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**President's report**

**Proposed loan**

**United Republic of Tanzania**

**Tanzania Food Systems Resilience Programme –  
Horticulture (TFSRP-H)**

Project ID: 2000004073

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**FOR: APPROVAL**

**Action:** The Executive Board is invited to approve the recommendation contained in paragraph 82.

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### Programme delivery team

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## Map of the programme 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.

Map compiled by IFAD | 04-04-2024

## Financing summary

<b>Initiating institution:</b>	International Development Association (IDA) World Bank Group
<b>Borrower/recipient:</b>	United Republic of Tanzania
<b>Executing agency:</b>	Ministry of Agriculture
<b>Total programme cost:</b>	US\$2.133 billion
<b>Amount of IFAD loan:</b>	US\$21,500,000
<b>Terms of IFAD loan:</b>	Highly concessional: 40 years, including a grace period of 10 years, with a service charge of 0.75 per cent per annum in special drawing rights (adjustments for single-currency loans)
<b>Cofinancier:</b>	IDA
<b>Amount of cofinancing:</b>	US\$300 million
<b>Terms of cofinancing:</b>	Loan
<b>Contribution of borrower/recipient:</b>	US\$1.793 billion
<b>Financing gap:</b>	US\$18.5 million
<b>Amount of IFAD climate finance:</b>	US\$17.39 million
<b>Cooperating institution:</b>	IDA

## 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 people.<sup>1</sup> Its GDP growth rate was 4.6 per cent in 2022, and was expected to accelerate to 5.3 per cent in 2023.
2. Poverty rose from 26.2 per cent in 2019 to 27 per cent in 2021. This increase is attributable to the COVID-19 pandemic and the war in Ukraine. United Republic of Tanzania ranked 160<sup>th</sup> out of 189 countries on the 2022 United Nations Human Development Index.
3. The major drivers of food insecurity are prolonged dry spells and erratic rainfall resulting in crop and livestock production failure, combined with pests and disease, deficient infrastructure and inadequate market access – all of which has led to a sharp increase in prices, as well as low purchasing power.
4. The United Republic of Tanzania considers the agrifood sector one of its core drivers of inclusive economic growth and rural poverty reduction. In 2021, agriculture in the United Republic of Tanzania mainland accounted for about 26.1 per cent of GDP and 30 per cent of exports, employed 65.6 per cent of the workforce and met 90 to 95 per cent of the country's food requirements. Its stable supply has been instrumental in keeping inflation low. In Zanzibar, the sector contributed 21.2 per cent of the GDP in 2019 and employed 70 per cent of the population in 2020.

#### Special aspects relating to IFAD's corporate mainstreaming priorities

5. In line with IFAD's mainstreaming commitments, the programme has been validated as:
  - Including climate finance
  - Youth-sensitive
  - Including adaptive capacity
6. **Climate focus.** The programme will promote: (i) greater production capacity, based on the continuous release, higher production and widespread adoption of improved climate-resilient (e.g. heat/drought-tolerant) seed varieties; and (ii) the provision of digital advisory services in water resource management, as supported in the overall Tanzania Food Systems Resilience Programme.
7. **Youth-sensitive approach.** Youth have challenges accessing land and finance, exacerbating their exclusion in the agricultural sector. Since they are perceived as a high-risk group, investments targeting them are limited, particularly in the agricultural sector. The programme will empower youth to participate in the targeted value chains as entrepreneurs or in the labour force through: (i) capacity-building; (ii) greater access to productive assets; and (iii) the creation of decent on- and off-farm jobs for youth.
8. **Nutrition.** The Tanzania Food Systems Resilience Programme – Horticulture (TFSRP-H) will contribute to the achievement of nutrition outcomes by promoting research and the dissemination of new varieties and practices that support the diversification of crop value chains and better post-harvest management to increase the availability of nutritious foods.
9. **Gender.** The programme will create equal opportunities for young women and men. Specifically, it will: (i) further young women's economic empowerment by

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<sup>1</sup> National Bureau of Statistics, 2022 population census.

facilitating their access to and control of productive assets, and (ii) increase young women's participation in community organizations.

#### **Rationale for IFAD involvement**

10. The IFAD financing complements the IDA programme, intensifying the overall development impact through specific activities and target groups. While the IDA TFSRP centres on broad-based food systems resilience, the IFAD financing focuses on climate-smart horticulture as a core driver in agrifood systems.
11. The main rationale for IFAD's involvement is the Fund's acknowledged leadership in food systems transformation. In fact, cofinancing the TFSRP gives IFAD an opportunity to contribute and add value to major government and World Bank investments in the agricultural sector.
12. IFAD's added value to the programme is its acknowledged expertise in agriculture (and specifically, horticulture) in the United Republic of Tanzania and in targeting youth. This is particularly important, as these are two areas not fully addressed in the IDA Program Appraisal Document and warrant further attention.

#### **B. Lessons learned**

13. World Bank supervision reports are insufficient for IFAD reporting. To address this, a detailed letter of appointment will indicate the reporting and accountability requirements, and IFAD will participate in supervision.
14. IFAD experiences in the subregion show that the value chain approach is key to creating an inclusive horticulture sector that can offer youth and women significant employment and livelihood opportunities.
15. The programme builds on World Bank experiences in Program-for-Results Financing (PforR),<sup>2</sup> and IFAD will finance only specific disbursement-linked indicators (DLIs). Lessons include: (i) DLIs that focus on early and relatively easy results, with the more challenging results planned for the latter stages of the programme; (ii) combining PforR financing with investment project financing (IPF) to provide technical assistance; and (iii) the design of the results verification system, which ensures: (a) alignment with the most robust accountability systems; and (b) use of a verification agency to approve or challenge results.

## **II. Programme description**

### **A. Objectives, geographical area of intervention and target groups**

16. As a PforR, TFSRP is supporting an existing government programme, the Agricultural Sector Development Programme II (ASDP II).
17. The programme development objective is to support food systems resilience by strengthening agricultural service delivery, adopting climate-resilient technologies and fiscal performance in the agricultural sector.
18. TFSRP-H will contribute to the two country strategic opportunities programme (COSOP) strategic objective 1 – enhanced climate-resilient production systems for increased productivity of smallholder producers; and strategic objective 2 – improved smallholder producer access to markets and to micro, small and medium-sized enterprises.
19. **Target area and geographic targeting.** The ASDP II and TFSRP are national in scope. The IDA loan targets agriculture in general, and IFAD will focus on the locations with a comparative advantage for horticulture.
20. District selection will be guided by criteria that include: (i) a youthful population and population density; (ii) market potential; (iii) vulnerability to climate change;

<sup>2</sup> PforR is equivalent to IFAD's results-based lending.

- (iv) complementarity with other initiatives, projects and programmes, and cofinancing potential (i.e. World Bank and others), and other IFAD projects.
21. The targeting strategy will inform the selection of different youth categories to offer tailored youth-sensitive packages.
  22. **Target group.** The programme will directly reach 250,000 young women and men (aged 18 to 40). It will indirectly reach approximately 330,000 people, 50 per cent of them young women and 5 per cent vulnerable categories, including persons with disabilities.
  23. Direct youth beneficiaries will be selected from the following three socioeconomic groups: (i) rural poor and food-insecure youth with limited productive assets; (ii) moderately food-insecure young rural producers engaged in subsistence horticulture or participating in the value chain; (iii) youth with economically active small and medium-sized enterprises with market potential facing productivity and marketing constraints.
  24. The targeting strategy will ensure that youth will be targeted through: (i) self-targeting, with activities geared to the needs of rural food-insecure youth engaged in horticultural activities; (ii) direct targeting of vulnerable and/or marginalized youth; (iii) empowerment and capacity-building measures to ensure that targeted youth can receive project benefits through innovative approaches to mobilize and target young people; and (iv) an enabling environment and policy engagement to ensure a conducive environment for youth.

## **B. Components, outcomes and activities**

25. The programme is structured into three results areas (RAs) for PforR in the United Republic of Tanzania mainland, and components for the IPF in the mainland and Zanzibar. The financing will contribute to RA 1 and all IPF components.
26. **RA 1: Improving service delivery in research, extension and seed systems** seeks to support the delivery of ASDP II, build resilience and increase the mainland's capacity to adapt to climate change by accelerating the ability of research institutions to develop and adapt technologies, expand the use of digital solutions to facilitate increased access to climate-smart technology and improve the supply of high-quality climate-resilient seeds. There are three disbursement-linked indicators: DLI 1 – sustainable financing for the development and dissemination of climate-resilient technologies in agriculture; DLI 2 – extension outreach strengthened, including through information and communications technology (ICT) solutions for promoting climate-smart practices; and DLI 3 – improved functional linkages in the seed value chain.
27. **RA 2: Developing resilient rural infrastructure** seeks to complement government capital investments in infrastructure critical to boosting productivity and strengthening resilience, including climate resilience. RA 2 is subdivided into DLI 4 – performance-based operations, management and maintenance contracts introduced and implemented, and DLI 5 – effective management of public warehouse facilities.
28. **RA 3: Strengthening fiscal performance in priority investment areas** seeks to improve institutional performance. Improved agriculture budgeting and the repurposing of public support mechanisms will enable services to be delivered more effectively and impactfully, ensure better localized planning and increase investment in natural resource management. As a result, farmers, their professional organizations and other value chain actors will be less vulnerable to climate-related shocks. RA 3 includes DLI 6 – improved agricultural budget monitoring and predictability, and DLI 7 – scaling up soil health assessments and management.
29. **IPF component (mainland):** The IPF component on the mainland will finance three additional experts (a youth and targeting expert; a horticulture expert; a

part-time digital agriculture expert) to be added to the mainland programme management team (PMT). In addition, the financing will complement the IDA, where necessary, in terms of technical assistance.

30. **Component 1 (Zanzibar): Improving service delivery in research, extension and seed systems.** This component focuses on strengthening different actors' capacity to conduct relevant research on agriculture technologies such as new varieties, multiply and disseminate these technologies and provide the necessary extension services to promote their adoption.
31. **Component 2 (Zanzibar): Rehabilitation of rural infrastructure to enhance climate resilience.** Under this component, TFSRP will finance the rehabilitation of irrigation and drainage infrastructure, the drilling of boreholes and the rehabilitation of some farm roads. In addition, the World Bank will support the construction of government-owned farm-level stores and three drying areas in farmer service centres.
32. **Component 3 (Zanzibar): Project implementation and supervision.** This component will finance three additional experts (a youth and targeting expert; a horticulture expert; a part-time digital agriculture expert) to be added to the Zanzibar PMT. In addition, where necessary, the financing will complement the World Bank loan, with regard to specific technical assistance.

### C. Theory of change

33. The theory of change lays out three mutually reinforcing results chains that support food systems resilience: better-performing agricultural service delivery, effective management of irrigation and warehouse infrastructure and institutional strengthening for better fiscal performance in the sector.
34. The approach is to boost national food systems resilience by scaling up inclusive climate-smart agricultural production capacity, to be driven by: (i) the transformation of service delivery in research, extension and seeds; (ii) more resilient irrigation and warehouse infrastructure management; and (iii) improved fiscal performance of the Ministry of Agriculture (MoA) and its agencies.
35. Tangible resilience-building results along the three results chains include greater production capacity, based on the continuous release, higher production and widespread adoption of improved priority seed varieties; efficient water use to buffer against drought; changes in land management and production practices to conserve soil, improve soil quality and build up nutrient reserves; the diversification of supply chains, reduced post-harvest losses through better storage and primary processing facilities and management practices; and effective leveraging of regional markets and trade.

### D. Alignment, ownership and partnerships

36. The programme is aligned with Sustainable Development Goal (SDG) 1 (no poverty), 2 (zero hunger), 5 (gender equality), 8 (decent work and economic growth) and 13 (climate action).
37. As a results-based lending (RBL) intervention, activities are fully aligned with ASDP II. In addition, the project contributes to the Five-Year Development Plan II, the National Development Vision 2025 and the Zanzibar Development Vision 2050, as well as implementation of the Building a Better Tomorrow Youth Initiative, a tool for contributing to the attainment of Agenda 10/30. Finally, the project is aligned with the National Horticulture Development Strategy (2021–2030) and Zanzibar Development Plan (2021–2026).
38. The programme is fully aligned with the COSOP 2022–2027, whose overall objective is to transform agrifood systems for higher productivity, better nutrition and improved income and resilience for rural poor people.



## E. Costs, benefits and financing

39. The total expected IFAD financing towards TFSRP-H is US\$40 million, with US\$21.5 million provided through the Twelfth Replenishment of IFAD's Resources (IFAD12). The remaining financing gap of US\$18.5 million may be sourced from subsequent performance-based allocation system cycles and/or the Borrowed Resource Access Mechanism (under financing terms to be determined and subject to internal procedures and subsequent Executive Board approval) or cofinancing identified during implementation.
40. The following programme components are counted as climate finance at the indicated percentage:
- DLI 1: Sustainable financing for the development and dissemination of climate-resilient technologies in agriculture: 100 per cent IFAD climate finance adaptation.
  - DLI 2: Extension outreach strengthened, including through ICT solutions for promoting climate-smart practices: 50 per cent IFAD climate finance adaptation.
  - DLI 3: Improved functional linkages in the seed value chain: 50 per cent IFAD climate finance adaptation.
  - IPF mainland: 50 per cent IFAD climate finance adaptation.
41. As per the multilateral development banks' methodologies for tracking climate change adaptation and mitigation finance, the total estimated IFAD climate finance for this programme is US\$17.39 million.

### Programme costs

42. The overall programme costs amount to US\$2.133 billion, including contingencies, US\$913 million (43 per cent) of which will finance RA 1, US\$958 million (45 per cent) RA 2 and US\$238 million (11 per cent) RA 3, and US\$26.5 million (1 per cent) for the IPF.

Table 1

#### Programme cost by financier and type of lending (Millions of United States dollars)

<i>Type of lending</i>	<i>Financing source</i>	<i>Amount</i>	<i>Percentage</i>
RBL	IDA	280	13.3
	IFAD	17.6	0.83
	Financing gap	15.9	0.75
	Government	1 793	85.12
Total RBL		2 106.5	98.76
IPF	IDA	20	0.75
	IFAD	3.9	0.15
	Financing gap	2.6	0.10
Total IPF		26.5	1.24
<b>Total</b>		<b>2 133</b>	<b>100.00</b>

Table 2  
**IFAD programme cost by results area, DLI, component and programme year**  
(Millions of United States dollars)

<i>Disbursement-linked indicator</i>		<i>Total expenditure</i>	<i>2024/2025</i>	<i>2025/2026</i>
<i>Mainland</i>				
DLI 1	Sustainable financing for the development and dissemination of climate-resilient technologies in agriculture.	7.5	4.8	2.7
DLI 2	Extension outreach strengthened, including through ICT solutions for promoting climate-smart practices	3.3	-	3.3
DLI 3	Improved functional linkages in the seed value chain	6.9	3.9	2.9
Mainland IPF		0.5	0.25	0.25
<i>Zanzibar</i>				
<i>Component</i>		<i>Total expenditure</i>	<i>2024/2025</i>	<i>2025/2026</i>
Component 1	Improving service delivery in research, extension and seed systems	0.6	0.50	0.10
Component 2	Rehabilitation of rural infrastructure to enhance climate resilience	2.3	-	2.3
Component 3	Project implementation and supervision	0.5	0.25	0.25
		<b>21.5</b>	<b>9.7</b>	<b>11.8</b>
		<b>Cumulative</b>	<b>9.7</b>	<b>21.5</b>

Table 3  
**Programme costs by results area, DLI and financier**  
(Millions of United States dollars)

<i>Results area</i>	<i>Disbursement-linked indicators</i>	<i>Total</i>	<i>Borrower</i>	<i>World Bank/IDA</i>	<i>IFAD12</i>	<i>Financing gap</i>
RA 1: Improving service delivery in research, extension and seed systems	DLI 1: Sustainable financing for the development and dissemination of climate-resilient technologies in agriculture	246.98	202.00	37.00	7.475	5.575
	DLI 2: Extension outreach strengthened, including through ICT solutions for promoting climate-smart practices	239.00	189.00	32.00	3.275	3.475
	DLI 3: Improved functional linkages in the seed value chain	427.00	393.00	26.00	6.850	6.85
<b>Total for RA 1</b>		<b>912.98</b>	<b>784.00</b>	<b>95.00</b>	<b>17.6</b>	<b>15.90</b>
RA 2: Developing resilient rural infrastructure	DLI 4: Performance-based operations, management and maintenance contracts introduced and implemented	271.00	201.00	70.00	-	-
	DLI 5: Storage and commercialization	685.00	643.00	42.00	-	-
<b>Total for RA 2</b>		<b>956.00</b>	<b>844.00</b>	<b>112.00</b>	<b>-</b>	<b>-</b>
RA 3: Strengthening fiscal performance in priority investment areas	DLI 6: Improved agricultural budget monitoring and predictability	170.00	129.00	41.00	-	-
	DLI 7: Scaling up soil health management policies	68.00	36.00	32.00	-	-
<b>Total for RA 3</b>		<b>238.00</b>	<b>165.00</b>	<b>73.00</b>	<b>-</b>	<b>-</b>
<b>Total PforR budget</b>		<b>2 106.5</b>	<b>1 793.00</b>	<b>280.00</b>	<b>17.60</b>	<b>15.90</b>
<i>Components</i>		<i>Total</i>	<i>Borrower</i>	<i>World Bank/IDA</i>	<i>IFAD12</i>	<i>Financing gap</i>
Component 1 (Zanzibar):	Improving service delivery in research, extension and seed systems	2.50	-		0.60	1.90
Component 2 (Zanzibar):	Rehabilitation of rural infrastructure to enhance climate resilience	2.50	-		2.30	0.20
Component 3 (Zanzibar)	Project implementation and supervision	0.5			0.50	-
Additional component (IPF mainland):	Capacity-building and technical assistance	21.00	-	20.00	0.50	0.50
<b>Total IPF budget</b>		<b>26.500</b>	<b>-</b>	<b>20.00</b>	<b>3.90</b>	<b>2.60</b>
	<b>Total budget</b>	<b>2 133.00</b>	<b>1 793.00</b>	<b>300.00</b>	<b>21.50</b>	<b>18.50</b>

### **Financing and cofinancing strategy and plan**

43. The programme financing sources are: the Government of the United Republic of Tanzania, US\$1.793 billion (84 per cent); IDA, US\$300 million (14 per cent); and IFAD US\$40 million (2 per cent). The programme will be administered by the World Bank in accordance with its policy and guidelines, including financial management aspects. In alignment with the World Bank/IDA financing agreement, eligible expenditures financed by IFAD will be inclusive of taxes and duties.
44. Both the IDA and IFAD will use a combination of PforR and IPF financings. The IDA financing will consist of US\$280 million (93 per cent) in PforR and US\$20 million (7 per cent) in IPF. Total IFAD financing will consist of US\$33.5 million (84 per cent) in PforR and US\$6.5 million (16 per cent) in IPF; these sums will be sourced from IFAD12 (US\$21.5 million), with a financing gap of US\$18.5 million.

### **Disbursement**

45. Disbursements from IFAD will follow IDA disbursement procedures and be made through the World Bank's Client Connection.
46. PforR disbursements will be made on achievement of the DLIs. The Government of the United Republic of Tanzania will prefinance all PforR activities and be reimbursed by the IDA and IFAD on the achievement of predetermined results. Advances may be provided on a provisional basis. Achievement of the DLIs will be verified by the Office of the Internal Auditor General and/or a third-party verification agency semi-annually, as per the verification protocols. The World Bank will send disbursement instructions to IFAD with an official communication confirming DLI achievement. On receipt of such notice, IFAD will disburse funds to the programme bank account opened in the Bank of Tanzania (BOT) to receive IFAD funds.
47. Funds for the IPF activities will be disbursed by IFAD to two separate designated bank accounts at the BOT (mainland and Zanzibar). Disbursements will be based on quarterly interim financial reports (IFRs), which will be submitted to the World Bank within 45 days of the end of the quarter, and withdrawal applications will be submitted directly to the World Bank's Client Connection. IFRs will be shared with IFAD.

### **Summary of benefits and economic analysis**

48. A cost-benefit accounting model is used to assess the programme's ex ante efficiency over the period 2023–2040. The programme's net present value over 19 years (2023–2040) is estimated at US\$4.01 billion, with an internal rate of return of 14.7 per cent and a benefit-cost ratio of 2:1.

### **Exit strategy and sustainability**

49. A PforR instrument is budget support to the Government's sectoral plan. Sustainability and exit are embedded in the Government's ownership of the programme. Budget support helps improve efficiency and the predictability of funding. Furthermore, the programme will strengthen institutions such as irrigation committees to ensure that infrastructure investments are sustainable. Involving the private sector in the development of horticulture seed systems will ensure the sustainability of the activities.

## **III. Risk management**

### **A. Risks and mitigation measures**

50. The overall inherent and residual risks for TFSRP-H are assessed as "moderate". The higher risk ratings are assessed as environment and climate context, financial management and project procurement.

51. To mitigate these risks, the programme will develop clear implementation plans and improve monitoring and evaluation systems, and the World Bank will ensure close monitoring of the programme's financial and procurement procedures.
52. Environmental context risks will be mitigated by the introduction of climate-smart interventions and the formulation of site-specific environmental and social climate management plans.
53. The overall fiduciary risk rating is "substantial". The mitigation measures in the Integrated Project Risk Matrix are aimed at boosting the fiduciary system's capacity and performance to provide reasonable assurance that funds will be used for the intended purposes, with due attention to the principles of economy, efficiency, effectiveness, transparency and accountability.

Table 4

**Overall risk summary**

<i>Risk areas</i>	<i>Inherent risk rating</i>	<i>Residual risk rating</i>
Country context	Substantial	Substantial
Sector strategies and policies	Moderate	Moderate
Environment and climate context	Substantial	Substantial
Project scope	Moderate	Moderate
Institutional capacity for implementation and sustainability	Moderate	Moderate
Financial management	Substantial	Substantial
Project procurement	Substantial	Substantial
Environment, social and climate impact	Moderate	Moderate
Stakeholders	Moderate	Moderate
<b>Overall</b>	Moderate	Moderate

**B. Environment and social category**

54. The World Bank **environmental and social category** for TFSRP is "moderate". Potential risks and adverse impacts are predictable and expected to be temporary and/or reversible. No major construction works are anticipated, and the project will have no impact on sensitive areas or result in the loss of natural habitat or biodiversity. Infrastructure investment will be limited largely to operations, maintenance and management, employing a limited number of workers. Proposed farmland activities will be limited to existing land under irrigation, and activities will not take place in areas prone to geophysical hazards; hence the risk is considered minimal. Subproject grantees will be required to prepare environmental and social management plans indicating the potential risks and opportunities associated with the proposed activities, including mitigation and/or enhancement measures.

**C. Climate risk classification**

55. The preliminary **climate risk classification** for TFSRP is "substantial" due to the United Republic of Tanzania's exposure to extreme weather events such as droughts, floods, high temperatures, heat waves and dry spells and the greater frequency and intensity of heavy rains, hailstorms, high winds and rising sea levels. The target beneficiaries' vulnerability to climate-related shocks will pose a risk to the programme achieving its objectives.

**D. Debt sustainability**

56. According to the 2021 International Monetary Fund and IDA Debt Sustainability Analysis, the United Republic of Tanzania's risk of external debt distress remains moderate. The report underscores the importance of obtaining external financing on concessional terms. Furthermore, to maintain fiscal and debt sustainability, authorities should improve public investment management and proceed with investment projects with socioeconomic payoffs.

## **IV. Implementation**

### **A. Organizational framework**

#### **Programme management and coordination**

57. The MoA will appoint a programme management team (PMT) consisting of full-time staff to oversee the day-to-day management of operations. In addition, focal points from the relevant departments and units of the MoA and PO-RALG will be assigned to work with the teams. Procurement and financial management-related activities will be carried out by the relevant departments in the MoA and PO-RALG.
58. The Ministry of Agriculture, Irrigation, Natural Resources and Livestock (MAINRL) in Zanzibar will oversee implementation of Zanzibar-specific IPF activities. Programme implementation will be mainstreamed into the existing institutional arrangements of the MAINRL, which will appoint a team of full-time staff (PMT Zanzibar) to oversee the day-to-day management of the programme.
59. In addition, each PMT will be supported with a full-time youth and targeting specialist, a full-time horticulture expert, and a part-time digital agriculture expert.
60. Various agencies will be involved in implementing the activities. The MoA will be responsible for all activities to be implemented as described above. The Tanzania Research Institute may be tasked with strengthening the capacity of extension agents. This arrangement will help forge a relationship between research and extension and thus improve functional linkages. Other implementing partners will be local government authorities, the Southern Agricultural Growth Corridor of Tanzania and the Tanzania Horticulture Association. Under the existing institutional arrangement, local government authorities are in charge of extension services.
61. The National Irrigation Commission (NIRC) will be responsible for overseeing implementation of the irrigation interventions.

#### **Financial management, procurement and governance**

62. The programme will be administered by the World Bank in accordance with its financial management policy and guidelines. The fiduciary systems, including the institutional and implementation arrangements, fiduciary management capacity and implementation performance, are already assessed by the World Bank at all levels. IFAD will rely on the country project financial management systems for PforR.
63. PforR financial records will be kept using the integrated financial management system. The financial statements will be prepared in accordance with the International Public Sector Accounting Standards (IPSAS) accrual basis of accounting.
64. IPF-component financial records will be kept as per IPSAS cash basis in Excel worksheets, as the ministry does not have accounting software.
65. PforR internal audits will be performed by MoA internal auditors as per their annual plan. IPF-component internal audits will be performed at least twice a year. The World Bank will share internal audit reports with IFAD.
66. As per the World Bank's PAD, external audit reports for the IPF component will be submitted to the World Bank within six months of the end of each financial year.
67. PforR external audits will be performed by the Supreme Audit Institution and submitted to the World Bank within nine months of the end of the financial year. IFAD Executive Board approval for an exemption to section 9.03(b) of the IFAD General Conditions is being sought to submit annual audited financial statements nine months after each fiscal year-end for both the PforR and IPF components.
68. The programme will comply with the World Bank's guidelines on preventing and combating fraud and corruption. As indicated in the Program Appraisal Document,

the Government will also adopt appropriate measures to prevent fraud and corruption.

69. As per the Procurement Framework Agreement of September 2023 between IFAD and the World Bank, the lead cofinancier's procurement policies, regulations, rules and instructions will be applied for the procurement of goods, works and services.

**Target group engagement and feedback and grievance redress**

70. Free, Prior and Informed Consent, stakeholder engagement plans and grievance redress mechanism instruments will be available to manage potential social conflicts during project inception and implementation. Channels will be established following World Bank and IFAD requirements, based on existing practices.

**Grievance redress**

71. The programme will implement the World Bank grievance redress mechanisms (GRMs), which are fully aligned with IFAD requirements, as highlighted in the Social, Environmental and Climate Assessment Procedures (SECAP) gap analysis. The GRM approach will also be based on existing government approaches, which were assessed positively by the World Bank. The IFAD contacts and GRM channels will be included in the TFSRP GRM mechanism.

**B. Planning, monitoring and evaluation, learning, knowledge management and communications**

72. The TFSRP monitoring and evaluation (M&E) framework will rely on government data, with most of the data for the indicators generated by the MoA's Agriculture Routine Data System (ARDS). The ARDS will be upgraded during the first year of implementation. Some indicators will be derived from other government databases, while a few will be monitored through established information management systems. Use of the Government's systems will ensure that the TFSRP M&E arrangements are aligned with the Government's overall M&E framework and consistent with the M&E platforms created for the ASDP.
73. Knowledge management (KM) will be part of programme implementation through the M&E system. A KM strategy will be developed at the beginning of the programme. The PMT will document and share lessons at periodic intervals during supervision missions, at midterm review and at programme completion. The World Bank is currently working on upgrading its M&E systems, and KM is one of the areas it intends to improve to capture lessons on actual programme implementation and financing arrangements. This will include capturing lessons of particular value to IFAD, focusing on the programme-for-results modality.

**Innovation and scaling up**

74. The TFSRP design is focused on strengthening innovation and improving knowledge, specifically on the challenges of increasing access to climate-smart technologies and early warning systems. The programme seeks to introduce new business models that will maximize the impact of the Government's capital investments, specifically those focused on reducing the potential impact of water shortages on existing irrigation systems, reducing post-harvest losses and increasing the efficiency and effectiveness of budgets and policy instruments.
75. As part of the innovation strategy, the TFSRP-H will expand the use of digital solutions to increase access to climate-smart technology and improve the supply of high-quality climate-resilient seeds.
76. As part of ASDP II, a much larger Government-led programme, TFSRP-H interventions can be scaled up easily within this and other government initiatives.

## **C. Implementation plans**

### **Implementation readiness and start-up plans**

77. The ASDP II is ongoing, and the IDA financing has already entered into force. The programme coordination unit is already in place and is fully ready to implement IFAD-financed activities.

### **Supervision, midterm review and completion plans**

78. Joint supervision missions will be carried out by the Government, the World Bank and IFAD annually to analyse and assess implementation progress. IFAD will be involved in planning the mission and drafting and validating the terms of reference. Ad hoc implementation support missions will be carried out based on the specific needs and bottlenecks the programme may face.

## **V. Legal instruments and authority**

79. A financing agreement between the United Republic of Tanzania and IFAD will constitute the legal instrument for extending the proposed financing to the borrower. A copy of the negotiated financing agreement is attached as appendix I.
80. The United Republic of Tanzania is empowered under its laws to receive financing from IFAD.
81. I am satisfied that the proposed financing will comply with the Agreement Establishing IFAD and the Policies and Criteria for IFAD Financing.

## **VI. Recommendation**

82. 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 twenty-one million five hundred eight thousand seven hundred thirty-four United States dollars (US\$21,500,000) 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

(Negotiations concluded on 13 September 2024)

Loan No: \_\_\_\_\_

Project name: *Tanzania Food Systems Resilience Programme - Horticulture* ("the TFSRP-H"/ "the Operation")

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 a loan from the Fund for the purpose of co-financing the Programme and Project (both of them collectively the "Operation") described in Schedule 1 to this Agreement;

**WHEREAS**, the Operation is financed by the World Bank Group – International Development Association (the "Cooperating Institution") through a loan amounting to three hundred million United States dollars (USD. 300 000 000). The Borrower and the Cooperating Institution have entered into a financing agreement dated 30 June 2023 (the "World Bank - IDA Agreement") to provide financing for the Operation as defined in the World Bank - IDA Agreement;

**WHEREAS**, in May 2023, the Cooperating Institution approved Tanzania Food Systems Resilience Program (the "TFSRP"), which is financed by a US\$ 300 million World Bank loan. TFSRP is supporting an existing Government program, the Agricultural Sector Development Program II (the "ASDP II") which became effective in 2023 for a period of 5 years closing in July 2028 and is being implemented by the Ministry of Agriculture (the "MoA") in the Mainland and the Ministry of Agriculture Irrigation, Natural Resources and Livestock (MAINRL) in Zanzibar and coordinated by their respective Program Management Teams (the "PMTs").

**WHEREAS**, IFAD, the Cooperating Institution and the Government of the United Republic of Tanzania (the "GoT") have agreed to IFAD's co-financing of TFSRP, to bring a more specific focus on youth, horticulture, and access to finance. TFSRP-Horticulture will support the overall program.

**WHEREAS**, the Cooperating Institution and IFAD will sign a letter of appointment (the "Cooperation Agreement") detailing the responsibilities, arrangements and obligations of the two parties in supervising the Operation, including requirements for reporting and accountability from the Cooperating Institution and IFAD will ensure participation in supervisions.

**WHEREAS**, the Fund has agreed to provide co-financing for the Operation;

**NOW THEREFORE**, the Parties hereby agree as follows:

## Section A

1. The following documents collectively form this Agreement: this document, the Programme 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, except for the provisions identified in Section E paragraph 4 below. 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 a Loan (the "Financing") to the Borrower, which the Borrower shall use to implement the Operation in accordance with the terms and conditions of this Agreement.

## Section B

1. The amount of the loan is twenty-one million five hundred thousand United States dollars (USD 21,500,000).
2. The Loan is granted on highly concessional terms (the "HCT") and 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 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.
3. 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).
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 service charges shall be payable on each 15 February and 15 August.
7. There shall be (3) Designated Accounts in USD, two for Mainland Tanzania (one for IPF and one for PforR) and one for Zanzibar (for IPF) which will be for the exclusive use of the Operation opened in the Bank of Tanzania (the "BOT"). The Borrower shall inform the Fund of the officials authorized to operate the Designated Account(s).
8. There shall be (3) Programme Accounts in TZS, two for Mainland Tanzania (one for IPF and one for PforR) and one for Zanzibar (for IPF) for the benefit of the Operation in a commercial bank account.
9. The Borrower shall provide financing for the Operation in the amount of one billion seven hundred and ninety-three million United State dollars (US\$ 1. 793 Billion) which will form part of the larger Agriculture Sector Development Programme Phase II".

### **Section C**

1. The Lead Programme Agency shall be the Ministry of Agriculture (MoA).
2. Additional Programme Parties are described in Schedule 1 Part I.
3. A Mid-Term Review will be conducted as specified in Section 8.03 (b) and (c) of the General Conditions; however, the Parties may agree on a different date for the Mid-Term Review of the implementation of the Programme.
4. The Programme Completion Date shall be the fourth (4) anniversary of the date of entry into force of this Agreement (the "Effective Date") 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:
  - (a) in accordance with the Cooperating Institution's procurement guidelines in so far as they pertain to the Investment Project Financing ("IPF") components; or
  - (b) in accordance with the provisions of the Borrower procurement regulations where it pertains to Program-for-Results ("PforR") elements.

### **Section D**

1. The Financing shall be administered, and the Operation supervised by the World Bank as the Cooperating Institution.

### **Section E**

1. The following are designated as additional grounds for suspension of this Agreement:
  - (a) The Operation Manual and the Project Operation Manual and/or any provision thereof, has been waived, suspended, terminated, amended or modified without the prior agreement of the Fund and the Cooperating Institution 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 Operation.
  - (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) the Cooperation Agreement, as further defined in Article III of the GCs / or the co-financing Agreement has failed to enter into full force and effect within 180 days of the date of this Agreement, and substitute funds are not available to the Borrower.
  - (d) the right of the Borrower to withdraw the proceeds under the World Bank - IDA Agreement has been suspended, cancelled or terminated, in whole or in part, or the loans advanced under the World Bank - IDA Agreement have become due and payable prior to the agreed maturity thereof; or any event has occurred which, with notice or the passage of time, could result in any of the foregoing.
2. The following are designated as additional grounds for cancellation of this Agreement:

In the event that the Borrower did not request a disbursement of the Financing for a period of at least twelve (12) consecutive months without justification subsequent to the first eighteen (18) months from the Effective Date.

3. The following are designated as additional specific conditions precedent to withdrawal of the proceeds of the Financing:

- a) IFAD will have provided its clearance to the Operations Manual and the Project Operations Manual.
- b) Key Programme Personnel has been appointed as per Schedule 1 and 3 of this Agreement.
- c) the Cooperation Agreement, as further defined in Article III of the GCs / or the Co-financing Agreement has entered into full force and effect within 180 days of the date of this Agreement.
- d) The designated and operational accounts have been opened as per section B of this agreement.
- (e) the right of the Borrower to withdraw the proceeds under the World Bank - IDA Agreement has not been suspended, cancelled or terminated, in whole or in part, or the loans advanced under the World Bank - IDA Agreement have not become due and payable prior to the agreed maturity thereof; or any event has occurred which, with notice or the passage of time, could result in any of the foregoing.

4. For the purposes of this Agreement the following Articles of the General Conditions shall be amended to read as follows:

- (a) Article VII, Section 7.05 (Procurement): the procurement of goods, works and services to be financed out of the proceeds of the financing corresponding to the IPF activities under the Operation shall be subject to and governed by: Cooperating Institution's procurement policies, regulations, rules and instructions as per Procurement Framework Agreement between IFAD and the Cooperating Institution.
- (b) Article IX, Section 9.03 (Audit of Accounts): Programme Accounts, financial statements, and statements of expenditure shall be audited by independent auditors acceptable to the Cooperating Institution, in accordance with auditing standards acceptable to the Cooperating Institution. The audited financial statements shall be submitted by the Borrower within nine months after each fiscal year-end (for both PforR and IPF), to align with the Cooperating Institution's timeframe for audit report submission.
- (c) Article XI, Section 11.01 (Taxation): The Agreement shall permit the Borrower to use the Financing in alignment with the approach used in the World Bank – IDA Agreement Schedule 2 Section IV signed by the last party to that agreement on 30 June 2023.

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

For the Borrower:

Minister of Finance  
Ministry of Finance, United Republic of Tanzania

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, has been prepared in the English language in two (2) original copies, one (1) for the Fund and one (1) for the Borrower.

THE UNITED REPUBLIC OF TANZANIA

\_\_\_\_\_  
Dr. Natu El-maamry Mwamba  
Permanent Secretary

Date: \_\_\_\_\_

INTERNATIONAL FUND FOR  
AGRICULTURAL DEVELOPMENT

\_\_\_\_\_  
Alvaro Lario  
President

Date: \_\_\_\_\_

## Schedule 1

### *Programme Description and Implementation Arrangements*

#### I. Programme Description

1. *Target Population.* The Programme shall benefit an estimated 250,000 young (18 to 40) females and males. Indirectly the Programme will reach approximately 330,000 people. This will include 50 per cent young women, and 5 per cent vulnerable categories including Persons with Disabilities.

2. *Programme area.* The Programme will have a national scope. The International Development Association (IDA) loan targets agriculture in general, and IFAD will focus on the locations that have a comparative advantage for horticulture. (*the "Programme Area"*).

3. *Objectives.* The objective of the Programme is to support food systems resilience by strengthening agricultural service delivery, the adoption of climate resilient technologies and fiscal performance in the agricultural sector. The district selection will be guided by criteria that include: a) youth population and population density; b) potential for markets; c) vulnerability to climate change; d) complementarity with other initiatives/projects/programmes and potential for co-financing (i.e., World Bank and others) and other IFAD projects.

4. *Components.* The Operation is structured into, three Results Areas (RA) for the PforR in Mainland Tanzania, and Components for the IPF in Mainland and Zanzibar. The Financing will contribute to RA1 and to all IPF components as follows:

5. **Result Area 1: Improving service delivery in research, extension, and seed systems** seeks to support the delivery of ASDP II, build resilience, and increase the capacity of the Mainland to adapt to climate change by accelerating the ability of research institutions to develop and adapt technologies, expand the use of digital solutions to enable increased access to climate-smart technology and improve the supply to high-quality climate resilient seeds. There are three disbursement-linked indicators, namely: DLI1: Sustainable financing for the development and dissemination of climate resilient technologies in agriculture; DLI2: Extension outreach strengthened, including through ICT solutions for promoting climate-smart practices, and DLI3: Improved functional linkages in the seed value chain.

**IPF Component Mainland:** The Financing for the IPF component in mainland will finance the 3 additional experts (youth and targeting expert; horticulture expert; part-time digital agriculture expert) to be aggregated to the Mainland PMT. In addition, for the technical assistance, Financing will complement the World Bank loan where necessary, with focus on strengthening the M&E capacity, responding to green growth and carbon financing opportunities, and building institutional capacity.

6. **Component 1 (Zanzibar):** Improving service delivery in research, seed, and extension. This component focusses on strengthening different actors' capacities to undertake relevant research on agriculture technologies such as new varieties, multiply and disseminate these technologies, and to provide the necessary extension services to promote the adoption of these technologies.

7. **Component 2 (Zanzibar):** Rehabilitation of rural infrastructure to enhance climate resilience. Under this component, TFSRP will finance the rehabilitation of irrigation and drainage infrastructure, the drilling of boreholes, market infrastructure and the rehabilitation of some farm roads. In addition, this component will support construction of government-owned farm level stores, and construction of three drying areas in farmers' service centres.

8. **Component 3 (Zanzibar):** Project implementation and supervision. As for the IPF Mainland, under this component IFAD will finance the 3 additional experts (youth and targeting expert; horticulture expert; part-time digital agriculture expert) to be aggregated to the Zanzibar PMT. In addition, the Financing will complement, where necessary, the World Bank loan with regards to specific technical assistance in project management, financial management, and procurement, social and environmental, monitoring and evaluation, and reporting requirement, including the preparation and approval of annual work plans, the project operation manual, environmental and social instruments, and other related documents. Under the environmental and social management-related activities, the support will enable the MAINRL in Zanzibar to coordinate, monitor, and report on implementing the relevant environmental and social management processes.

## II. Implementation Arrangements

9. *Lead Programme Agency.* The Ministry of Agriculture.

10. *Operation Oversight Committee.* All committees established for TFSRP will also be employed for this Operation.

The Joint Steering Committee (JSC) will provide strategic oversight and promote coordination between the entities in Tanzania and Zanzibar who implement the operations and activities. JSC meets at least once a year to review lessons derived from TFSRP implementation.

In addition to the JSC, two Steering Committees exist – one for Tanzania Mainland and one for Zanzibar, chaired respectively by the Permanent Secretary of MoA (Mainland) and of MAINRL (Zanzibar).

The mandates of the SC are to review and assess the progress and performance of TFSRP, including the horticulture interventions and approve fund releases, including: (i) approve the annual work plan and budget for the following year, (ii) approve bi-annual fund release requests, (iii) approve annual reports, (iv) review progress in achieving Disbursement Linked Indicators (for Mainland) and overall implementation progress (Zanzibar), (v) review and endorse reports substantiating and validating the performance assessment including the Independent Verification Reports, (vi) approve annual work plan and budgets for the technical assistance activities, and (vii) approve Operation Manual and its amendments.

The Mainland will also have a Technical Committee (TC) composed of directors and heads of institutions involved in TFSRP implementation. The mandate of the TC will be to: (i) review and scrutinize implementation progress of TFSRP interventions, and (ii) provide technical guidance to the implementing institutions for the implementation of their respective activities, including procurement and financial management performance, and achievement of DLIs.

11. *Programme Management Teams (Mainland and Zanzibar).* Both Programme Management Teams established for TFSRP will also be employed for this Operation. The MoA has appointed a Programme Management Team (PMT) team of full-time staff to oversee day-to-day management of the operation.

For Zanzibar, the Ministry of Agriculture, Irrigation, Natural Resources and Livestock (MAINRL) in Zanzibar will oversee implementation of Zanzibar-specific IPF activities. The programme implementation will be mainstreamed into the existing institutional arrangements of the MAINRL, who will appoint a team of full-time staff to oversee the day-to-day management of the programme (PMT – Zanzibar).

Furthermore, each PMT will be supported with: a full-time youth and targeting specialist; a full-time horticultural expert; and a part-time digital agriculture expert. The key Programme Personnel roles to be filled as a condition prior to all withdrawals include, for

both the PMT and PMT-Zanzibar, include: (i) the project coordinator; (ii) the accountant; (iii) the youth and targeting specialist.

In addition, the PMT should fill the M&E officer and the PMT Zanzibar should fill the procurement officer positions prior to withdrawals.

12. *Implementing partners.* Various agencies will be involved in implementing planned activities, including amongst others different state agencies and ministries in Mainland and/or Zanzibar, Non-Governmental Organisations, farmer groups, research centres/institutes and associations.

13. *Monitoring and Evaluation.* The TFSRP M&E framework will rely on the Government's data, with most of the data for the indicators generated through the MoA's Agriculture Routine Data System (ARDS). Some indicators will be derived from other Government administrative information databases, while a few will be monitored through established information management systems. Using the Government's systems will ensure that the TFSRP M&E arrangements are aligned with the Government's overall M&E framework and are consistent with the M&E platforms created for the ASDP.

14. *Knowledge Management.* Knowledge management will form part of the programme implementation through the M&E. A knowledge management (KM) strategy will be developed at the beginning of the programme. The documentation and sharing of lessons on the PfoR and IPF implementation will be conducted at process level by both PMTs and periodic intervals during supervision missions, at mid-term review and at programme completion.

15. *Programme Implementation Manual.* The Operations Manual and the Project Operations Manual equivalent to the IFAD Programme Implementation Manual (PIM) will be updated to reflect the additional operations brought through TFSRP-H.



## Schedule 2

### Allocation Table

#### 1. Allocation of Loan.

(a) Table 1 below sets out (i) the categories of Eligible Expenditures to be financed by the Loan and (ii) the allocation of the amounts to each category of the Financing. The amounts allocated in Table 1 [will be disbursed alongside the funds governed by World Bank – IDA Agreement. There will be no recurrent costs under the PforR categories. Recurrent costs financed by IFAD loan for the IPF components shall not exceed 15% of the total allocated amount for IPF components:

**Table 1**

Category (including Disbursement Linked Indicator as applicable)	Amount of the Financing Allocated to each Category (expressed in USD)	Percentage of Eligible Expenditures to be Financed under the Project (inclusive of taxes)
(1) DLI 1 - Sustainable financing for the development and dissemination of climate resilient technologies in agriculture. - Mainland	7 475 000	
(2) DLI 2 - Extension outreach strengthened, including through Information and Communication Technology (ICT) solutions for promoting climate smart practices. - Mainland	3 275 000	
(3) DLI 3 - Improved functional linkages in the Seed value chain - Mainland	6 850 000	
(4) IPF Mainland - Consulting and non-consulting services, Training and Workshops.	500 000	100%
(5) IPF Zanzibar - Goods, works, consulting and non-consulting services, Training and Workshops, Incremental Operating Costs.	3 400 000	100%
<b>TOTAL</b>	<b>21 500 000</b>	

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

- (i) DLI is the disbursement linked indicator/s described in the matrix of Table 2 below. The DLIs are used to measure achievement of particular milestones or disbursement-linked indicators that will trigger the disbursements to the Borrower.
- (ii) Category 4 expenditures are relating to Technical Assistance and Studies.
- (iii) Category 5 includes costs relating to improving service delivery in research, seed, and extension, and rehabilitation of rural infrastructure to enhance climate resilience.
- (iv) In category 5; Goods mean cost relating to equipment and machinery, and consulting and non-consulting services include cost relating to capacity building, training, Technical Assistance and studies.

## 2. *Disbursement Arrangements*

(a) Disbursements Arrangements for Categories (1) through (3) of Table 1

- (i) The funds (inclusive of Taxes), will be disbursed on the basis of the results achieved by the Borrower, as measured against specific DLIs set out in the Table 2 below. Withdrawal applications shall be submitted directly to the World Bank's Client Portal.
- (ii) Upon entry into force, the Borrower shall appoint an independent verification agent with experience and qualifications and under terms of reference acceptable to the Cooperating Institution to verify the data and other evidence supporting the achievement of the DLIs/DLRs, as set forth in the Table 2 below.
- (iii) Progression towards the achievement of the DLIs will be verified by the Verification Agency (the "VA") where applicable. The VA will be guided by the verification protocols and guidance notes. Verification reports with evidence of total or partial achievement of DLIs will be submitted to the Cooperating Institution. The Financing will be disbursed to Borrower upon the Cooperating Institution's acceptance of results achieved.
- (iv) The Borrower shall ensure that the Verification Agency carries out the verification process in accordance with the Verification Protocol (targeted for March and September) and submits the verification reports to the World Bank on semi-annual basis in form and substance satisfactory to the World Bank.

(b) Disbursement arrangements for Categories (4) through (5) of Table 1

Funds for the Investment Project Financing (IPF) activities will be disbursed (inclusive of taxes) based on submission of quarterly Interim Financial Reports (IFRs), which will be submitted to the World Bank within 45 days after the end of each quarter. Withdrawal applications will be submitted directly to the World Bank's Client Portal. IFRs will also be submitted through IFAD's Client Portal for IFAD's information.

(c) Financing of taxes

To adopt a harmonized policy on taxes as reflected in section E 4(c) of this Financing Agreement.

(d) Audit arrangements

Programme Accounts, financial statements, and statements of expenditure shall be audited by independent auditors acceptable to the Fund and the Cooperating Institution, in accordance with auditing standards acceptable to the Cooperating Institution. The audited financial statements shall be submitted by the Borrower within nine months after each fiscal year-end (for both PforR and IPF), to align with the Cooperating Institution's timeframe for audit report submission.

**Table 2**

<b>TABLE 2 Disbursement Linked Indicator Matrix</b>				
<b>DLI 1</b>	<b>Sustainable financing for the development and dissemination of climate resilient technologies in agriculture; P4R RDLIs- Mainland</b>			
<b>Type of DLI</b>	<b>Scalability</b>	<b>Unit Measure</b>	<b>Total Allocated Amount</b>	<b>As % of Total Financing Amount</b>
<b>Intermediate Outcome</b>	<b>Yes</b>	<b>Number</b>	<b>7 475 000</b>	<b>35%</b>
Period	Value		Allocated Amount	Formula
Baseline	-			
Prior Results	-		-	DLI 1.1 + DLI 1.2
FY2024/25	-		4 787 500	DLI 1.1 + DLI 1.2
FY2025/26	-		2 687 500	DLI 1.1
<b>DLI 1.1</b>	<b>TARI's annual budget outturn for horticulture research</b>			
<b>Type of DLI</b>	<b>Scalability</b>	<b>Unit Measure</b>	<b>Total Allocated Amount</b>	<b>As % of Total Financing Amount</b>
<b>Intermediate Outcome</b>	<b>Yes</b>	<b>Number</b>	<b>5 375 000</b>	<b>25%</b>
Period	Value		Allocated Amount	Formula
Baseline	30			
Prior Results			-	
FY2024/25	50		2 687 500	\$ 537 500 per every 1% budget outturn rate increase
FY2025/26	55		2 687 500	\$ 537 500 per every 1% budget outturn rate increase
<b>DLI 1.2</b>	<b>TARI Horticulture Investment Plan 2025-2030 approved</b>			
<b>Type of DLI</b>	<b>Scalability</b>	<b>Unit Measure</b>	<b>Total Allocated Amount</b>	<b>As % of Total Financing Amount</b>
<b>Intermediate Outcome</b>	<b>No</b>	<b>Yes/No</b>	<b>2 100 000</b>	<b>10%</b>
Period	Value		Allocated Amount	Formula
Baseline	No			

Prior Results	Yes		-	
FY2024/25	Yes		2 100 000	Disbursement if TARI horticulture investment plan is developed
<b>DLI 2</b>	<b>Extension outreach strengthened, including through ICT solutions for promoting climate smart practices in horticulture; P4R RDLIs- Mainland</b>			
<b>Type of DLI</b>	<b>Scalability</b>	<b>Unit Measure</b>	<b>Total Allocated Amount</b>	<b>As % of Total Financing Amount</b>
<b>Intermediate Outcome</b>	<b>Yes</b>	<b>Number</b>	<b>3 275 000</b>	<b>15%</b>
Period	Value		Allocated Amount	Formula
Baseline	-			
Prior Results	-		-	
FY2024/25	-		-	DLI 2.1 + DLI 2.2
FY2025/26	-		-	DLI 2.1 + DLI 2.2
FY2026/27	-		3 275 000	DLI 2.1 + DLI 2.2
FY2027/28	-		-	DLI 2.1 + DLI 2.2
<b>DLI 2.1</b>	<b>Number of extension staff trained on climate smart practices and e-agric. Solutions</b>			
<b>Type of DLI</b>	<b>Scalability</b>	<b>Unit Measure</b>	<b>Total Allocated Amount</b>	<b>As % of Total Financing Amount</b>
<b>Intermediate Outcome</b>	<b>Yes</b>	<b>Number</b>	<b>2 870 000</b>	<b>13%</b>
Period	Value		Allocated Amount	Formula
Baseline	-			
Prior Results	-		-	
FY2026/27	1 111		2 870 000	\$4 474 per extension officers (at least 30% being female) trained on climate smart practices and agricultural solutions
<b>DLI 2.2</b>	<b>Horticulture Farmers (% women) reached with e-extension services</b>			
<b>Type of DLI</b>	<b>Scalability</b>	<b>Unit Measure</b>	<b>Total Allocated Amount</b>	<b>As % of Total Financing Amount</b>
<b>Intermediate Outcome</b>	<b>Yes</b>	<b>Number</b>	<b>405 000</b>	<b>2%</b>
Period	Value		Allocated Amount	Formula
Baseline				

Prior Results				
FY2026/27	150 000		405 000	\$27 per 10 farmers (3 being female) that have received early warning messages and/or submitted queries through the M-Kilimo
<b>DLI 3</b>	<b>Improved functional linkages in the Seed value chain; P4R RDLIs-Mainland</b>			
<b>Type of DLI</b>	<b>Scalability</b>	<b>Unit Measure</b>	<b>Total Allocated Amount</b>	<b>As % of Total Financing Amount</b>
<b>Intermediate Outcome</b>	<b>Yes</b>	<b>Tons/Year</b>	<b>6 850 000</b>	<b>32%</b>
Period	Value		Allocated Amount	Formula
Baseline	-			
Prior Results	-		-	DLI 3.1 + DLI 3.2
FY2024/25	-		2 620 000	DLI 3.1.1 + DLI 3.1.2
FY2025/26	-		1 310 000	DLI 3.1.1 + DLI 3.1.2
FY2026/27	-		1 310 000	DLI 3.1.1 + DLI 3.1.2
FY2027/28	-		1 610 000	DLI 3.2
<b>DLI 3.1.1</b>	<b>Number certified seeds produced (in tons) by ASA</b>			
<b>Type of DLI</b>	<b>Scalability</b>	<b>Unit Measure</b>	<b>Total Allocated Amount</b>	<b>As % of Total Financing Amount</b>
<b>Intermediate Outcome</b>	<b>Yes</b>	<b>Tons/Year</b>	<b>2 620 000</b>	<b>12%</b>
Period	Value		Allocated Amount	Formula
Baseline	-		-	
Prior Results	-		-	
FY2024/25	0.5		1 310 000	\$5 240 per additional KG of certified seeds produced year on year
FY2025/26	0.75		655 000	\$5 240 per additional KG of certified seeds produced year on year
FY2026/27	1		655 000	\$5 240 per additional KG of certified seeds produced year on year
<b>DLI 3.1.2</b>	<b>Number of certified seedlings produced by ASA</b>			

Type of DLI	Scalability	Unit Measure	Total Allocated Amount	As % of Total Financing Amount
<b>Intermediate Outcome</b>	<b>Yes</b>	<b>Tons/Year</b>	<b>2 620 000</b>	<b>12%</b>
Period	Value		Allocated Amount	Formula
Baseline	-		-	
Prior Results	-		-	
FY2024/25	1 000		1 310 000	\$ 1 310 per additional certified seedling produced year on year
FY2025/26	2 000		655 000	\$ 1 310 per additional certified seedling produced year on year
FY2026/27	3 000		655 000	\$ 1 310 per additional certified seedling produced year on year
<b>DLI 3.2</b>	<b>Number of young TOSCI Authorized Seed Inspectors/2</b>			
Type of DLI	Scalability	Unit Measure	Total Allocated Amount	As % of Total Financing Amount
<b>Intermediate Outcome</b>	<b>No</b>	<b>Number</b>	<b>1 610 000</b>	<b>7%</b>
Period	Value		Allocated Amount	Formula
Baseline				
Prior Results				
FY2027/28	9		1 610 000	\$178 889 per (young) seed inspector trained and authorised.

## 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 Programme:

1. The PforR financial records for the operation will be maintained using the integrated financial management system (IFMIS) and the IPF Component project financial records will be maintained manually in excel worksheet as the ministry does not have an accounting software to maintain project records. Both PforR and IPF financial statements will be prepared under the International Public Sector Accounting Standards (IPSAS) as described in the World Bank PAD to satisfy International Accounting Standards, World Bank-IDA and IFAD's requirements.

2. *Planning, Monitoring and Evaluation.* All Planning, Monitoring and Evaluation of Operation activities will be administered through Cooperating Institution, with the Fund being kept informed throughout.

3. The Key Programme Personnel are: (i) the project coordinator; (ii) the accountant; (iii) the youth and targeting specialist, for both the PMT and PMT-Zanzibar.

In addition, the M&E officer for the PMT and the procurement officer for the PMT-Zanzibar are considered Key Programme Personnel. In order to assist in the implementation of the Operation, the PMT, 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 Cooperating Institution. Key Programme Personnel shall be seconded to the PMT in the case of government officials or recruited under a consulting contract following the individual consultant selection method in accordance with the Cooperating Institution's procurement rules where it relates to IPF activities, or any equivalent selection method in the national procurement system where it relates to PforR. Key Programme Personnel are subject to annual evaluation and the continuation of their contract is subject to satisfactory performance. Any contract signed for Key Programme 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 Operation's circumstances.

#### **II. SECAP Provisions**

1. *Environmental, Social and Climate safeguards.* The borrower shall ensure that the IPF activities under the Programme will be implemented in compliance with the Environmental and Social Standard requirements specified in the World Bank - IDA Agreement and shall ensure that : (a) all Operation activities are implemented in strict conformity with the Borrower's relevant laws and regulations; (b) all Operation activities give special consideration to the practices of the local population in compliance with the World Bank policy; (c) Free Prior Informed Consent is obtained from all persons whose access to land and resources may be affected or hindered by Operation activities. In the event of unforeseen land acquisition or involuntary resettlement under the Operation, the Borrower shall immediately inform IDA and the Fund and prepare necessary planning documents, to be disclosed on IFAD website and at local level; (d) women and men shall be paid equal remuneration for work of equal value under the Operation; (e) recourse to



child labour is not made under the Operation; (f) fair treatment, non-discrimination, and equal opportunity of Operation workers; (g) the measures included in the Gender Action Plan are undertaken, and the resources needed for their implementation are made available, in a timely manner; (h) all necessary and appropriate measures to implement the Gender Action Plan to ensure that women can participate and benefit equitably under the Operation are duly taken; and (i) easily accessible and responsive Operation-level grievance redress mechanism is established and operates effectively.

2. This ESMF highlights the necessity of preparing site-specific ESF instruments, namely ESIAs/ESMPs and underlines the project implementation arrangements. In compliance with the Environment and Social Commitment Plan (ESCP), the Government of Zanzibar shall develop an ESMP for the IPF activities to guide operations, maintenance and implementation arrangements for the irrigation and post-harvest infrastructure. The ESMPs will be site-specific and will be revised and contextualised at sub-project level.

3. Both the TFSRP and the Horticulture component designs include a strong focus on climate change resilience and adaptation. However, specific adaptation measures are not comprehensively provided for in the ESMF. For projects presenting substantial climate risks, the Borrower shall carry and conduct a Targeted Adaptation Assessment (TAA), in accordance with SECAP requirements for Substantial climate risk category projects. The mitigation measures outlined in the Targeted Adaptation Plan should be mainstreamed in project interventions. The TAA will further be revised and contextualised at sub-project level.

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

5. *Fraud and Corruption.* The borrower shall ensure that: (a) the PforR activities under the Programme are carried out in accordance with the provisions of the "World Bank's Guidelines on Preventing and Combating Fraud and Corruption in Program-for-Results Financing", dated February 1 2012 and revised on July 10 2015; and (b) the IPF activities under the Operation are carried out in accordance with the provision of the "Guidelines on Preventing and Combating Fraud and Corruption in Projects Financed by IBRD Loans and IDA Credits and Grants", dated October 15, 2006 and revised in January 2011 and as of July 1, 2016." For the purposes of this Agreement, a finding of corruption pursuant to the provisions of either of the foregoing guidelines, shall be deemed a finding of corruption under the "IFAD Policy on Preventing Fraud and Corruption in its activities and operations" as may be amended from time to time.

6. *Sexual Harassment, Sexual Exploitation and Abuse.* The Borrower and Cooperating Institution shall ensure that the Operation is carried out in accordance with the provisions of the Cooperating Institution's sexual harassment policy where it relates to IPF components and the Borrower's systems or IFAD's policy on Preventing and Responding to Sexual Harassment, Sexual Exploitation and Abuse.

## Logical framework

Results Hierarchy	Indicators				Means of Verification			Assumptions	
	Name	Baseline	Mid-Term	End Target	Source	Frequency	Responsibility		
<b>Outreach</b>	<b>1 Persons receiving services promoted or supported by the project</b>				MIS, Digital Systems (M-Kilimo)	Annually	Ministry of Agriculture	"There is availability and willingness of the targeted youth to participate in the project and contribute to household livelihoods.  The Government of Tanzania has put in place systems to reach the targeted youth and has capacity to provide the services as provided in the project design. "	
	Males - Males								125000
	Females - Females								125000
	Young - Young people								250000
	Total number of persons receiving services - Number of people								250000
	Persons with disabilities - Number				12500				
	<b>1.b Estimated corresponding total number of households members</b>				MIS, Digital Systems (M-Kilimo)	Annually	Ministry of Agriculture		
	Household members - Number of people				1250000				
<b>Development Objective</b> To support food systems resilience by strengthening agricultural service delivery, the adoption of climate resilient technologies and fiscal performance in the agricultural sector	<b>3.2.2 Households reporting adoption of environmentally sustainable and climate-resilient technologies and practices</b>				HH survey	Midline, end line surveys	External M&E service provider	There is willingness and capacity by the targeted youth to adopt and sustain the climate resilient technologies in their horticulture enterprises. The Government extension services have capability to deliver and reach the targeted youth with the climate resilient technologies. The youth horticulture enterprises are sustainable and have potential to create new jobs/employment opportunities for other people. The government is willing to support the growth of youth horticulture enterprises with all the necessary resources that grow and sustain them.	
	Total number of household members - Number of people								250000
	Households - Percentage (%)								20
	Households - Households								50000
	<b>2.2.1 Persons with new jobs/employment opportunities</b>				HH survey	Midline, end line surveys	External M&E service provider		
	Males - Males								25000
	Females - Females								25000
	Young - Young people								50000
Total number of persons with new jobs/employment opportunities - Number of people				50000					
Persons with disabilities - Number				2500					
<b>Outcome</b> Results Area 1: Improving service delivery in research, extension, and seed Mainland									
<b>Output</b> DLI 1. Sustainable financing for the development and dissemination of climate resilient technologies in agriculture; P4R RDLIs- Mainland	<b>Increase in budget disbursed for horticulture</b>				Audited reports	Annually	TALI	There is willingness and capacity from government to improve the service delivery in research, extension, and seed systems. The government is willing has the capacity to make the initial investment to achieve these deliverables to trigger the disbursement of funds on time.	
	Type of seed (TBC) - Percentage (%)								45
	<b>TARI Strategic Plan 2025-30 approved to include horticulture investment plan, including Mid-term Expenditure Framework (this a deliverable for year 2025)</b>				TARI records, surveys of farmers and agricultural experts		Type of component supported.		
Horticulture investment plan approved (including Mid-term Expenditure Framework) by type of component supported - Percentage (%)				1					
<b>Output</b> DLI 2. Extension outreach strengthened, including through ICT solutions for promoting climate smart practices; P4R RDLIs- Mainland	<b>Number of extension staff trained on climate smart practices and e-agric. Solutions</b>				Ministry of Agriculture training records	Annually	Ministry of Agriculture	There is willingness by extension services to participate in trainings related to climate smart practices and deployment of e-agriculture solutions. There is willing to utilise e-agric solutions within government.	
	Male - Number								560
	Female - Number								240
	Young People - Number								
<b>Farmers reached with extension services</b>					Annually				

	Male - Number			175000	MIS, Digital Systems (M-Kilimo)		Ministry of Agriculture	There is technical support for the relevant staff to fully utilise the e-agric solutions. The e-agric solutions are user friendly to both government staff and the targeted youth. There is supportive infrastructure in the geographic areas to support the functionality of the e-agric solutions.
	Female - Number			75000				
	Young people - Number			250000				
<b>Output</b> DLI 3. Improved functional linkages in the Seed value chain; P4R RDLIs- Mainland	<b>Number certified seeds produced (in tons) by ASA</b>				ASA records	Annually	TOSCI	There is expertise and infrastructure to support the production of certified seeds. There is limited red tape in getting the seed certified to get into mainstream seed market systems.
	Type of seed (TBC) - Number			45	TOSCI records	Annually	TOSCI	
	<b>Number of TOSCI Authorized Seed Inspectors/2</b>							
	Male - Number			32				
	Female - Number			8				
	Young People - Number			40				
<b>Outcome</b> IPF Component: Project Activities in Zanzibar								
<b>Output</b> IPF Component 1: Zanzibar Support to Zanzibar	<b>Number of ZARI Lab equipped with facilities (soil, tissue culture and entomology etc.)</b>				ZARI records	Annually	ZARI	There is willingness by the government to rehabilitate ZARI Labs. There is availability of staff or students willing to pursue postgraduate studies in areas of need within ZARI. There is expertise and infrastructure to support the production of certified seeds. There is limited red tape in getting the seed certified to get into mainstream seed market systems. There is willingness by extension services to participate in trainings related to climate smart practices and deployment of e-agriculture solutions. There is willingness and capacity by the targeted youth to be trained, adopt and sustain the climate resilient technologies in their horticulture enterprises.
	Labs equipped with facilities - Number			1	ZARI records	Annually	ZARI	
	<b>Number of additional professional staff with a post-graduate degree (master's and PhD) at ZARI</b>							
	Male - Number			1				
	Female - Number			1				
	Young people - Number			2	ZARI records	Annually	ZARI	
	<b>Number of climate resilience enhancing technologies developed and released in Zanzibar</b>							
	Climate resilience - Number			2	ZARI records	Annually	ZARI	
	<b>Seed certification system established</b>							
	System established - Number			1	Ministry of Agriculture (Zanzibar) records, surveys of extension staff	Annually	Ministry of Agriculture	
	<b>Number of extension staff trained on climate smart practices and e-agric solutions</b>							
	Male - Number			3				
	Female - Number			3				
	Young people - Number			6	Ministry of Agriculture (Zanzibar) records,	Annually	Ministry of Agriculture	
	<b>Number of farmers that completed a farmer field school program supported by the project</b>							
	Male - Number							
	Female - Number							

	Young People - Number			1000	surveys of extension staff			
<b>Output</b> IPF Component 2: Zanzibar Rehabilitation of rural infrastructure to enhance climate resilience	<b>Number of Farmer's Service Centers rehabilitated (incl. drying area)</b>				Ministry of Agriculture (Zanzibar) records	Annually	Ministry of Agriculture	The Ministry of Agriculture supports the rehabilitation of the Farmer Service Centers. The Farmer Service Centers are available and accessible for rehabilitation.
	Service centers rehabilitated - Number							
<b>Output</b> IPF Component 3: Zanzibar improved access to markets	<b>Number of youths certified on food safety standards</b>				Ministry of Agriculture (Zanzibar) records	Annually	Ministry of Agriculture	There is willingness and capacity by the targeted youth to participate in food safety certification programmes, adopt and sustain these in their horticulture enterprises
	Male - Number							
	Female - Number							
	Young people - Number			1000				
	<b>Number of youths supplying local markets with horticulture produce</b>				Ministry of Agriculture (Zanzibar) records	Annually	Ministry of Agriculture	
	Male - Number							
	Female - Number							
Young People - Number			1000					

## Integrated programme risk matrix

Risk categories and subcategories	Inherent	Residual
<b>Country context</b>	<b>Substantial</b>	<b>Substantial</b>
<b>Political commitment</b>	<b>Substantial</b>	<b>Substantial</b>
<p>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.</p> <p>Furthermore, although there are upcoming general elections in 2025, and that cabinet reshuffles happen, the importance of the ASDPII and BBT-YIA are such that they national and government priorities, irrespective of the ministers in charge.</p>		
<p>Mitigations: The World Bank and IFAD will establish a collaboration with the government to ensure that the project aligns with their objectives and receives their support. Developing relationships with stakeholders at all levels in the relevant line ministries and institutions will be crucial, for success.</p>		
<b>Governance</b>	<b>Substantial</b>	<b>Substantial</b>
<p>Risk(s): Risk: 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 &amp; Institutions for Environment Sustainability, Quality of Budgetary &amp; Financial Management, Efficiency of Revenue Mobilization, Quality of Public Administration and Transparency, Accountability &amp; Corruption in Public Sector where Tanzania scored 3). Inadequate governance capacity in the targeted government institutions has the potential to result in corruption, delays and inefficiencies during the implementation of the project.</p>		
<p>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 fourth phase (NACSAP IV / 2023-2030). 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. Furthermore, TFSRP</p>		

<b>Risk categories and subcategories</b>	<b>Inherent</b>	<b>Residual</b>
and TFSRP-H both include an important TA component to ensure implementing agencies have the capacity to implement project activities as planned.		
<b>Macroeconomic</b>	<b>Moderate</b>	<b>Moderate</b>
<p>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.</p> <p>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.</p> <p>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.</p>		
<p>Mitigations: The government 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.</p>		
<b>Fragility and security</b>	<b>Substantial</b>	<b>Substantial</b>
<p>Risk(s): Tanzania is vulnerable to climate events (droughts, floods, water scarcity) climate events (droughts, floods, water scarcity). For instance, in December 2023 and May 2024, Tanzania was hit by torrential rain and flooding linked to the El Nino, which affected other countries in East Africa for weeks, causing dozens of deaths and injuries among the population.</p>		
<p>Mitigations: TFSRP will support the introduction of climate resilient infrastructure (irrigation) and horticulture varieties to mitigate the impact of climate change on project beneficiaries.</p>		
<b>Sector strategies and policies</b>	<b>Moderate</b>	<b>Moderate</b>
<b>Policy alignment</b>	<b>Moderate</b>	<b>Moderate</b>
<p>Risk(s): There is a very minor risk that a shift in government policy priorities make TFSRP-H less relevant and lose political support.</p>		
<p>Mitigations: This risk is mitigated by the fact that, as an RBL, the project is fully integrated into existing Government programmes, such as ASDPII and BBI. Furthermore, the lessons learnt through the implementation of TFSRP-H activities have the potential to feed into the updating of national policies, given that a number of youth policies will "expire" during project implementation.</p>		

<b>Risk categories and subcategories</b>	<b>Inherent</b>	<b>Residual</b>
<b>Policy development &amp; implementation</b>	<b>Moderate</b>	<b>Moderate</b>
Risk(s): There is a possibility that the government may lack the ability to create and execute sector policies that are effective potentially affecting the success of the project particularly under access to finance.		
Mitigations: Offer support, to the government in order to build their capacity in developing and implementing sector policies that are effective. Collaborate with stakeholders including civil society organizations to provide assistance, to the government throughout this process.		
<b>Environment and climate context</b>	<b>Substantial</b>	<b>Substantial</b>
<b>Project vulnerability to environmental conditions</b>	<b>Substantial</b>	<b>Substantial</b>
Risk(s): The project might face challenges related to factors such as droughts, floods and pests, which all have the potential to seriously disrupt agriculture production and the livelihoods of the target groups. Overall, such challenges pose a concrete risk of slowing down implementation, and which in turn could lead the project to not fully achieve its PDO in the envisaged timeline.		
Mitigations: The project has incorporated horticulture climate resilience interventions in its design and implementation to mitigate the impact of such climatic events. The Project will ensure screening of project interventions potential impact on environment and formulation of site specific Environmental and Social Climate Management Plans (ESCMs) where environmental risks exist to minimize negative environmental impacts when risk is identified. There will be targeted conservation and restoration activities at micro-catchment level/ irrigation scheme level.		
<b>Project vulnerability to climate change impacts</b>	<b>Substantial</b>	<b>Substantial</b>
Risk(s): The inherent risk for vulnerability to climate change is substantial as both Tanzania and Zanzibar are prone to climate change impacts including drought, floods, crop pests and diseases, tropical cyclones and severe storms, wildfires, landslides and increasing saltwater intrusion. These factors might affect the projects progress and overall success.		
Mitigations: The project has incorporated horticulture climate resilience interventions in its design and implementation to mitigate this. Early warning systems, more accessible weather and climate data, climate-resilient infrastructure, climate-smart agricultural practices/technologies, will be promoted to increase resilience. A targeted adaptation assessment will be developed to identify site specific adaptation options.		
<b>Project scope</b>	<b>Moderate</b>	<b>Moderate</b>
<b>Project relevance</b>	<b>Moderate</b>	<b>Moderate</b>
Risk(s): There is a possibility that the project might not address the requirements of the youth in horticulture or the country overall resulting in its failure.		
Mitigations: To mitigate this risk World Bank and IFAD will align with already existing government initiatives such the Building a Better Tomorrow (BBT) programme to ensure that the project is tailored to meet both the needs of the youth population and those of the country as a whole. The project is also providing funds to hire a targeting and youth specialist to ensure relevance of the interventions being provided.		
<b>Technical soundness</b>	<b>Moderate</b>	<b>Moderate</b>
Risk(s): There is a risk that the project design might not be technically robust which could result in some project interventions not being adequate to respond to farmers needs or to address existing technical challenges.		
Mitigations: To address this World Bank and IFAD has conducted a feasibility assessment to ensure that the project design is solid.		

<b>Risk categories and subcategories</b>	<b>Inherent</b>	<b>Residual</b>
Additionally IFAD will support the hiring of additional personnel such as targeting and youth specialist, a horticulture specialist and a financial inclusion/agri-business specialist in order to ensure the availability of relevant expertise in the Programme Management Team for the implementation of the IFAD financed activities, particularly activities. Finally, IFAD designs remain sufficiently flexible to change approaches and adapt interventions to the evolving contexts.		
<b>Institutional capacity for implementation and sustainability</b>	<b>Moderate</b>	<b>Moderate</b>
<b>Implementation arrangements</b>	<b>Moderate</b>	<b>Moderate</b>
Risk(s): The implementation arrangements for TFRSP-H are somewhat complex, involving different implementing agencies in the Mainland and Zanzibar. This complexity could create challenges for coordination and implementation of project activities, particularly where interventions of different implementing agencies are interlinked with one another.		
Mitigations: TFSRP-H will rely on the existing central Coordination unit, which includes a Project Coordinator, component leads and technical experts. In addition, the TA component will ensure that any capacity building needs or additional expertise required can be mobilized. IFAD and the World Bank will monitor closely the performance of the PCU and various implementing agencies, and both institutions reserve the right to make changes to the PCU structure if and when needed.		
<b>M&amp;E arrangements</b>	<b>Moderate</b>	<b>Moderate</b>
Risk(s): Existing M&E systems for ASDP II and for the implementing Ministry may not be 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. This is particularly critical when it comes to the measurement and reporting of the DLIs.		
Mitigations: The overall M&E capacity at the MoA needs to be strengthened. TFSRP will strengthen MoA's systems for data gathering, monitoring and evaluation through: (i) designing new sectoral monitoring systems, (ii) procurement of hardware and software to ensure the M&E system is efficient, (iii) design and implementation of the Women's Empowerment Index for Agriculture, and (iv) staff training on procurement, environmental and social risks, and contract management.		
<b>Procurement</b>	<b>Substantial</b>	<b>Substantial</b>
<b>Legal and regulatory framework</b>	<b>Moderate</b>	<b>Moderate</b>
Risk(s): The legal and regulatory framework for public procurement is well structured, with public procurement laws, regulations and procedures and precedence firmly established.  Mainland: No statistical data is available to compile the extent of use of non-competitive methods of procurement. Minimum time periods for opening of NCB/ICB are not in compliance with the IFAD Procurement Handbook provisions. PPA and PPR do not contain specific provisions covering the use of life cycle costing or considerations of environmental/social characteristics.  Zanzibar: There is no body, independent of ZPPRA, for review of appeals and authority to suspend the award decision and grant remedies. SECAP provisions are not captured either in the PPR or the SBDs. Provision for use of electronic procurement system is not included in the PPDA or PPR. Electronic procurement system is not fully functional. Procurement manual and circulars are not available in the ZPPRA website. SBDs do not sufficiently capture the IFAD SECAP requirements. No user manual or circulars available in the ZPPRA website.	Moderate	Moderate



Risk categories and subcategories	Inherent	Residual
<p>The country (Mainland and Zanzibar) has no policy/strategy in place to implement SPP in support of broader national policy objectives and the legal framework does not have comprehensive measures to address SPP which promotes the integration of three pillars of sustainable development.</p>		
<p>Mitigations: Mainland: Use of any non-competitive method of procurement shall require the prior review and NO, after justification and shall be reflected in the Procurement Plan (PP). Minimum time limits for submission of bids shall be as stipulated by the WB Procurement Framework. The national SBDs shall be used and amended as necessary to fulfil the SECAP requirements.</p> <p>Zanzibar: Enter into policy dialogue with the Zanzibar government for instituting an independent body for review of appeals. The national SBDs shall be used and amended as necessary to fulfil the SECAP requirements. Enter into a policy dialogue with the Zanzibar Government to issue directives for use of electronic procurement system by all the Government Organizations, as in the case of the mainland. Consolidated circulars in the form of manual shall be developed and shall be referred to in the PIM.</p> <p>Engage in policy dialogue to encourage establishment of comprehensive sustainable procurement provisions in the public procurement legal framework.</p>		
<p>Risk(s): Institutional Framework and Management Capacity Despite decentralization of the functions to procuring entities, PPRA is still involved in procurement transaction, particularly in providing authorization to procuring entities on use of less competitive bidding which shifts the accountability to PPRA for such decisions.</p> <p>Zanzibar: Even though electronic procurement system has been developed but is not kept updated. SPN is not published, and the contract award information is not fully updated. Procurement data is not managed and available in the public domain, for any analysis. Procurement capacity, in use of national / Zanzibar procurement framework as well as the WB procurement framework, needs to be improved.</p> <p>Lack of institutions for providing procurement training, certification and registration of procurement professionals hinders the recognition of procurement as a profession.</p>	Moderate	Moderate
<p>Mitigations: Request for use of non-competitive procurement methods must be identified in the Procurement Plan and submitted with justification for prior review.</p> <p>Zanzibar: The project shall publish the SPN and contract award details in the ZPPRA website, for procurements done by the Zanzibar PMU. The project shall make use of the OPEN system for the entire procurement cycle, to enable procurement data collection and analysis. All procurement personnel to be employed in the project will be registered in the BUILDPROC program funded by IFAD and delivered by ITC-ILO.</p> <p>Enter into policy dialogue with the Government to issue policy directives for establishing norms and standards for procurement training, certification and registration.</p>		
<p>Risk(s): Public Procurement and Operations and Market Practices There is no evidence that market research guides a proactive identification of optimal procurement strategies and that comprehensive sustainability criteria are used, except in the context of procurement set-aside for special groups.</p>	Moderate	Moderate

<b>Risk categories and subcategories</b>	<b>Inherent</b>	<b>Residual</b>
<p>Zanzibar: Competitive selection processes are defined in the ZPPDA and ZPPR and conditions for exceptions defined. However, statistical data for use of non-competitive method of selection are not compiled and available in the public domain.</p> <p>PPRA Procurement Performance and VFM audits have observed that contract management is a challenge due to limited capacity of human resources, knowledge, and experience in managing contracts. Training will be required for both procurement and technical staff in contract management to ensure that they are knowledgeable of the requirements of contract management.</p> <p>There are some systemic constraints inhibiting private sector access to the public procurement market. The government is more inclined to using government institutions in delivery of major projects, including the use of Force Account.</p> <p>There is little evidence of sector market analysis to determine sector specific risks and government's scope to influence specific market segments.</p>		
<p>Mitigations: The Project will follow the Project Procurement Strategy which recommends the optimal procurement approach for large contracts based on market research.</p> <p>In accordance with the IFAD Procurement Framework, the Project shall advertise ICB opportunities on UNDB and other internationally accessible sites to attract more qualified bidders.</p> <p>The project shall use systems to facilitate contract management and quickly identify potential vulnerabilities.</p> <p>Engage in policy dialogue with the government to encourage increased access for private sector organizations to the public procurement market.</p> <p>The Project Procurement Strategy for the project, based on market research, will recommend the optimal procurement approach for large contracts.</p>		
<b>Accountability and transparency</b>	<b>Substantial</b>	<b>Substantial</b>
<p>Risk(s): Civil society organizations in Tanzania (including Zanzibar) remain weak due to a variety of constraints, including poor understanding of the legal framework regulating procurement, inadequate resources, too technical procurement documents/reports for easy understanding especially at the grass root level, and low interest in procurement and contract management issues and are largely excluded from public consultation and monitoring.</p> <p>There is no evidence of an established program to train internal and external auditors to ensure that they are qualified to conduct high-quality procurement audits, including performance audits.</p> <p>Zanzibar: The PPR provides for administrative review of any complaints from the bidders on the contract award decision, but the review is done by a review panel appointed by the Accounting Officer of the PDE, not by any independent authority.</p> <p>Standard Bidding Documents issued by PPRA does not contain a declaration confirming that the bidder has not been prosecuted or convicted of fraud, corruption or other prohibited practices.</p> <p>There is no evidence of independent and credible CSOs who are actively engaged in and contributes to shape and improve integrity of public procurement in Tanzania.</p>	Moderate	Moderate

Risk categories and subcategories	Inherent	Residual
<p>Mitigations: Engage more in policy dialogue with the government to encourage increased involvement of civil society organizations in consultation and monitoring.</p> <p>Engage in policy dialogue to encourage establishment of procurement-specific training program for procurement auditors.</p> <p>For all prior review procurement, copies of procurement complaint and resolution shall be sent to IFAD for review and for all post review procurement IFAD shall be kept informed of any procurement complaints.</p> <p>SBD's will be amended to include reference to Policy on Preventing Fraud and Corruption.</p> <p>Undertake policy dialogue to encourage further inclusion of civil society in all phases of the procurement process.</p>		
<p>Risk (s): Assessment of Project Complexity</p> <p>World Bank fiduciary system assessment has identified inadequate capacity of IA procurement staff, which has the potential risk of non-compliance. The project has inter-dependent contracts with multiple partners requiring advanced sequencing and coordination skills and is geographically spread with delegation of the procurement function to various IAs at those locations. Bringing about synergies among these multitude of implementing partners and cooperating agencies is a difficult task, which increases the fiduciary risk to substantial. The Project envisages substantial involvement of community participation with some procurement involved, which if not effectively implemented will have the risk of non-compliance. The Environmental and Social Safeguards Classification has been confirmed to be Substantial and the Climate Risk Classification is Moderate. The security risk is nominal.</p>	Substantial	Substantial
<p>Mitigations: Capacity building of procurement staff at all levels has been identified as a mitigation measure in the World Bank PAD. Suitable timelines and schedule to be drawn for imparting the training.</p> <p>The APP shall be prepared carefully, taking into consideration the sequencing required for execution of various procurement activities. World Bank STEP system has suitable monitoring mechanism for proper sequencing of the activities.</p> <p>Proper procurement planning, market analysis and market approach for optimum selection of procurement delivery partners, close contract monitoring through the STEP system of the World Bank, shall help in overcoming the geographical spread.</p> <p>Delegation of procurement functions to the IAs shall be carefully considered, by defining suitable thresholds, to ensure that high value and complex procurement is undertaken centrally at the PMU (MoA and MAINL) and only low value procurement entrusted to the IAs/LGAs.</p> <p>Oversight mechanism to be strengthened through periodic procurement audits (annual) and joint supervision missions along with the Lead co-financier.</p>		
<p>Risk(s): Assessment of Implementing Agency Capacity</p> <p>There is no evidence the IA's preparation of its annual procurement plan is guided by market research for a proactive identification of optimal procurement strategies. Involvement of multitude of IAs will make it difficult to compile the procurement requirement in time, which might cause delays in implementation. Co-ordination among the multitude of implementing partners will be a challenge. IAs internal capacity both at the MoA as well as at the MAINRL needs augmentation.</p>	Substantial	Substantial

Risk categories and subcategories	Inherent	Residual
<p>Contract clauses are not comprehensive enough to address IFAD's SECAP requirements. Contract Management Plan does not clearly indicate roles and responsibilities. MAINRL and User Departments staff have inadequate knowledge and skills/experience in contract and claims management.</p> <p>Fiduciary risk assessment has identified inadequate records keeping and management system at the ministries and LGAs levels. This has the potential risk of procurement records not available for the missions / audits.</p> <p>MoA staff have inadequate knowledge of procurement processes and the staffing level at the MAINRL is inadequate. Frequent transfer of procurement staff is a flagged risk. Procurement staffs' Job Descriptions do not cover all foreseen functions of the intended project procurement. The IA's and implementing partners' do not have sufficient ICT equipment and connectivity.</p> <p>Non-availability of past performance data on the quantum of restricted bidding has the potential risk of compromising the procurement principles of equal opportunity to eligible bidders, transparency, etc.</p> <p>Zanzibar: Inefficiencies in processing, approving, and managing procurement activities is a risk flagged. Lack of statistical data for analysis has the risk of ineffective monitoring compromising the efficiency and effectiveness of the procurement process. The electronic procurement system (e-ProZ) of Zanzibar is yet to be used effectively. There is no evidence that any contracts have been awarded to SMEs as a matter of principle. No procurement was done with sustainable procurement considerations in mind. Absence of contract management and contract monitoring tools makes it difficult to assess the contracts with cost over-runs.</p>		
<p>Mitigations: The Project shall follow optimal procurement approach for large contracts based on market research. The PMU shall submit a draft AWPB and PP for IFAD's No- Objection at least 60 days prior to commencement of implementation. Time schedule for preparing the APP and AWPB need to be finalized in advance and all stakeholders shall be made aware of the same for adherence. Recruitment of well qualified and experienced procurement staff at both the PMUs (MoA and MAINRL) shall be done.</p> <p>The national SBDs shall be amended as necessary to fulfil the SECAP/EHS requirements. Comprehensive Contract Management Plan identifying roles and responsibilities shall be created and report progress. Conduct training tailored toward addressing weaknesses in contract management for PMU staff and technical departments of the Ministry.</p> <p>Procurement record keeping needs to be strengthened duly maintaining a checklist for each procurement activity undertaken.</p> <p>Establish a sound filing and records management system. Provide storage and working facilities. The project shall maintain all procurement records safely and securely, for the time periods mentioned in the PPRA/PPR.</p> <p>Enter into a policy dialogue with the IA to draw a staff transfer policy, to enable the procurement staff to remain within the PMU for a certain minimum period. Organize a procurement capacity building training as part of the project institutional support. The project shall competitively recruit an experienced Procurement Specialist in the PMU at the MoA and a Procurement Officer in the PMU at the MAINL.</p> <p>Standard job descriptions in terms of TOR shall be prepared for all the procurement staff of the PMU. The project shall procure the necessary</p>		

<b>Risk categories and subcategories</b>	<b>Inherent</b>	<b>Residual</b>
<p>facilities with internet connection, computers, and other necessary equipment for the MoA's MPU, MAINL's PMU and for other IPs and LGAs.</p> <p>Use of restrictive bidding shall be included in the procurement plan with due justification and IFAD NO shall be required prior undertaking procurement.</p> <p>Use of the World Bank STEP system to monitor and track the procurement process.</p> <p>The project shall draw a timeline for effective and full use of the e-procurement system, for effective, efficient and transparent procurement process resulting in competitive procurement with value for money.</p> <p>Engage in policy dialogue to encourage amendment to the legal framework to determine a percentage of contracts that should be awarded to SMEs.</p> <p>Any cost/time over-run above thresholds shall require prior review and NO.</p>		
<b>Capability in public procurement</b>	<b>High</b>	<b>High</b>
<p>Risk(s): 1) Project procurement staff have inadequate knowledge of procurement framework and processes, which has potential risk of non-compliance; 2) High attrition of procurement staff leads to insufficient capacity and capability in carrying out procurement process, causing inefficiencies in processing procurement activities; 3) multitude of implementing partners and geographically spread procurement activities makes it difficult to build sufficient capacity to handle procurement function; 4) PMU and User Departments staff have inadequate knowledge and skills / experience in contract and claims management.</p>		
<p>Mitigations: 1) Develop a capacity building plan for the procurement function and liaise with the lead co-financier to provide training on the World Bank Procurement Regulations and procedures, including use of STEP; 2) Develop and operate transition planning to tackle procurement staff attrition and adequately man the project procurement units; 3) Centralize major procurements at the MoA/MAINRL and delegate only low value procurement to the implementing partners and LGAs; 4) Conduct training tailored toward addressing weaknesses in contract management for PDMU staff and technical departments of the Ministry.</p>		
<b>Public procurement processes</b>	<b>High</b>	<b>High</b>
<p>Risk(s): 1) Procurement process is not adhering to the timelines of procurement planning phase, leading to delays and Inefficiencies; 2) There is no evidence that the preparation of annual procurement plan is guided by market research for a proactive identification of optimal procurement strategies; 3) Involvement of multitude of implementing partners will make it difficult to compile the procurement requirement in time for submission and approval, unless close co-ordination is ensured; 4) Contract Management Plans (CMP) of large value contracts do not adequately describe roles and responsibilities of various parties; 5) Absence of contract management and contract monitoring tools makes it difficult to assess the contracts with cost and time overruns; 6) Delays in paying contractors, consultants, and suppliers on time per the terms of the contracts.</p>		
<p>Mitigations: 1) Set up mechanism to ensure timely execution of procurement process, to avoid delays and risk of cost-over-runs; 2) The Project shall follow the Project Procurement Strategy Document (PPSD), developed by the World Bank for the project, which recommends the optimal procurement approach for large contracts based on market research; 3) Set up mechanism and time tables for efficient and timely consolidation of the requirement of individual implementing partners well</p>		

<b>Risk categories and subcategories</b>	<b>Inherent</b>	<b>Residual</b>
ahead of time; 4) For each major contract of the project, a comprehensive Contract Management Plan identifying roles and responsibilities shall be created. The PMU shall follow this plan and report progress; 5) Cost and time overruns, above specified thresholds, shall require prior review and No Objection; 6) The project shall update data in the World Bank STEP system to track timely contract payments.		
<b>Financial management</b>	<b>Substantial</b>	<b>Substantial</b>
<b>Organization and staffing</b>	<b>Substantial</b>	<b>Substantial</b>
Risk(s): Limited number and frequent rotation of accounting staff of the ministry. As a result, a lack of expertise and experience to effectively handle the project's financial management.		
Mitigations: (i) Recruitment of a project accountant as conditions for disbursement and terms of reference for the accountant to be submitted to the World Bank for clearance. (ii) capacity-building training to be conducted on financial management procedures and requirements for the project staff, including internal audit staff.		
<b>Budgeting</b>	<b>Substantial</b>	<b>Substantial</b>
Risk(s): (I) Low budget ceilings are provided for the sector resulting resource constraints and there is no process for budget revisions during the year. Funds released are generally lower than planned, affecting the reliability of the budget. (ii) There is a risk that the project budget might not be realistic or precise, which could result in overspending or insufficient funds.		
Mitigations: (I) Activities to be financed will be established in the program's annual budget under the development budget and recorded in the budget systems PLANREP and CBMS; (ii) The program activities for each implementing agency will be specified in the detailed budget; (iii) The annual work plan and budget, which includes the IFAD financing will be submitted to the World Bank by March each year to meet the ministerial budget timeframe; (iv) JSC will meet at least once a year to review lessons derived from TFSRP implementation and advise on any significant changes in budgets or implementation plans; (v) The World Bank and IFAD together with the Ministry of Agriculture will review the budget and make any adjustments, during the year as needed; (vi) Project budget performance will be reported to the World Bank on a quarterly basis through IFRs.		
<b>Funds flow/disbursement arrangements</b>	<b>Substantial</b>	<b>Substantial</b>
Risk(s): (I) There may be delays in the flow of funds due to the Programme for Results (PforR) approach being utilized by the project, which could impact the project's implementation; (ii) possible delays in disbursements to the implementing partners.		
Mitigations: (i) Develop a clear and realistic plan for the flow of funds and combine the PforR approach with the Investment Project Financing (IPF); (ii) Continuously assess and identify and mitigate potential risks to the flow of funds; (iii) MoA will disburse funds to other implementing agencies and identified LGAs. The recipient implementing agencies will produce financial reports on the progress of execution of program activities and submit to MoA for disbursement and financial reporting purposes.		
<b>Internal controls</b>	<b>Substantial</b>	<b>Substantial</b>
Risk(s): (I) There is a possibility that the government's internal control systems might not be sufficient, which could result in fraudulent activities, wastage, and misuse of resources; (ii) Internal audit departments at LGAs are resource constrained both by headcount and finance and limited number of internal auditors to conduct		

<b>Risk categories and subcategories</b>	<b>Inherent</b>	<b>Residual</b>
regular reviews; (iii) Poor implementation of internal audit recommendations; (iv) risk of lack of effective monitoring of rural finance activities.		
Mitigations: The World Bank and IFAD together with the government will establish robust internal control systems and protocols. Additionally, conducting periodic internal audits will ensure proper management of the project's financial aspects. The Internal Auditor General (IAG) will serve as the independent Verification Agent (VA) for the Program and verify the achievement of the DLIs.		
<b>Accounting and financial reporting</b>	<b>Substantial</b>	<b>Substantial</b>
Risk(s): (I) There is a potential risk that the government's accounting and financial reporting systems may not be sufficient, including limitations in generating the required financial reports resulting manual intervention in the financial report preparation, which is prone to errors. This could create challenges in monitoring progress and detecting issues at an early stage; (ii) Limited knowledge of IFMIS in use, MUSE, by accountants and auditors; (iii) For IPF, the accounting records will be maintained in excel worksheet hence prone to limitations in audit trail.		
Mitigations: (I) The World Bank and IFAD will establish robust accounting and financial reporting systems and implement appropriate procedures; (ii) generating regular financial reports for the project's stakeholders will help ensure transparency and effective oversight; (iii) Rural Finance financial reporting requirements will be clearly indicated in the Subsidiary Loan Agreement and the project implementation guidelines; (iv) MoA and NIRC will be responsible to produce annual financial reports for the program; (v) MUSE (IFMIS) needs to be defined to generate required program financial reports; (vi) Capacity building of accountants and auditors to be provided by MOFP.		
<b>External audit</b>	<b>Substantial</b>	<b>Substantial</b>
Risk(s): There is a potential risk that the external audit of the project might not be effective, there may be delays in conducting the external audit resulting in late submission of the external audit reports and poor implementation of external audit recommendations.		
Mitigations: (I) External audit for IPF component will be performed annually by the Controller and Auditor General of Zanzibar in accordance with International Standards of Auditing. Audit report and management letter will be submitted to the World Bank within 6 months after the end of fiscal year; (ii) PforR external audit will be performed by SAI in accordance with international standards of auditing and audited program financial statements will be submitted to the World Bank within nine months after the end of the fiscal year, which will require a waiver to IFAD GCs.		
<b>Environment, social and climate impact</b>	<b>Moderate</b>	<b>Moderate</b>
<b>Biodiversity conservation</b>	<b>Moderate</b>	<b>Moderate</b>
Risk(s): The project may have adverse effects on biodiversity, such as the potential introduction of harmful pesticides or the destruction of natural habitats that may come with the BBT approach of establishing block farms. There is moderate risk on biodiversity conservation as projects intervention could create specialization and mono cropping in support of high value crops.		
Mitigations: It is recommended to conduct a thorough assessment of the environmental impact and formulate a comprehensive plan to minimize these risks. Additionally, the project is incorporating measures of Good Agricultural Practices (GAP) to enhance resilience in the project's design and implementation.		

<b>Risk categories and subcategories</b>	<b>Inherent</b>	<b>Residual</b>
<b>Resource efficiency and pollution prevention</b>	<b>Moderate</b>	<b>Moderate</b>
Risk(s): The promotion of agricultural production could potentially lead to an unsustainable use of natural resources and increased pollution due to over and inefficient use of fertilizers and pesticides.		
Mitigations: As a core approach of the project, TFSRP-H will promote good agricultural practices, sustainable use of natural resources (through improved irrigation and agricultural practices) and will also promote resource efficient technologies. This comprehensive approach will help to minimize the probability and impact of these risks.		
<b>Cultural heritage</b>	<b>Low</b>	<b>Low</b>
Risk(s): There is a potential risk that the project may cause significant cultural or physical resource degradation as the interventions will be confined to existing land/schemes.		
Mitigations: The project will have in place a grievance redress mechanism and indigenous people will be engaged through FPIC process to ensure consent to all interventions. A Chance Find procedure will be activated in the event of discovery of material of cultural significance.		
<b>Indigenous peoples</b>	<b>Low</b>	<b>Low</b>
Risk(s): There is a risk that the project may cause physical, social, or economic impacts on indigenous peoples, or in threats to or the loss of resources of historical or cultural significance to them.		
Mitigations: A grievance mechanism and strong feedback mechanisms will be put in place for reporting on targeting. Indigenous people (when identified) will be engaged in a consultative and participatory process through FPIC.		
<b>Community health and safety</b>	<b>Low</b>	<b>Low</b>
Risk(s): Increased agricultural production risks increasing the use of harmful chemicals that may then find themselves in the water and food of the communities. This in turn will increase the potential health and safety risks faced by communities that may arise from exposure to agro-chemicals and consuming unsafe water and food.		
Mitigations: The project will aim at reducing the use of agrochemicals and ensuring their proper handling, as well as work on safe food production, thereby reducing the residual risk. Gender mainstreaming support will be embedded in the project design. Communities will access education and awareness on nutrition education as part of other mainstream topics such as financial literacy and business development services.		
<b>Labour and working conditions</b>	<b>Moderate</b>	<b>Moderate</b>
Risk(s): The potential risk is that the projects may cause discriminatory and unsafe/unhealthy working conditions for people employed to work in the irrigation schemes including third parties and primary suppliers. Gender-based violence may occur as a result of youth and women empowerment.		
Mitigations: The projects will promote viable enterprises that will generate enough income for decent labour practices. The project will raise awareness on unsafe working conditions. Required clauses will be included in contracts with producer groups, microenterprises and lead value chain enterprises. Gender Action Learning (GALS) will be introduced to promote inclusive decision making, income utilisation including food and nutrition security.		
<b>Physical and economic resettlement</b>	<b>Low</b>	<b>Low</b>
Risk(s): The risk that the project may cause physical or economic displacement or need for resettlement. The displacement may be full or partial, permanent or temporary.		



<b>Risk categories and subcategories</b>	<b>Inherent</b>	<b>Residual</b>
Mitigations: The PDT considers this risk not to be applicable, as no resettlement activities are envisaged. The project will engage with farmers who own land, or youth who will receive plots of land from government programs which will provide access to government land. Furthermore, the scope of the infrastructure to be built is minor, and/or will be built on public land.		
<b>Greenhouse gas emissions</b>	<b>Low</b>	<b>Low</b>
Risk(s): There is a possibility that the project might contribute to greenhouse gas emissions, which could potentially contribute to climate change.		
Mitigations: To address this concern, the project will implement climate smart approaches that mitigate greenhouse gas emissions. Additionally, the project is incorporating strategies to enhance the project's resilience in both its design and implementation.		
<b>Vulnerability of target populations and ecosystems to climate variability and hazards</b>	<b>Low</b>	<b>Low</b>
Risk(s): The project could encourage the exacerbation of the vulnerability of ecosystems to climate variability and hazards as it is building on the BBT programme that will clear land for block farms.		
Mitigations: Develop an adaptation plan and build resilience into the project design and implementation.		
<b>Stakeholders</b>	<b>Moderate</b>	<b>Moderate</b>
<b>Stakeholder engagement/coordination</b>	<b>Moderate</b>	<b>Moderate</b>
Risk(s): If stakeholders are not effectively engaged and coordinated, it may result in low buy-in conflicts and delays.		
Mitigations: To mitigate this risk, World Bank, IFAD and the Ministry of Agriculture will create a comprehensive plan for engaging stakeholders and ensure its effective implementation. Additionally, establishing mechanisms for continuous communication and feedback with the stakeholders will contribute towards successful stakeholder management. MoA/MAINL have a strong foot hold in the project areas, and this can be leveraged to build multi-dimensional stakeholder engagement and synergy.		
<b>Stakeholder grievances</b>	<b>Moderate</b>	<b>Moderate</b>
Risk(s): Unresolved stakeholder grievances could lead to conflict and delays.		
Mitigations: The World Bank, IFAD and Ministry of Agriculture will establish a grievance redress mechanism and ensure that it is accessible and effective. Monitor and resolve grievances promptly and fairly.		