial reports within 45 days of period end for disbursements and monitoring of financial progress.

62. The IFMIS system has been adopted nationwide. However, it does not sufficiently allow financial reporting by financier, category and component, as required by IFAD. Until customization is complete, a temporary off-the-shelf accounting system will be used.

63. An independent internal audit unit, under the aegis of the Internal Auditor General, has been created at the Ministry of Livestock and Fisheries and will have oversight of the C-SDTP. Internal project audit reports will be submitted to IFAD upon request.

64. External audit will be the responsibility of the Controller and Auditor General and will comply with IFAD policies and procedures. The audit will include the use of funds from all financing sources.

65. Taxes and duties will be covered by the Government of the United Republic of Tanzania.

66. The country has a robust public procurement act with established oversight bodies, the Public Procurement Regulatory Authority and the Public Procurement and Disposal of Assets Authority for the mainland and Zanzibar, respectively. These legal frameworks cover all aspects of public procurement.

Target group engagement and feedback and grievance redress

67. The PCO will support the activities of the Tanzania Dairy Development Forum and use this platform to engage stakeholders on project progress and challenges. At the district level, district dairy multi-stakeholder platforms involving delegates from the various value chain activities will be formed to ensure broad participation of all dairy stakeholders in the planning and review of project activities.

68. The PCO will create a grievance redress mechanism to address potential beneficiary and stakeholder grievances. It will also facilitate the resolution of complaints and grievances about the project's environmental and social safeguards.

B. Planning, monitoring and evaluation, learning, knowledge management and communication

69. Planning, monitoring and evaluation for C-SDTP will have a management and accountability function. The unit will collect data on an ongoing basis. Three types of monitoring and evaluation will be performed under the project: (i) monitoring of implementation and financial progress; (ii) monitoring of social and environmental safeguards; and (iii) outcome and impact assessment.

70. **Knowledge management and communication.** Lessons learned from C-SDTP approaches will be disseminated in collaboration with the Tanzania Dairy Development Forum, where public and private stakeholders convene annually to aggregate, synthesize and disseminate information relevant to the dairy industry. Through radio/TV and internet/social media campaigns, knowledge management will promote wider societal awareness of the nutritional importance of consuming safe milk.

Innovation and scaling up

71. A number of innovative approaches with potential for scaling up have been introduced in the project, including: L-FFS, digitalization, productive partnerships, livestock insurance, climate adaptation and green finance, doorstep dairy management and animal health services. These technologies will be piloted and localized to ensure sustainability.

C. Implementation plans

Implementation readiness and start-up plans

72. The project is prepared to readily facilitate quick start-up once it goes into effect. Detailed procurement plans and terms of reference for service providers are included in the project manual. The project consists of four phases, with each phase triggering implementation of the next.

Supervision, midterm review and completion plans

73. IFAD and the Government will conduct joint annual missions to review implementation progress, identify bottlenecks and assist the PCO in improving implementation. Midterm and regular reviews will be undertaken in project years 2, 5 and 7.

V. Legal instruments and authority

74. A financing agreement between the United Republic of Tanzania and IFAD will constitute the legal instrument for extending the proposed financing to the borrower/recipient. A copy of the negotiated financing agreement is attached as appendix I.

75. The United Republic of Tanzania is empowered under its laws to receive financing from IFAD.

76. I am satisfied that the proposed financing will comply with the Agreement Establishing IFAD and the Policies and Criteria for IFAD Financing.

VI. Recommendation

77. I recommend that the Executive Board approve the proposed financing in terms of the following resolution:

RESOLVED: that the Fund shall provide a loan on highly concessional terms to the United Republic of Tanzania in an amount of forty million United States dollars (US$40,000,000) and upon such terms and conditions as shall be substantially in accordance with the terms and conditions presented herein.

RESOLVED FURTHER: that the Fund shall provide a loan on ordinary terms to the United Republic of Tanzania in an amount of five million United States dollars (US$5,000,000) and upon such terms and conditions as shall be substantially in accordance with the terms and conditions presented herein.

Alvaro Lario
President

Negotiated financing agreement

NEGOTIATED TEXT
24 November 2023

LOAN NO. [number]
LOAN NO. [number]

FINANCING AGREEMENT

Climate-Smart Dairy Transformation Project (C-SDTP)

between the

UNITED REPUBLIC OF TANZANIA

and the

INTERNATIONAL FUND FOR AGRICULTURAL DEVELOPMENT

Signed in

Dar es Salaam, United Republic of Tanzania ______

OR

Dar es Salaam, United Republic of Tanzania, and Rome, Italy

AK

FINANCING AGREEMENT

Loan No: ___________
Loan No: ___________

Project name: Climate-Smart Dairy Transformation Project ("the C-SDTP"/ "the Project")

The United Republic of Tanzania (the "Borrower")

and

The International Fund for Agricultural Development (the "Fund" or "IFAD")

(each a "Party" and both of them collectively the "Parties")

WHEREAS the Borrower has requested loans from the Fund for the purpose of financing the Project described in Schedule 1 to this Agreement;

WHEREAS, the Project is expected to be co-financed by the Green Climate Fund ("GCF"), OPEC Fund, Heifer International, Tanzania Agriculture Development Bank ("TADB"), Agence française de développement ("AFD").

WHEREAS, the Fund has agreed to provide financing for the Project;

NOW THEREFORE, the Parties hereby agree as follows:

Section A

1. The following documents collectively form this Agreement: this document, the Project Description and Implementation Arrangements (Schedule 1), the Allocation Table (Schedule 2) and the Special Covenants (Schedule 3).

2. The Fund's General Conditions for Agricultural Development Financing dated 29 April 2009, amended as of December 2022, and as may be amended hereafter from time to time (the "General Conditions") are annexed to this Agreement, and all provisions thereof shall apply to this Agreement. For the purposes of this Agreement the terms defined in the General Conditions shall have the meanings set forth therein, unless the Parties shall otherwise agree in this Agreement.

3. The Fund shall provide two Loans (the "Financing") to the Borrower, which the Borrower shall use to implement the Project in accordance with the terms and conditions of this Agreement.

Section B

1. A. The amount of loan one ("Loan 1") is eligible to highly concessional terms ("HCT Loan") is forty million United States dollars (USD 40 000 000).

   B. The amount of loan two ("Loan 2") is eligible to ordinary terms ("OT Loan") is five million United States dollars (USD 5 000 000).

2. In relation to the HCT Loan:

(i) The HCT Loan shall be free of interest but shall bear a fixed service charge as determined by the Fund at the date of approval of the Loan by the Fund's Executive Board, payable semi-annually in the Loan Service Payment Currency. The HCT Loan shall have a maturity period of forty (40) years, including a grace period of ten (10) years starting from the date of approval of the Loan by the Fund's Executive Board.

(ii) The principal of the HCT Loan will be repaid at four and half per cent (4.5%) of the total principal per annum for years eleven (11) to thirty (30), and one per cent (1%) of the total principal per annum for years thirty first (31) to forty (40).

3. In relation to the OT Loan:

(i) The Loan granted on ordinary terms (OT Loan) shall be subject to interest on the principal amount outstanding of the Loan at a rate equal to the IFAD Reference Interest Rate including a variable spread, payable semi-annually in the Loan Service Payment Currency, and have a maturity period of thirty one (31) years, including a grace period of eight (8) years, starting from the date as of which the Fund has determined that all general conditions precedent to withdrawal have been fulfilled.

4. The Loan Service Payment Currency shall be in United States dollars.

5. The first day of the applicable Fiscal Year shall be 1 July.

6. Payments of (principal) and (interest)(service charge) shall be payable on each 15 May and 15 November.

7. There shall be one (1) Designated Account in USD, for the exclusive use of the Project opened in the Bank of Tanzania to receive funds from IFAD loans. The Borrower shall inform the Fund of the officials authorized to operate the Designated Account.

8. There shall be Project Account in Tanzanian shillings (TZS) to receive the proceeds of the IFAD financing from the Designated Account for the benefit of the Project in a commercial bank.

9. The Borrower shall provide counterpart financing for the Project in the estimated amount of seventeen million nine hundred and fifty thousand United States dollars (USD 17 950 000) in the form of tax and duty exemptions on all expenditure for works, goods and services required for project implementation. A tax waiver for the Project will be granted in accordance with prevailing Tanzanian tax laws.

Section C

1. The Lead Project Agency shall be the Ministry of Livestock and Fisheries

2. The following are designated as additional Project Parties: Tanzania Livestock Research Institute (TALIRI), Zanzibar Livestock Research Institute (ZALIRI), Sokoine University of Agriculture (SUA), Livestock training agency (LITA/SUZA), National Artificial Insemination Center (NAIC/DLD), Tanzania Veterinary Laboratory Agency (TVLA), Tanzania Dairy Board (TDB/DLD).

3. A Mid-Term Review will be conducted in year five of the Project; however, the Parties may agree on a different date for the Mid-Term Review of the implementation of the Project.

4. The Project Completion Date shall be the tenth (10) anniversary of the date of entry into force of this Agreement and the Financing Closing Date shall be 6 months later, or such other date as the Fund may designate by notice to the Borrower.

5 Procurement of goods, works and services financed by the Financing shall be carried out in accordance with the provisions of the Borrower's procurement regulations, to the extent such are consistent with the IFAD Procurement Guidelines.

Section D

1. The Fund will administer the Loans and supervise the Project.

Section E

1. The following are designated as additional grounds for suspension of this Agreement:

   (a) The PIM and/or any provision thereof, has been waived, suspended, terminated, amended or modified without the prior agreement of the Fund and the Fund, after consultation with the Borrower, has determined that it has had, or is likely to have, a material adverse effect on the Project.

   (b) In the event that the Borrower did not request a disbursement of the Financing for a period of at least 12 months without justification.

   (c) Key Project staff appointed, transferred or moved from the PMU without the non-objection of the Fund.

2. The following are designated as additional grounds for cancellation of this Agreement:

   (a) In the event that the Borrower did not request a disbursement of the Financing for a period of at least 12 months without justification.

3. The following are designated as additional (general/specific) conditions precedent to withdrawal:

   (a) The IFAD no objection to the Project Implementation Manual (PIM) shall have been obtained.

   (b) Key Project staff has been appointed as per Schedule 1 part II of this Agreement.

   (c) Installation of an off-the-shelf accounting software and training of Financial Management staff for the software.

4. The following are the designated representatives and addresses to be used for any communication related to this Agreement:

For the Borrower:

Permanent Secretary
Ministry of Finance
Government City -Mtumba
P.O. Box 2802
Dodoma

Tanzania

For the Fund:

The President
International Fund for Agricultural Development
Via Paolo di Dono 44
00142 Rome, Italy

If applicable, The Parties accept the validity of any qualified electronic signature used for the signature of this Agreement and recognise the latter as equivalent to a hand-written signature.

This Agreement, [dated _____], has been prepared in the English language in two (2) original copies, one (1) for the Fund and one (1) for the [Borrower/Recipient].

UNITED REPUBLIC OF TANZANIA

____
Dr. Natu E. Mwamba
Permanent Secretary

Date: ___________

INTERNATIONAL FUND FOR
AGRICULTURAL DEVELOPMENT

____
Alvaro Lario
The President

Date: ____________

Schedule 1

Project Description and Implementation Arrangements

I. Project Description

1. *Target Population*. The Project shall benefit rural households involved in dairy production, processors, traders, milk transporters, including women and youth in the dairy value chain. The total number of direct beneficiary households is 120, 000 corresponding to approximately 600,000 rural people.

2. *Project area. The Project will have a national scope and shall be implemented in 17* districts across 5 regions in the mainland and 10 districts in Zanzibar. The Project focus is manly on areas with potential for dairy production and existence of off-takers.

3. *Goal. The goal of the Project is* contribute to the transformation of the dairy value chain to improve livelihoods, increase food safety, and to mitigate the impact of the dairy sector on climate change.

4. *Objectives. The objective of the Project is* to improve income, climate resilience and nutrition of smallholder dairy producers and their participation in a competitive and safe value chain.

5. *Components*. The Project shall consist of the following Components:

5.1 Component 1: Increased climate-smart production, productivity and resilience of dairy smallholder production systems. This component will be organized in 2 sub-components:

5.1.1 Sub-component 1.1: Capacity building, social mobilization and asset building: The purpose of this subcomponent will be to increase the number of farmers engaged in intensive and market oriented dairy production, which is so far insufficient to respond to the market demand and results in low utilization of aggregation and processing capacities, and to improve productivity as well as climate resilience and adaptation by improving capacities of new and existing dairy farmers on farm management

5.1.2. Sub-component 1.2: Support provision of essential dairy livestock services: The purpose of this sub-component is to improve access of smallholder farmers to doorstep animal production and health services, enhance access to water by target beneficiaries, improve the effectiveness of public institutions for the delivery of public-good related services, support the emergence of private service providers for private-good related services, promote the adoption of climate smart innovation that improve resilience to climate change, promote the adoption of digital innovations, and adoption by farmers of dairy management best practices through doorstep coaching.

5.2 Component 2: Inclusive and climate-smart value chains, private investment, milk consumption and policy. This component will be organized into 4 sub-components:

5.2.1 Sub-component 2.1: Organization of producers, milk aggregation and facilitation of productive alliances: This sub-component will focus on enhancing management and governance capacities of cooperatives, enhanced milk aggregation capacities and primary collection centres, enhanced business partnerships with cooperatives and private sector as well as digitalization of the dairy value chain.

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5.2.2 Subcomponent 2.2: Support to emergence of safe, short and green value chains and milk consumption: Objective of this sub-component will be to diversify market and provide a valuable alternative both (i) to the dominant raw milk trade sub value chain, which raises issues of food safety and public health, and (ii) to the industrial milk processing value chain, which has limited capacity and produces processed commodities that are not economically affordable to the poorest segment of the population. In addition the subcomponent will reduce environmental footprints and improve food safety and milk quality and increase nutrition and consumption outcomes amongst beneficiaries

5.2.3 Subcomponent 2.3: Access to financial services: The objective of this subcomponent is to ensure that the project target groups access adapted and affordable financial products to finance their dairy related enterprises.

5.2.4 Subcomponent 2.4. Policy support and stakeholder dialogue: This sub-component is expected to support formulation of policy reviews in dairy issues and feasibility studies to inform policy making.

II. Implementation Arrangements

6. *Lead Project Agency*. The Ministry of Livestock and Fisheries (MLF) shall be the LPA coordinating the implementation of the Project on behalf of the United Republic of Tanzania.

7. *Project Oversight Committee*. GoT will appoint a **Project Steering Committee (PSC)** to provide strategic guidance and oversight of the Project. It will be chaired by the Permanent Secretary Ministry of Livestock and Fisheries (MLF), co-chaired by Permanent Secretary (PS) – Ministry of Agriculture, Irrigation, Natural Resource and Livestock – Zanzibar (MAINL), and will be composed by the Permanent Secretaries of the Ministries of finance (MoF), Vice President's Office (VPO) and President Office-Regional Administration and Local Government (TAMISEMI) for mainland; and First Vice President Office in Zanzibar (VP1), Ministry of Finance and Planning President's Office for Zanzibar, as well as representatives from the private sector and farmers' organizations.

Technical Advisory Committee (TAC) will be established by MLF to advise the PSC and the Project Management Unit (PMU) on technical issues. The TAC will be chaired by the Director of Production and Marketing, MLF and Co-chaired by the Department of Livestock Development (DLD/MAINL), and will be composed of the relevant Directors from MLF and MAINL on areas of Policy and Planning, Veterinary services, Extension services, Animal feed resources, Animal breeding, Research & Training, Chief accountant, Procurement; as well as Chief executive officers of each participating implementing partner in the mainland and Zanzibar. It will also comprise a representative from participating Districts and representatives from private sector involved in the Project.

8. *Project Management Unit*. An autonomous PMU will be established under MLF and will be responsible for the overall project implementation including: the preparation of the AWPBs and implementation of the activities with the following Key Project staff competitively selected: (i) Project Coordinator, (ii) M&E Senior Officer and Deputy Coordinator, (iii) Senior Finance Officer, (iv) Procurement Senior Officer (v) Knowledge Management Specialist (vi) Climate and Environment Specialist, (vii) Dairy Specialist, (viii) Social Inclusion Specialist and (ix) Nutrition Specialist; (x) Knowledge and Strategic Communication specialist from year 2;(xi) Value chain/market specialist from year 2; and a (xii) SECAP officer. A Project management team (PMT) under MAINL will be established in Zanzibar and will report to the PMU, comprising of a (i) Team Leader; (ii) M&E officer and Deputy Team Leader; (iii) Dairy Officer, (iv) Finance Officer, and (v) Procurement Officer The PMU/PMT will leverage existing expertise from MLF/MAINL staff who will be

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seconded to C-SDTP to support gender and social inclusion and marketing (see organigram in PIM).

9. *Implementing partners*. The project's implementing partners shall be: Tanzania Livestock Research Institute (TALIRI), Zanzibar Livestock Research Institute (ZALIRI), Sokoine University of Agriculture (SUA), Livestock training agency (LITA/SUZA), National Artificial Insemination Center (NAIC/DLD), Tanzania Veterinary Laboratory Agency (TVLA), Tanzania Dairy Board (TDB/DLD), including other service providers recruited by the PMU._].

10. Planning, *Monitoring and Evaluation* will be integrated in the United Republic of Tanzania ("GoT") processes and will be based on Annual Work Plans and Budgets (AWPBs). Representatives from dairy multi-stakeholder platforms at cluster and at district level will be part of the planning process, ensuring beneficiaries' participation. A four-phase strategy has been developed to ensure a smooth geographic development of the project using as a trigger the number of signed agreement between the supported milk collection centers (MCCs) and off-takers.

11. *Knowledge Management* will be closely linked to the policy engagement objectives and will disseminate lessons learned from C-SDTP approaches in collaboration with the Tanzania Dairy Development Forum, where public and private stakeholders convene annually to aggregate, synthesize, and disseminate information relevant to the dairy industry in the United Republic of Tanzania. Through radio and TV campaigns, knowledge management will also promote a broader societal awareness of the nutritional importance of consuming safe milk.

12. *Project Implementation Manual*. The Borrower shall finalize the development of the Project Implementation Manual (PIM) for the Fund's consideration and approval. The PIM will provide more details on: (i) roles and responsibilities of the project and implementing parties to ensure full coordination among all parties involved in implementation; (ii) detailed description of activities and implementation arrangements for each project component; (iii) M&E and knowledge management; (iv) financial management requirements including bank accounts and audit arrangements; (v) procurement procedures and management; and (vi) establishment of a grievance redress mechanism. The PIM reflects IFAD's no tolerance for Sexual Harassment (SH) / Sexual Exploitation and Abuse (SEA) in the Project.

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Schedule 2

Allocation Table

1. *Allocation of Loan Proceeds.* (a) The Table below sets forth the Categories of Eligible Expenditures to be financed by the Loan and the allocation of the amounts to each category of the Financing and the percentages of expenditures for items to be financed in each Category:

Category	IFAD HCT Loan (Expressed in USD)	IFAD OT Loan (Expressed in USD)	Percentage of Expenditure (Net of Taxes and Duties)
Works	6 560 000	500 000	100%
Goods, Services and Inputs	15 520 000	180 000	100%
Consultancies	4 170 000	550 000	100%
Trainings and Workshops	6 190 000	3 270 000	100%
Grants	850 000		100%
Salaries and Allowances	2 710 000		100%
Unallocated	4 000 000	500 000	100%
TOTAL	**40 000 000**	**5 000 000**	

(b) The terms used in the Table above are defined as follows:

(i) For HCT Loan, the category Goods, services and inputs also include the planned expenditures for vehicles, Equipment & materials.

(ii) The category Salaries and Allowances include salaries and allowances and operating costs.

(iii) Category Grants consists of contingency funds.

2. *Disbursement arrangements*

(a) *Retroactive financing*. As an exception to section 4.08(a) (ii) of the General Conditions, specific eligible expenditures incurred as of approval of the Financing by IFAD's Executive Board, until the date of entry into force of this Agreement , shall be considered eligible up to an amount equivalent to Five Hundred Thousand US dollars (USD 500 000) for activities relating to: (i) AWPB/PPM approval and development of Management information System for M&E; (ii) Recruitment of key staff; (iii) training of staff and finalization of PIM; (iv) baseline and Environmental studies; and v) the procurement of accounting system. Activities to be financed by retroactive financing and their respective category of expenditures and source of financing will require prior no objection from IFAD to be considered eligible. Pre-financed eligible expenditures shall be reimbursed to the Borrower once additional conditions precedent to the first disbursement of funds specified in Section E.3 are fulfilled. The pre-financing shall not cover any form of taxes and all amounts financed shall be net of taxes and duties.

Schedule 3

Special Covenants

I. General Provisions

In accordance with Section 12.01(a)(xxiii) of the General Conditions, the Fund may suspend, in whole or in part, the right of the Borrower to request withdrawals from the Loan Account if the Borrower has defaulted in the performance of any covenant set forth below, and the Fund has determined that such default has had, or is likely to have, a material adverse effect on the Project:

1. Within 6 months of entry into force of the Financing Agreement, the Project will procure and install a customize accounting software as it is the practice in IFAD on-going supported projects and programmes, to satisfy International Accounting Standards and IFAD's requirements.

2. *Planning, Monitoring and Evaluation*. The Borrower shall ensure that (i) a Planning, Monitoring and Evaluation (PM&E) system shall be established within twelve (12) months from the date of entry into force of this Agreement.

3. *Gender*. The Borrower shall ensure that the Project is gender-transformational through women's empowerment approaches. It will support men and women's joint decision-making and promote women's inclusion in relevant decision-making bodies, equal distribution of opportunities and assets, at the household, farmer group and processor level.

4. *Land tenure security*. The Borrower shall ensure that the land acquisition process has already been completed and that compensation processes were consistent with international best practice and free prior and informed consent principles.

5. *Anticorruption Measures*. The Borrower shall comply with IFAD Policy on Preventing Fraud and Corruption in its Activities and Operations.

6. Sexual Harassment, Sexual Exploitation and Abuse. The Borrower and the Project Parties shall ensure that the Project is carried out in accordance with the provisions of the IFAD Policy on Preventing and Responding to Sexual Harassment, Sexual Exploitation and Abuse, as may be amended from time to time.

7. Use of Project Vehicles and Other Equipment. The Borrower shall ensure that:

   (a) all vehicles and other equipment procured under the Project are allocated to the Project Coordination Office (PCO) and other Implementing Agencies as allocated in the project design document;

   (b) The types of vehicles and other equipment procured under the Project are appropriate to the needs of the Project; and

   (c) All vehicles and other equipment transferred to or procured under the Project are dedicated solely to Project use.

8. IFAD Client Portal (ICP) Contract Monitoring Tool. The Borrower shall ensure that a request is sent to IFAD to access the project procurement Contract Monitoring Tool in the IFAD Client Portal (ICP). The Borrower shall ensure that all contracts, memoranda of understanding, purchase orders and related payments are registered in the Project Procurement Contract Monitoring Tool in the IFAD Client Portal (ICP) in relation to the

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procurement of goods, works, services, consultancy, non-consulting services, community contracts, grants and financing contracts. The Borrower shall ensure that the contract data is updated on a quarterly basis during the implementation of the Project.

9. The Key Project Personnel are those per personnel referred to in Schedule 1 part II paragraph 8. In order to assist in the implementation of the Project, the PMU, unless otherwise agreed with IFAD, shall employ or cause to be employed, as required, key staff whose qualifications, experience and terms of reference are satisfactory to IFAD. Key Project Personnel shall be seconded to the PMU in the case of government officials or recruited under a consulting contract following the individual consultant selection method in the IFAD Procurement Handbook, or any equivalent selection method in the national procurement system that is acceptable to IFAD. The recruitment of Key Project Personnel is subject to IFAD's prior review as is the dismissal of Key Project Personnel. Key Project Personnel are subject to annual evaluation and the continuation of their contract is subject to satisfactory performance. Any contract signed for Key Project Personnel shall be compliant with the national labour regulations or the ILO International Labour Standards (whichever is more stringent) in order to satisfy the conditions of IFAD's updated SECAP. Repeated short-term contracts must be avoided, unless appropriately justified under the Project's circumstances.

II. SECAP Provisions

1. For projects and programmes presenting high or substantial social, environmental and climate risks, the Borrower shall carry out the implementation of the Project in accordance with the measures and requirements set forth in the Environmental and Social Impact Assessments (ESIAs)/Environmental, Social and Climate Management Frameworks (ESCMFs) and/or Resettlement Action Plans/Frameworks (RAPs/Fs) and Environmental, Social and Climate Management Plans (ESCMPs) for high risk projects and programmes and Abbreviated ESIAs and/or Abbreviated RAP/F and ESCMPs for substantial risk projects and programmes and Free, Prior and Informed Consent (FPIC) Plans, FPIC Implementation Plans, Indigenous Peoples Plans (IPPs), Pesticide Management Plans, Cultural Resources Management Plans and Chance Finds Plans (the "Management Plan(s)"), as applicable, taken in accordance with SECAP requirements and updated from time to time by the Fund.

The Borrower shall not amend, vary or waive any provision of the Management Plan(s), unless: (i) agreed in writing by the Fund and (ii) Borrower has complied with the requirements applicable to the original adoption of the Management Plan(s).

2. The Borrower shall not, and shall cause the Executing Agency, all its contractors, its sub-contractors, and suppliers not to commence implementation of any works, unless all Project affected persons have been compensated and/or resettled in accordance with the specific RAP/Abbreviated RAP, FPIC and/ or the agreed works and compensation schedule.

3. The Borrower shall disclose the draft and final ESIA reports and all other relevant Management Plan(s) with Project stakeholders and interested parties in an accessible place in the Project-affected area, in a form and language understandable to Project-affected persons and other stakeholders. The disclosure will take into account any specific information needs of the community (e.g. culture, disability, literacy, mobility or gender).

4. The Borrower shall ensure [or cause the Executing Agency and Implementing Agency to ensure that all bidding documents and contracts for goods, works and services contain provisions that require contractors, sub-contractors and suppliers to comply at all times in carrying out the Project with the standards, measures and requirements set forth in the SECAP 2021 Edition and the Management Plan(s), if any.

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5. This section applies to any event which occurs in relation to serious environmental, social, health & safety (ESHS) incidents (as this term is defined below); labor issues or to adjacent populations during Project implementation that, with respect to the relevant IFAD Project:

(i) has direct or potential material adverse effect;
(ii) has substantially attracted material adverse attention of outside parties or create material adverse national press/media reports; or
(iii) gives rise to material potential liabilities.

In the occurrence of such event, the Borrower shall:

- Notify IFAD promptly;
- Provide information on such risks, impacts and accidents;
- Consult with Project -affected parties on how to mitigate the risks and impacts;
- Carry out, as appropriate, additional assessments and stakeholders' engagements in accordance with the SECAP requirements; and
- Adjust, as appropriate, the Project-level grievance mechanism according to the SECAP requirements; and
- Propose changes, including corrective measures to the Management Plan(s) (if any), in accordance with the findings of such assessment and consultations, for approval by IFAD.

Serious ESHS incident means serious incident, accident, complaint with respect to environmental, social (including labor and community), health and safety (ESHS) issues that occur in the context of the loan or within the Borrower's activities. Serious ESHS incidents can comprise incidents of (i) environmental; (ii) occupational; or (iii) public health and safety; or (iv) social nature as well as material complaints and grievances addressed to the Borrower (e.g. any explosion, spill or workplace accident which results in death, serious or multiple injuries or material environmental contamination, accidents of members of the public/local communities, resulting in death or serious or multiple injuries, sexual harassment and violence involving Project workforce or in relation to severe threats to public health and safety, inadequate resettlement compensation, disturbances of natural ecosystems, discriminatory practices in stakeholder consultation and engagement (including the right of indigenous peoples to free, prior and informed consent), any allegations that require intervention by the police/other law enforcement authorities such as loss of life, sexual violence or child abuse, which (i) have, or are likely to have a material adverse effect; or (ii) have attracted or are likely to arouse substantial adverse attention of outside parties or (iii) to create substantial adverse media/press reports; or (iv) give, or are likely to give rise to material potential liabilities).

6. The Borrower shall ensure [or cause the Executing Agency, Implementing Agency, contractors, sub-contractors and suppliers to ensure] that the relevant processes set out in the SECAP 2021 Edition as well as in the Management Plan(s) (if any) are respected.

7. Without limitation on its other reporting obligations under this Agreement, the Borrower shall provide the Fund with:

- Reports on the status of compliance with the standards, measures and requirements set forth in the SECAP 2021 Edition, ESCMPs and the management plan (if any) on a semi-annual basis - or such other frequency as may be agreed with the Fund;

- Reports of any social, environmental, health and safety incidents and/accidents occurring during the design stage, the implementation of the Project and propose remedial measures. The Borrower will disclose relevant information from such reports to affected persons promptly upon submission of the said reports; and
- Reports of any breach of compliance with the standards, measures and requirements set forth in the SECAP 2021 Edition and the Management Plan(s) (if any) promptly after becoming aware of such a breach.

8. In the event of a contradiction/conflict between the Management Plan(s), if any, and the Financing Agreement, the Financing Agreement shall prevail.

Logical framework

Results Hierarchy	Indicators				Means of Verification			Assumptions
	Name	Baseline	Mid-Term	End Target	Source	Frequency	Responsibility	
Outreach	**1 Persons receiving services promoted or supported by the project**				Project M&E system	Annually	PCO	Existing Dairy farmers are interested in participating in project activities and the provision of heifers to youth and women allow these to become dairy farmers
	Males – Males	0	150000	300000				
	Females – Females	0	150000	300000				
	Young - Young people	0	180000	360000				
	Total number of persons receiving services	0	300000	600000				
	Persons with disabilities - Number	0	9000	18000				
	1.a Corresponding number of households reached				Project M&E system	Annually	PCO	
	Households – Households	0	60000	120000				
	1.b Estimated corresponding total number of households members				Project M&E system	Annual	PCO	
	Household members - Number of people	0	300000	600000				
Project Goal Contribute to the transformation of the dairy value chain to improve livelihoods, increase food security and to mitigate the impact of the dairy sector on climate change	**Targeted smallholder households reporting an increase in income of at least 30% from sales of milk and milk products**				COI Survey and GLEAM-i and/or EX-ACT analysis	Baseline, Mid and Completion	PCO/External service provider	Direct beneficiaries are reporting an increase in income and are able to attribute it to project interventions
	Household – Number	0	40000	90000				
	Reduction in emission intensity (kg CO2e/kg protein)							
	Milk emission intensity (kg CO2e/kg protein) (number)	0						
	Milk emission intensity (kg CO2e/kg protein) - Percentage	0						
	Meat emission intensity (kg CO2e/kg protein) - Number	0						
	Meat emission intensity (kg CO2e/kg protein) - Percentage	0						
Development Objective Improve income, climate resilience and nutrition of smallholder dairy producers and their participation in a competitive and safe VC	**1.2.8 Women reporting minimum dietary diversity (MDDW)**				COI Survey	Baseline, mid term, Completion	PCO/External service provider	The main services delivered by the public and private entities supported by the project will adequately meet target groups productive/business/employment and livelihood needs
	Women (%) - Percentage	0	25	55				
	Women (number) - Females	0	30000	66000				
	Women-headed households - Households							
	SF.2.1 Households satisfied with project-supported services				COI Survey	Baseline, mid term, Completion	PCO/External service provider	
	Household members - Number of people	0	240000	480000				
	Households (%) - Percentage	0	40	80				
	Households (number) - Households	0	48000	96000				
	SF.2.2 Households reporting they can influence decision-making of local authorities and project-supported service providers				COI Survey	Baseline, mid term, Completion	PCO/External service provider	
	Household members - Number of people	0	180000	450000				
	Households (%) - Percentage	0	30	75				
	Households (number) - Households	0	36000	90000				
	2.2.1 Persons with new jobs/employment opportunities				COI Survey	Annual	PCO	
	Males – Males	0	1500	3000				
	Females – Females	0	1000	2900				
	Young - Young people	0	1500	3000				
	Total number of persons with new jobs/employment opportunities	0	2500	5900				
	Persons with disabilities - Number	0	75	150				
	IE.2.1 Individuals demonstrating an improvement in empowerment				COI Survey	Annual	PCO	
	Total persons - Percentage	0	6	12				
	Total persons - Number of people	0	36000	72000				
	Females - Percentage	0	4.5	9				
	Females – Females	0	14000	28000				
	Males - Percentage	0	7.5	15				
	Males – Males	0	22000	44000				
Outcome 1: Increased climate-smart production, productivity and resilience	**3.2.2 Households reporting adoption of environmentally sustainable and climate-resilient technologies and practices**				COI survey			Climate smart varieties of forage available; techniques for forage conservation known,

Results Hierarchy	Indicators				Means of Verification			Assumptions
	Name	Baseline	Mid-Term	End Target	Source	Frequency	Responsibility	
of dairy smallholder production systems	Total number of household members	0	145000	360000		Baseline, Mid Term, Completion	PCO/External service provider	new forage production technologies developed; water for livestock availability will improve; new trainings in the new production practices and technologies will be effective to the smallholder dairy farmers
	Households - Percentage	0	24	60				
	Households – Households	0	29000	72000				
	1.2.4 Households reporting an increase in production				COI survey	Baseline, Mid Term, Completion	PCO/External service provider	
	Total number of household members	0	180000	450000				
	Households – Percentage	0	30	75				
	Households – Households	0	36000	90000				
Output 1.1: Enhanced capacities of smallholder farmers	**1.1.4 Persons trained in production practices and/or technologies /1**				Project M&E system	Annually	PCO	MCPs will be equipped with solar power, and the construction of biodigestors will be piloted. these technologies will meet farmers needs while contributing to reduce GhG emissions
	Total persons trained in livestock	0	29000	58000				
	3.1.3 Persons accessing technologies that sequester carbon or reduce GhG emissions /1				Project M&E system	Annually	PCO	
	Total persons accessing technologies - Number of people	0	29000	58000				
Output 1.2: Enhanced provision of essential livestock services (animal health, breeding, feeding, inputs) and technical innovations and nature based solutions developed, tested and disseminated	**Number of technical solutions and innovations tested and disseminated**				Project M&E system	Annually	PCO	Production inputs will be provided to project beneficiaries. Small scale water harvesting facilities and boreholes will be fully implemented. Existing digital extension tools will be effectively strengthened and disseminated
	Number – Number	0	10	25				
	1.1.3 Rural producers accessing production inputs and/or technological packages /2				Project M&E system	Annually	PCO	
	Total rural producers - Number of people	0	29000	62000				
	Number of farmers accessing digital extension services /1				Project M&E system	Annually	PCO	
	Total – Number	0	29000	58000				
Outcome 2: Improved market access, for smallholder farmers and reduced environmental footprint of the dairy value chain.	**2.2.6 Households reporting improved physical access to markets, processing & storage facilities**				COI survey	Annually	PCO/External service provider	The construction and rehabilitation of (MCCs and MCPs), as well as the rehabilitation of roads, will result in beneficiaries reporting improved access to facilities.
	Households reporting improved physical access to markets – (%)	0	45	91				
	Size of households - Number of people	0	270000	550000				
	Households reporting improved physical access to markets	0	54000	110000				
	2.2.3 Rural producers' organizations engaged in formal partnerships/agreements or contracts with public or private entities				COI survey	Annually	PCO	
	Number of POs - Organizations	0	72	146				
	Percentage of POs - Percentage	0	45	90				
	Women in leadership position - Females	0	20	40				
Output 2.1: Strengthened capacity of dairy cooperatives and farmers in governance and business management, and financial literacy	**2.1.3 Rural producers' organizations supported /1**				Project M&E system	Annually	PCO	Dairy cooperatives are interested in participating in project activities. The project is effective in establishing new dairy producer groups
	Total size of POs - Organizations	0	4200	8400				
	Rural POs supported - Organizations	0	80	163				
	Rural POs supported that are headed by women - Organizations	0	32	65				
Output 2.2: Mechanisms for collection, storage, aggregation and transport of milk established and/or strengthened, with milk consumption and nutrition awareness promoted	**Milk Collection Centres and Milk Collection Points constructed or upgraded**				Project M&E system	Annually	PCO	Infrastructure activities are implemented as planned
	Total number of facilities - Number	0	470	940				
	MCCs constructed - Number	0	50	100				
	MCCs rehabilitated - Number	0	50	100				
	MCPs constructed - Number	0	350	700				
	MCCs equipped with solar powering - Number	0	25	50				
	2.1.5 Roads constructed, rehabilitated or upgraded				Project M&E system	Annually	PCO	
	Length of roads – Km	0	140	140				
	1.1.8 Households provided with targeted support to improve their nutrition /2				Project M&E system	Annually	PCO	
	Total persons participating - Number of people	0	32500	65000				
	Households – Households	0	32500	65000				
	Household members benefitted - Number of people	0	165500	325000				
Output 2.3: Small and medium dairy processing enterprises supported with business development services and access to finance; Tailored financial products and services, including climate finance and insurance developed for dairy value chain actors	**2.1.1 Rural enterprises accessing business development services**				Project M&E system	Annually	PCO	Small and medium dairy processing enterprises are interested in the business development services offered by the project
	Rural enterprises - Enterprises	0	30	60				
	1.1.5 Persons in rural areas accessing financial services /2				Project M&E system	Annually	PCO	
	Total persons accessing financial services - savings	0	21500	43000				
	Total persons accessing financial services - credit	0	21500	43000				
	Total persons accessing financial services - insurance	0	18900	18900				

Results Hierarchy	Indicators				Means of Verification			Assumptions
	Name	Baseline	Mid-Term	End Target	Source	Frequency	Responsibility	
Output 2.4: Formulation, review and update of national policies, strategies and legislations supported	**Policy 1 Policy-relevant knowledge products completed**				Project M&E system	Annually	PCO	Policy materials, research papers, studies, etc., will be produced by the project team (
	Number - Knowledge Products	0	4	8				

/1 Indicators will be disaggregated by Females (40%), Males (60%) and Young people (20%)
/2 Indicators will be disaggregated by Females (40%), Males (60%) and Young people (30%)

Integrated project risk matrix

Risk categories and subcategories	Inherent	Residual
Country context	**Moderate**	**Moderate**
Political commitment	**Moderate**	**Low**
Risk(s): Tanzania is characterized by a good socio-political stability, by the absence of political turmoil including during elections, and a very low occurrence of inter-ethnic tensions or clashes, contrary to other countries in the Region. Following the demise of former President Magufuli, President Samia Suluhu Hassan, former Vice-President, was sworn in on March 19, 2021, as the United Republic of Tanzania, sixth president. Her policies and programs remain guided by the Tanzania Development Vision 2025 and are outlined in the third Five-Year Development Plan (FYDP-III 2021/22 – 2025/26). The government has revived proactive engagement with multilateral and bilateral development partners, which had been disrupted during the previous administration, leading to the suspension of financing by several development partners, including IFAD. Several IFAD projects that had been designed during this period never reached the stage of signature of Financing Agreement, which affected the renewal of the Country portfolio.		
Mitigations: Although there is a strengthened relationships between the Government and Development Partners, in order to mitigate the risk of the C-SDTP Financial Agreement not being signed, the relevant counterpart government officials have been actively engaged throughout the design of the Project. The IFAD team will continue to work closely with the GoT during the next phases of the project design, to ensure GoT ownership and alignment with IFAD's and Government's policies.		
Governance	**Substantial**	**Moderate**
Risk(s): In 2021, the Transparency International's Country Corruption Perception Index assesses Tanzania at a substantial level of risk in terms of corruption (39 points in 2021), which places the country in 87th position out of 179 countries (in 2020 the score was 38 and was 97th out of 179 countries). According to the World Bank 2021 Country Policy and Institutional Assessment (CPIA) rating, Tanzania is a medium policy reformer with a score of 3.5 (no change from previous year). The country shows weaknesses in the Structural Policies of the Financial Sector and Business Regulatory Environment (score 3), and in the Public Sector Management and Institutions (Policies & Institutions for Environment Sustainability, Quality of Budgetary & Financial Management, Efficiency of Revenue Mobilization, Quality of Public Administration and Transparency, Accountability & Corruption in Public Sector where Tanzania scored 3).		
Mitigations: The Government of Tanzania has enhanced its efforts to prevent corruption by developing a National Anti-Corruption Strategy and Action Plan and is currently implementing its third phase (NACSAP III / 2017-2022). This phase focuses on building systems of integrity, accountability and transparency in public and private institutions. Additionally, IFAD's COSOP in Tanzania places the country-level policy engagement (CLPE) at the core of its strategy as one of the three accelerators. Key areas of policy engagement are focusing on increasing investments, improving policy coherence and coordination and improving the business environment for priority value chains. One of the focus areas of C-SDTP will be the formulation and implementation, review and update of national policies, strategies and legislations. In particular, it is envisaged to support GoT to strengthening regulations on milk trade (revision of the dairy act), as well as their enforcement (Support to Tanzania Dairy Board		

Risk categories and subcategories	Inherent	Residual
and Districts for milk inspection and control of dairy facilities), which will contribute to significantly improve the governance of the sector.		
Macroeconomic	**Moderate**	**Moderate**
Risk(s): Tanzania is one of the strongest economies in sub-Saharan Africa and one of the top three growth performers in East Africa. Between 2013 and 2018, and before the outbreak of the COVID-19 pandemic, its average GDP growth was 6.5 per cent in average. Economic activity in Tanzania is recovering from the COVID-19 crisis, with the 2022 real GDP growth rate projected to reach 4-5% (2021 at 4.3%, up from 2% in 2020). The hospitality, mining, ICT, transport, and electricity sectors are driving the recovery. High-frequency indicators suggest that while economic activities were expanding, they have not yet reached pre-pandemic levels. As in mainland Tanzania, official data for Zanzibar shows that economic activity is recovering. Real GDP grew by 5.1% in 2021, following significant slowdown to 1.3% in 2020 due to the impact of the COVID-19 pandemic on the tourism-dominated services sector which accounts for nearly 50% of Zanzibar's GDP. The latest joint IMF-World Bank Debt Sustainability Analysis, conducted in September 2021, concluded that Tanzania's risk of external debt distress had increased from low to moderate. The downgrade primarily reflected the collapse of tourism exports during the COVID-19 pandemic in the context of increased non-concessional borrowing and rising debt service. In addition, the new debt-carrying-capacity classification lowered the debt-burden thresholds.		
Mitigations: GoT has reiterated its commitment to macroeconomic policies, aimed at not increasing public debt, containing inflation within the target range, and preserving external stability. The authorities have established a track record of sound macroeconomic management, but further reforms to revenue policy and administration, public expenditures, and debt management will be necessary to create adequate space to increase priority social spending and productive investment without jeopardizing fiscal sustainability. C-SDTP will leverage RPSF and other funding mechanisms in order to boost COVID-19 recovery and will invest in rural areas to increase smallholder productivity.		
Fragility and security	**Low**	**Low**
Risk(s): Tanzania is one of the most peaceful and politically stable countries in Africa. Since its independence in 1961, the country has never experienced a civil war or any major internal strife. In 2018 approximately 14 million Tanzanians were living below the national poverty line and about 26 million lived below the US$ 1.90 per person per day international poverty line. In the country there is growing concern because young people have become disenchanted with agriculture. Youth involvement in agriculture, fisheries and aquaculture is critical to address the youth bulge.		
Mitigations: As the largest employer in the country, agriculture will remain an entry point for job creation, inclusive growth and poverty reduction. In order to reduce poverty, increase food security, improve nutrition and strengthen resilience, C-SDTP will strengthen livelihoods of the most disadvantaged rural categories including smallholder dairy farmers, poor households without cows, unemployed youth, women and women headed households.		
Sector strategies and policies	**Substantial**	**Moderate**
Policy alignment	**Substantial**	**Moderate**
Risk(s): The main policy framework is the recently developed Livestock Sector Transformation Plan. The 2006 National Livestock Policy is		

Risk categories and subcategories	Inherent	Residual
outdated and needs to be replaced by a new document, and GoT has expressed the wish to be supported in this endeavor by LTSP, reducing the risk for C-SDTP not to be aligned anymore to the new revised policy. The project is fully aligned to the LSTP and its priorities. Climate change is considered as a high-level priority in the LSTP, and private sector engagement is identified as the main way to improve access to market and services, which is also in line with the project's proposed approach. Other IFAD priorities on land access, gender, nutrition, are well prioritized in higher level national policy documents such as Five-Year Development Plan II, and the ASDPII.		
Mitigations: During the design mission, the PDT reiterates to GoT the importance to adhere to IFAD's environmental safeguards and targeting policy, so as to maximize positive social and environmental impacts, and ensure that C-SDTP is in line with IFAD's core principles. It has been agreed during design that C-SDTP will support MLF for the finalization of the National Livestock Policy, and MAINL (Zanzibar) for the formulation of the Zanzibar Livestock Policy which will ensure better alignment between IFAD interventions and national policies.		
Policy development & implementation	**Substantial**	**Moderate**
Risk(s): Sector policies including the recently developed LSTP are formulated in an inclusive manner, involving all organized stakeholders. The main gap is the low representation of smallholder dairy farmers in these policy fora, due to the lack of professional organization of this category of actors. Policy dialogue is thus dominated by private sector actors, who are well organized, larger progressive farmers, NGOs and public institutions. The other risk is related to the low capacities of public institutions to enforce sector regulations, in particular those related to milk hygiene. This has a significant impact on the value chain as it provides a comparative advantage to the informal raw milk sector.		
Mitigations: i) The project will support the organization of smallholder farmers at regional and national level, and their participation in policy dialogue fora, to make the policy dialogue more inclusive. It will also encourage the participation of international organizations such as ILRI, FAO, and WOHA in the policy process, in order to make the process more evidence-based; ii) The project will also support the review and update of sector regulations, but also their enforcement. This will entail support to TDB (in charge of inspection), District milk inspectors, and strengthening of laboratory facilities for milk control; iii) The project will organize careful stakeholder consultations to provide clear vision for roles and responsibilities of public and private sector		
Environment and climate context	**Substantial**	**Moderate**
Project vulnerability to environmental conditions	**Substantial**	**Moderate**
Risk(s): Human activities including shifting cultivation, overgrazing, deforestation, rapid population growth and inadequate land use management are the prime causes of land degradation. Land degradation appears in various forms including soil degradation, deforestation, and loss of vegetation cover, siltation, and loss of biodiversity that lowers land productive capacity. Furthermore, depending on the biodegradability and solubility of dairy outputs, the environment might be affected by high groundwater nitrate concentration due to inadequate manure and fertilizer management, and wastewater discharges from dairy processing plants.		
Mitigations: C-SDTP will promote interventions to enhance sustainable environmental management and mitigate environmental risks. These measures include: livestock-crop integration to improve soil health and		

Risk categories and subcategories	Inherent	Residual
reduce dependence on natural ecosystems; efficient use of water resources (trough washing stations, cattle drinking ponds); and wastewater and manure management (through soak pits, biogas production) to tackle effluents' pollution and benefit from waste recycling.		
Project vulnerability to climate change impacts	**Substantial**	**Moderate**
Risk(s): Tanzania is the 45th most vulnerable country and the 153rd most ready country to adapt to climate change, according to the ND-GAIN Matrix. Evidence of the impacts of climate variability (increased temperatures and unreliable rainfall patterns) include: shifting in agro-ecological zones, prolonged dry episodes (droughts), uncertainty in cropping patterns, increased weed competition with crops (for water, nutrients and light) and ecological changes favorable to emergence of pests and diseases. Climate change also negatively impacts pasture and fodder productivity and availability of natural vegetation. Particularly, livestock production is adversely affected, as a result of water scarcity, by poor pasture quality and productivity, emergence of pests and diseases, limited availability of fodder, with a negative impact on the productivity and seasonality of the dairy production systems.		
Mitigations: C-SDTP will promote various climate adaptation and resilience-building measures to address the above-mentioned challenges. These include: rainwater harvesting facilities, dam sheets, charco dams and boreholes to increase water availability; introduction of drought-resistant fodder varieties, agroforestry, improved pasture management and manure management to enhance soil fertility; and renewable and efficient energy sources to reduce pressure on natural resources. Livestock insurance also represents a valuable adaptation measure.		
Project scope	**Moderate**	**Moderate**
Project relevance	**Moderate**	**Moderate**
Risk(s): The project objectives and interventions are well aligned with National Policies including in particular the LSTP with which it shares similar outcomes, such as outcomes 1 (of both C-SDTP and LSTP) focusing on productivity and resilience, and outcomes 2 on market access. The LSTP outcomes are also in line with IFAD priorities reflected in the COSOP. The project strategic approach based on: (i) climate smart intensification of production, (ii) organization of producers; (iii) facilitation of market access and investments; and (iv) policy support, responds to the sector priority needs, characterized by a lack of milk supply, dominance of the informal raw milk value chain and inadequate access to services and finance.		
Mitigations: In case the situation of the value chain evolves in course of implementation, some adjustments may be needed on project activities, including on budget allocation, without modifying the project structure, theory of change, objectives and overall strategy. This may include for instance increased support for the processing and marketing levels, and reduced emphasis on production and productivity. These adjustments could be made at MTR stage as it has been the case in Rwanda for RDDP.		
Technical soundness	**Moderate**	**Moderate**
Risk(s): The project design covers a large range of domains due to the overall low performance of the value chain, affected by challenges at all levels (production, services, access to finance, market access, low consumption, policy gaps). The project has to address all these challenges at the same time to avoid leaving bottlenecks that would impede the overall development of the sector. This leads to a moderate level of		

Risk categories and subcategories	Inherent	Residual
complexity of the project design, which is however common in similar value chain projects.		
Mitigations: i) Implementation of specific sets of activities will be delegated to implementing partners that have experience and comparative advantage in these domains; ii) Design should be flexible and not overly prescriptive to allow adaptations in course of implementation, based on lessons learned; iii) Project governance should be solid, with in particular mechanisms for effective coordination of implementing partners and service providers (reporting system, M&E, regular technical meetings; iv) Governance organs such as the Steering Committee should include stakeholders that have very good knowledge and sound analysis of the sector (e.g. ILRI, Dalberg)		
Institutional capacity for implementation and sustainability	**Substantial**	**Substantial**
Implementation arrangements	**Substantial**	**Substantial**
Risk(s): Limited skills exist in the dairy value chain particularly in areas of social inclusion and gender, dairy technicians, extension services, M&E and functional dairy FFS specialists in the implementing ministry and organizations to guarantee effective project implementation. The local government have limited financial, procurement and human resources to assume their mandate of project execution particularly on community service, extension, nutrition, private sector partnerships and infrastructure development).		
Mitigations: A PCO will be established, and staff recruitment will follow a competitive process to ensure quality expertise is in place. The implementation of the Programme will be structured around performance-based contracts, which will also be indicated in the Financing Agreement. Service providers will be contracted through competitive government procedures and based on renewable performance-based service contracts to provide advisory services. As part of the support delivered, implementing partners and service providers will ensure that adequate capacity is built among recipients of their services at various levels including LGAs to guarantee their exit strategy and overall sustainability.		
M&E arrangements	**Substantial**	**Substantial**
Risk(s): Existing M&E systems for ASDP II and for the implementing Ministry are not functional and fully robust enough to provide credible information on IFAD core indicators for the different levels of results (output, outcome and impact) as well as project specific indicators.		
Mitigations: The project's logframe includes both IFAD's core indicators for the different levels of the results chain as well as project specific indicators. The PCO will include an M&E staff that will develop and put in place a robust M&E system to align with IFAD's Operational Results Management System (ORMS). IFAD through the PRiME initiative will provide periodic training on M&E to the PCO staff to ensure any challenges are addressed on time.		
Procurement	**Moderate**	**Moderate**
Legal and regulatory framework	**Moderate**	**Moderate**
Risk(s): i) Even though the Public Procurement Act 2011 amended in 2016 has been replaced with a consolidated Public Procurement Act Revised Edition 2022, the subsidiary regulations of 2013 with many consequential amendments made till 2016 remain in force. The regulatory framework is still fragmented, making the implementation of the law difficult. This is further accentuated by the absence of Procurement Manual. ii) In the PEFA assessment report of Sept 2022, the procurement monitoring has been upgraded from "D" to "C", but the level of compliance		

Risk categories and subcategories	Inherent	Residual
in using the TANePS system for managing procurement and publishing contract awards is not satisfactory, with less than half of the registered PEs with approved GPNs (27%), publishing their contract awards and contract award information is published only for 30% of all published tenders. The TANePS system falls short of providing accurate and complete consolidated data for the public procurement done, even though records are published on what has been procured, value of contract and who has been awarded the contract. iii) PEFA has upgraded the rating for procurement method from 'D' to 'A' due to significant improvement with 93.5 % of procurements by value for the public sector planned to be undertaken by competitive methods in 2020/21. This has further increased to 95% in 2022/23, but there is no data available to confirm that the number of procurements actually awarded by the planned competitive methods. iv) Bidding opportunities available in TANePS is not complete as evidenced from the recent circular dt. 12/08/2022 of PPRA to all PEs to transact their procurement activities using TANePS. v) Available data on annual procurement statistics is not complete and not structured to facilitate analysis.		
Mitigations: i) Revised edition of subsidiary regulation to be issued, consolidating the existing regulation and all the amendments to it and also reflecting the changes brought in the revised edition of the Act. Further, a procurement manual needs to be issued. ii) Compliance to the latest circular of PPRA instructing all registered PEs to make use of the TANePS for all of their procurement transactions, from Sept'22 to be complied with. iii) Statistics page of TANePS need to be updated with various procurement statistical information, to enable wider availability of information in the public domain.		
Accountability and transparency	**Moderate**	**Moderate**
Risk(s): i) Data on resolution of first level procurement complaints to PEs is not published. ii) According to the 2021 index published by transparency international, the country corruption perception index score for Tanzania is 39. TZ is ranked 87th (out of 180) in the world. iii) The Internal Auditor general undertakes a compliance Audit on an annual basis. However, not all PEs are audited. PPRA also undertakes annual audits but on a sample basis.		
Mitigations: i) Statistics regarding complaints received and resolved by individual PEs to be collated by PPAA and published in it's website. ii) All procurement entities, as well as bidders, suppliers, contractors, consultants and service providers, shall observe the highest standard of ethics during the procurement and execution of contracts financed under IFAD funded Projects. The Revised IFAD Policy on Preventing Fraud and Corruption in its Activities and Operations shall apply to all projects, vendors and third parties, in addition to the relevant national anticorruption and fraud laws. iii) The appointed external auditor to undertake an annual 'Compliance Audit'.		
Capability in public procurement	**Moderate**	**Low**
Risk(s): Project concept envisages a PCO at MOLF with MoUs signed with several implementing partners, including NGOs and public agencies, for set of various activities of the project. There could be a possibility of		

Risk categories and subcategories	Inherent	Residual
inadequacy of properly trained and experienced public procurement professionals within these organizations to handle project procurement.		
Mitigations: i) PCO to be staffed with experienced and qualified professionals, for handling the procurement activities. ii) PCO and Implementing Partners staff to be provided with Procurement Training in IFAD Procurement Guidelines and Handbook. iii) Project design to ensure separation of procurement and financial management functions.		
Public procurement processes	**Moderate**	**Low**
Risk(s):): i) Non-availability of published data on the use of non-competitive methods and direct purchase for urgent procurements, may lead to lack of proper monitoring and may entice PEs to avoid competitive methods of procurement. ii) Consolidation of procurement requirement and preparation of procurement plan may be delayed due to multiple implementing agencies, leading to procurement delays.		
Mitigations: i) All procurements via direct contracting and sole source selection will be subject to IFAD's prior review and No-Objection, as per Section 23 of the IFAD Project Procurement Guidelines. Procurement Thresholds to be fixed based on the COSOP Tanzania 2022-2027 procurement risk scoring. ii) The PCO in coordination with IFAD, unit to organize AWPB and Procurement Plan preparation workshops for the Implementing Agencies.		
Financial management	**Substantial**	**Substantial**
Organization and staffing	**High**	**High**
Risk(s): (i) Inadequate capacity/experience in the financial management of donors' funded projects and in IFAD procedures; (ii) discontinued FM support due to high staff turnover at decentralized level or to low commitment of seconded staff; (iii) lack of IT devices (it is frequent the case of more accountants sharing one single desktop at district level, or the case of laptop self-purchased at higher level – e.g. District Treasures, Ministry Head of Finance).		
Mitigations: At central PCO, competitive recruitment of the finance manager, also among candidates seconded by GoT. At local level, accountants (i) are recruited with at minimum prior experience on development projects externally funded, (ii) are seconded with at least 50% or working time allocated to the Project. All FM staff is equipped with a dedicated laptop for the exclusive use of the project. Allowances (in line with current practice from other donors, or set on the basis of the achievement of special task/objectives) may be taken into consideration to further attract/retain talents and strengthen accountability to the Project. Training on FM practices will be provided by IFAD-FMD.		
Budgeting	**Substantial**	**Substantial**
Risk(s): Project budget will be fully embedded into line Ministry's budget (MLF) including the contributions from decentralized level for final consolidation by central PCO. A total budget ceiling to the project is early set on March, for budget fine tuning/allocation along the decentralized structure and approval by Parliament by end June. There is only one window, in December, for reallocation during the on-going fiscal year. Such rigid process imposes well organised synchronization and realism in the planning process during entire project's lifetime.		
Mitigations: (i) Early start of budget bottom-up consolidation; (ii) sharp scrutiny for realistic estimates and budget phasing by quarter for IFAD no-		

Risk categories and subcategories	Inherent	Residual
objection; (iii) effective budget-module installed at accounting software to monitor deviations; (iv) a prudent contingency, as response to arising animal sanitary crisis, will have to be provisioned in the budget, every fiscal year.		
Funds flow/disbursement arrangements	**High**	**High**
Risk(s):): Inconsistent liquidity due to (i) excessive GoT control over access to funds on the DA (i.e. there are 6 layers of authorization at MoF), (ii) delayed reporting from local units on the justification of prior advances (as MoF requirement for any withdrawal request from the DA); (iii) lengthy tax exemption process as upfront condition precedent to payment (i.e. applications for exemptions are processed into a new on-line system whose credential are assigned only to a restricted number of users), as well as insufficient training in the use of it will delay expenditure justification and timely funds replenishment; (iv) delays in the start-up phase.		
Mitigations: (i) each MoF approver is backed to avoid authorization delays; (ii) early alignment to IFAD disbursement-IFR reform for adequate liquidity management, quarterly; (iii) Early engagement of MoF to provide credential, to access the on-line system for tax exemption requests, for all accountants assigned to the Project, as well as training in the use of it; (iv) use of retro financing arrangement.		
Internal controls	**Substantial**	**Substantial**
Risk(s): The segregation of duties in the withdrawal of funds and in the payment process is sufficiently secured in the Tanzanian national systems at Ministry and at District level with several hierarchical authorization levels. An Internal Audit unit is established at the line Ministry and will cover the Project. However, the justification in the use of funds by implementing partners, necessary to further access funds at MoF, may be at risk due to timeliness and quality of reporting. This may impact fund replenishment and liquidity for implementation. Moreover, there is weak capacity in the capturing of in-kind contribution.		
Mitigations: The project will establish MoU with implementing partners (i.e. districts, agencies such as TABD, etc.) with clear responsibilities, data content and timing in the provision of early budget estimates, procurement plans and actual reporting (physical/financial) in order to establish a solid flow of information along the decentralized structure with zero delays. Guiding arrangements will be set into PIM/Financial Manual, including in-kind contribution mapping/evaluation criteria for full recognition of GoT/beneficiary counterpart contribution.		
Accounting and financial reporting	**Substantial**	**Substantial**
Risk(s): Current IFMIS/MUSE does not allow proper recording by expenditure categories, nor automated report generation aligned IFAD requirements. Information has to be reworked manually from the system. Non-customization of the IFMIS/MUSE (which is mandatory for all government units and development projects) may lead to manual accounting practices (i.e. excel-based) prone to human errors and unreliable reporting.		
Mitigations: (i) Early engagement of MoF to explore customization of IFMIS to enhance Chart of Account for adequate reporting by component/category; (ii) build on the waiver provided to AFDP for the temporary use of a parallel off-the-shelf accounting software, *at least* at central PCO level, to be purchased/installed during start-up phase, in order to manage IFMIS deficiencies; (iii) preparation/dissemination of standard Interim Financial Reports template for data collection/consolidation along the decentralized structure; (iv) at local level, *weekly* maintenance of off-line databases for smooth consolidation into IFRs.		

Risk categories and subcategories	Inherent	Residual
External audit	**Moderate**	**Moderate**
Risk(s): Late submission of audit report. External Audit is the responsibility of the National Audit Office (NAO).		
Mitigations: Early engagement of NAO for yearly inclusion in the Auditor's work-plan.		
Environment, social and climate impact	**Substantial**	**Moderate**
Biodiversity conservation	**Moderate**	**Low**
Risk(s): 70% of Tanzania population live in rural areas and rely on natural resources for food, fuel, and fodder. There are clear indications that natural resources and biodiversity are at risk, with climate change being one of the main underlying causes. Main biodiversity risks related to this project include: (i) progressive disappearance of indigenous breeds due to progressive absorption by exotic breeds, (ii) disappearance of vegetal species due to overutilization of pasture by cattle; (iii) introduction of invasive species (new fodder varieties).		
Mitigations: The whole climate-smart dairy intensification approach will result in positive co-benefits for biodiversity. C-SDTP will promote smallholder-integrated systems that reduce the dependence of livestock on natural resources (pasture and rangelands) and thus the impact on biodiversity. C-SDTP will also promote a prudent use of exotic genetic resources, and utilization of indigenous breeds or crossbreeds for systems where they are adequate (semi-intensive). The introduction of new fodder species will be done initially through research stations, in a controlled environment, where their invasive potential will be assessed.		
Resource efficiency and pollution prevention	**Substantial**	**Moderate**
Risk(s): Inadequate access to clean water affects livestock productivity, especially during the dry season. Poor management of animal wastes as well as waste produced in facilities can contaminate water and soil and can result in the spread of zoonotic diseases. The lack of good hygiene and sanitation facilities, e.g. in veterinary posts, slaughter slabs, markets etc. can result in pollution and the risk of disease outbreaks. Milk collection and processing facilities are sometimes located near riverbeds, in river catchments, or in urban areas; this creates a risk due to a poor management of effluents such as grey water used for washing (containing chemicals), spoiled milk, or even whey in some cases.		
Mitigations: C-SDTP will introduce water harvesting systems, dam sheets, charco dams and boreholes to ensure water availability throughout the year. Proper waste management, through soak pits and biogas, will also be promoted. New milk processing and collection facilities will involve a waste management plan and possibly effluent management facilities and will be constructed only in areas where environmental impact can be controlled. The concept of circular bio-economy will be an important strategic approach of the project, which will enhance resource use efficiency through recycling and waste reuse.		
Cultural heritage	**Moderate**	**Low**
Risk(s): Reluctance to change some norms by community members implementing the Programme activities. Lack of involvement of local leaders in designing the programme to flag out cultural issues.		
Mitigations: Sensitizations, early involvement and regular engagement of the community leaders during implementation. Involve the locals in designing the Programme, through Focus Group Discussions, and organization of stakeholder workshop involving local authorities during the design mission.		

Risk categories and subcategories	Inherent	Residual
Indigenous peoples	**Moderate**	**Moderate**
Risk(s): Ethnic and cultural diversity in Tanzania is rich. For the regions with integrated smallholder systems (Southern Highlands and Zanzibar), it is unlikely that the project will cause significant adverse impact (low risk). For Tanga region, where pastoralists may be engaged and /or affected, and so-called nascent dairy markets will be created, the risk needs further assessing in the design phase. Risk information is lacking on the level of voluntary transformation of pastoralists into settled down dairy farmers.		
Mitigations: (i) The project will target smallholder farmers who are already engaged and or interested in dairy, thus the project does not intend to directly involve active pastoralists. . (ii) The project makes use of community-based approaches, facilitators (CF) and service delivery, enhancing anticipation and correction of potential adverse effects of the project on stakeholders. (iii) The project will promote zero grazing dairy development thus it is not expected to affect in any way indigenous people’s territories.		
Community health and safety	**Moderate**	**Low**
Risk(s): Working with livestock bares inherent health and safety risks for livestock keepers and communities. The project will not pose additional risk, but for new farmers contact with animals will of course inherently expose them to a higher risk than before without animals. By its nature, the project will reduce these currently existing inherent community health and safety risks, esp. related to animal to human communicable diseases (zoonosis, such as tuberculosis, brucellosis, anthrax, Rift Valley fever); antimicrobial residues and resistance (AMR); and unsafe food consumption. Secondly, improving food security and income through a project can inherently pose a risk of not attaining the anticipated food security and nutrition outcomes due to marketing of animal products (and not purchasing desired food items to augment the diets). This is usually linked to existing gender inequity. Thirdly, acaricides (used for control of ticks and subsidized by GoT) can affect human health if not properly and often applied and may contaminate the environment and influence micro-biodiversity (esp. insects). The currently existing risk probability can be classified as substantial, but the risk impact can be assessed as moderate or low (localized use), rating the total risk as moderate.		
Mitigations: (i) The project will transform the informal smallholder dairy sector, and promote processing, whereby food safety risks are reduced. (ii) The project will substantially reduce community health and safety risk with regard to communicable diseases and chemical exposure, as described above. (iii) Through the cornerstone training by Heifer International, the sensitization of target groups on zoonotic diseases related risks, and best practices of keeping animals in a safe manner is ensured. (iv) Through establishing systemic doorstep services, good animal and human health, including strong nutrition awareness, will be continuously supported. (v) Laboratory facilities will be established to guide antimicrobial use and as such reduce resistance (AMR) risk. (vi) Integrated pest management (IPM) may reduce acaricide use and diminish health and biodiversity risk impacts. (vii) For residual health risk (which is inherent to keeping live animals), the project will provide support to disease prevention via vaccinations and options via insurance to mitigate loss. (vii) The risk of inability to achieve nutrition and food security will be mitigated through the Heifer VBHCD model, nutrition awareness and training, and the implementation of the Gender Action Learning System (GALS).		

Risk categories and subcategories	Inherent	Residual
The overall residual risk is assessed as low. M&E by implementors of the health and safety risks can help to maintain the risk at a low level.		
Labour and working conditions	**Moderate**	**Low**
Risk(s): Dairy animals need daily care. Provision of dairy animals to poor households via the project brings a risk of increasing the workloads for esp. women and children, who are also responsible for domestic care tasks. The workload for women and children may relate to watering, feeding, milking, removing manure, and other animal husbandry activities. Processing (also involving daily good care) requires intensive labour, including for women and youth, who can be exposed to chemicals (for washing), fumes (when wood is used as fuel for pasteurization, which is common). Transport of milk will also provide employment for youth and may expose them to road hazards since most of the transport is done by motorcycle.		
Mitigations: At production level, the project will promote water-harvesting systems, feed choppers, proper transport means, etc. Efficiency increase (including good animal health) and innovations (e.g. milking machine) can further reduce labour requirements. Implementation of GALS can help minimize inequity in labor distribution and discourage child labor. The project will further ensure that no child labor is promoted and that youth age is appropriate and follow international labor standards (18-35 years of age). At processing level, training on occupational safety and health standards application, workplace safety will be provided to staff and management. The training package for milk transporters will include road safety in addition to milk hygiene.		
Physical and economic resettlement	**Low**	**Low**
Risk(s): The project is not promoting activities that lead to the resettlement of farmers in any project target areas.		
Mitigations: The project will avoid any resettlement of rural people. Therefore, the risks are low.		
Greenhouse gas emissions	**Substantial**	**Moderate**
Risk(s): In Tanzania, agriculture (excluding Land Use Change) accounts for 17.3% of GHG emissions, and Livestock contributes to 75% of agricultural emissions through enteric fermentation and manure management. Livestock has also a direct impact on land use change, which is by far the main source of emissions in the country. The use of inefficient and unsustainable wood-intensive energy sources, inappropriate waste management, unsustainable land use practices might lead to GHG emissions.		
Mitigations: C-SDTP will promote more carbon efficient production systems through nature-based intensification of production, involving better animal health, herd management, feeding practices that will reduce CH4 emission intensities. Manure management will also be improved through better storage and biogas production. At processing level, C-SDTP will promote the implementation of energy-efficient and renewable energy sources and the application of proper waste management. Land conservation will also have a positive impact in terms of carbon sequestration via above and below-ground biomass. Finally, the promotion of improved and climate-resilient fodder (legumes, fodder shrub and trees, perennial fodder species) will enhance soil health (through higher and diverse microbial population and activity), result in less nitrogen leaching and gases losses (N20) (through reduced soil nitrification), more soil carbon (through high soil organic matter input from above and below ground biomass).		

Risk categories and subcategories	Inherent	Residual
The project will also partner with the project under preparation by GDP, IFAD and FAO "Pathways to Dairy Net Zero: Promoting Low Carbon and Climate Resilient Livestock" and submitted for GCF funding to scale up innovative approaches and tools developed by the regional programme, in C-SDTP intervention areas. A carbon accounting mechanism (GLEAM-i) will be used to monitor carbon emissions related to project's investments, at baseline, mid-term and completion.		
Vulnerability of target populations and ecosystems to climate variability and hazards	**Moderate**	**Low**
Risk(s): According to the World bank's Think Hazard climate hazard rating, there are medium-to-high levels of river flood, urban and coastal flood, landslide, water scarcity, extreme heat and wildfires in the target regions. Climate models predict an increase in extreme events, such as floods and droughts, caused by the increase in temperature and unreliable rainfall patterns.		
Mitigations: C-SDTP will introduce water harvesting tanks and communal water infrastructure, renewable energy options, drought-resistant fodder varieties, manure management and agroforestry, which will help improve climate vulnerability of fodder crops, enhance soil structure and reduce soil erosion. C-SDTP will also promote the construction of improved cowsheds that will both improve animal welfare and health, as well as provide protection against heat. Disease surveillance will include changes in disease seasonality and changes in disease prevalence as a result of changes in climate (e.g., unseasonal rainfall resulting in increased disease vector activity). As far as breeding and AI are concerned, C-SDTP will promote the use of heat- and drought-resistant breeds and strains, including crossbred animals, and exotic hardy breeds. Livestock insurance will also help reduce farmers' vulnerability to livestock losses as a result of pests and diseases, floods and landslides.		
Stakeholders	**Moderate**	**Low**
Stakeholder engagement/coordination	**Moderate**	**Low**
Risk(s): Since the beginning of the design process in July 2022, all public and private stakeholders involved in the dairy sector have been identified and involved in consultations on project preparation. During the CN mission, they were all invited to a stakeholder workshop to share with them preliminary ideas on project design and get their views and feedback. IFAD ICO is also actively involved in Agriculture Working Group and all information related to project preparation has been shared adequately. However, the dairy sector is characterized by the presence of a significant number of development partners (DPs), active at all levels of the value chain. This creates a risk of duplication of activities and overlap. However, most of these DPs are active in the Northern Highlands, and very few operate in Southern Highlands.		
Mitigations: The already initiated consultative process involving all sector stakeholders will be maintained during all the design process. During implementation, all sector stakeholders will be involved in project follow-up, in particular during supervision missions where similar stakeholder workshops will be organized. The project will also support activities of the Dairy Development Forum and use this platform to inform on project progress and challenges, and coordinate with stakeholders.		

Risk categories and subcategories	Inherent	Residual
In order to avoid duplication with other DPs and maintain a clear IFAD comparative advantage, C-SDTP will target in priorities areas with no or few DPs involved, in particular Southern Highlands, Zanzibar and Morogoro. Opportunities will be explored to cooperate with DPs in areas where these are actively operating.		
Stakeholder grievances	**Moderate**	**Low**
Risk(s): Potential conflicts may arise among members of community groups or cooperatives, between outside workers and the local community, between smallholder producers and aggregators, etc. Complaints may also arise regarding the choice of locations for infrastructure, the selection of beneficiaries for FFS and assets building. In this situation, Grievance procedures are required to ensure that Project Affected Persons (PAPs) are able to lodge complaints or concerns, without cost, and with the assurance of a timely and satisfactory resolution of the issue.		
Mitigations: Grievance Redress Mechanisms (GRMs) will be put in place at the level of producers' organizations (cooperatives, FFS groups, MCCs and MCPs). The entry point for GRM will be the livestock extension at Ward level and the Gender and Social Inclusion Specialist will be appointed to follow up the GRM process. A Free Prior and Informed Consent (FPIC) process will be conducted with groups ahead of any project investment that may affect the target beneficiaries. Selection of beneficiaries for FFS and cow placement will be conducted in close collaboration with local and traditional authorities, on the basis of clear and well disclosed criteria, and in transparent manner. It should be noted that Heifer international, which will implement most of the community mobilization activities, has its own GRM mechanism that has been assessed by IFAD under other projects in the region (Rwanda) and was considered as satisfactory and in line with IFAD requirements.		