

Government Programme Document



THE UNITED REPUBLIC OF TANZANIA

AGRICULTURAL SECTOR DEVELOPMENT PROGRAMME (ASDP)

Support Through Basket Fund

Government Programme Document

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1. INTRODUCTION

1.1 Background

The Government of Tanzania has adopted an Agricultural Sector Development Strategy (ASDS) which sets the framework for achieving the sector's objectives and targets. An Agricultural Sector Development Programme (ASDP) Framework and Process Document, developed jointly by the five Agricultural Sector Lead Ministries (ASLMs)¹, provides the overall framework and processes for implementing the ASDS. Development activities at national level are to be based on the strategic plans of the line ministries while activities at district level are to be implemented by Local Government Authorities (LGAs), based on District Agricultural Development Plans (DADPs). The DADPs are part of the broader District Development Plans (DDPs).

In line with the ASDP, the Government and Development Partners are working together in formulating a consolidated set of interventions in support of the ASDP. An increasing proportion of future Development Partners support to agricultural sector development is proposed to be provided through the ASDP Basket Fund. The interest to support the ASDP basket has been expressed in principle by the following development partners: Danish International Development Agency (DANIDA), Japanese International Cooperation Agency (JICA), the European Union (EU), Irish Aid (IA), and the International Fund for Agricultural Development (IFAD) and the International Development Association (IDA). Other partners are expected to join at a later stage. The use of the ASDP Basket Fund is a transitional arrangement to General Budget Support (GBS).

1.1.1 Overview of Tanzanian Agriculture

Since 1990, there has been a general decline in poverty in Tanzania but it remains widespread, particularly in rural areas. About 17 million people – half the population – live below the poverty line of US\$0.65 per day. Approximately 80 percent of the poor live in rural areas where about 70 percent of the population lives (URT, 2001). From 1991/92 to 2000/01 overall food poverty declined from 22 to 19 percent while basic needs poverty declined from 39 to 36 percent. Poverty declines were most rapid in major urban centres such as Dar es Salaam (from 28 to 18 percent) and least rapid in rural areas (from 41 to 39 percent). Despite these improvements, Tanzania is lagging in its progress towards its targets on reducing poverty and food insecurity and in achieving the Millennium Development Goals (MDGs) target of halving poverty by 2015.

Achievement of the broad set of MDGs will require an acceleration of growth and greater equality in growth and service delivery. Meeting the specific MDG of halving poverty and food insecurity by 2015 will require annual Gross Domestic Product (GDP) growth of at least 6-7 percent². In addition, this will require further acceleration in rural economic opportunities – both farm and non-farm – and management of Tanzania's rich natural resource base. The required rate

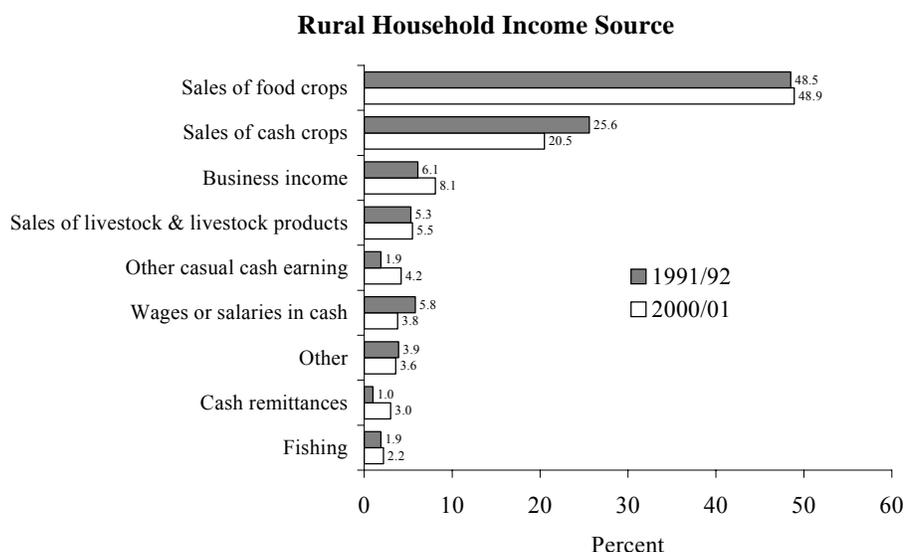
¹ The ASLMs include five ministries: the Ministry of Agriculture, Food and Cooperatives (MAFC); Ministry of Livestock Development (MLD); Ministry of Industry, Trade and Marketing (MITM); Ministry of Water (MW); as well as the Prime Minister's Office – Regional Administration and Local Government (PMO-RALG).

² Eele, G. Semboja, J. Likwelile, S. and Akroyd, S. (2000) "Meeting International Poverty Targets in Tanzania" in *Development Policy Review*, Vol.18, pp.63-83.

of GDP growth is substantially higher than was achieved over the last 15 years when growth averaged about 3.8 percent, although in 2004 it attained 6.0 percent.

1.1.2 Contribution of Agriculture to the Economy

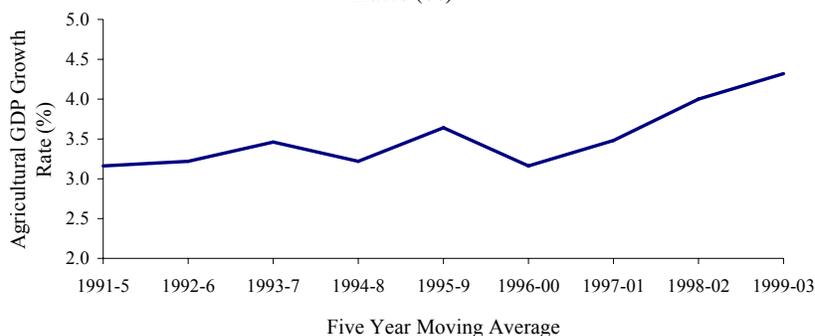
Agriculture remains the largest sector in the economy and hence its performance has a significant effect on output and corresponding income and poverty levels. The sector accounts for about half of GDP and exports, and its importance is amplified through backward and forward linkage effects. Sale of agricultural products accounts for about 70 percent of rural household incomes (Figure 1).



Over the 1990s, average agricultural growth was 3.6 percent, which was higher than in the 1970s and 1980s when annual agricultural growth averaged 2.9 and 2.1 percent respectively. It grew by 6.0% in 2004. Over the 1990s, agricultural exports grew at an annual rate of over 7 percent per year, although this rate has slowed in recent years due to declining world market prices. Food crop production has grown at a rate of 3 percent which is about the rate of population growth and accounts for about 65 percent of agricultural GDP, with cash crops accounting for only about 10 percent. National data show significant progress towards the objective of a sustained 5 percent growth rate with an increase of the five year moving average agricultural GDP growth rates from about 3.3 percent from 1991 to 2000 to 4.3 percent over the 1999-2003 period (Figure 2).

Increasing growth, reducing food insecurity, and accelerating poverty reduction, particularly in rural areas, requires an increase in agricultural productivity, higher added value, and improved producer price incentives. These increases also require a consolidation and continuation of long-term reforms, particularly with respect to markets, institutions and investments. Greater emphasis is needed on improved institutional functioning and service delivery, technology adoption, infrastructure development and greater commercialisation among smallholders.

Figure 2: Five Year Moving Average - Agricultural GDP Growth Rates (%)



Source: National Accounts

1.1.3 Policy Environment

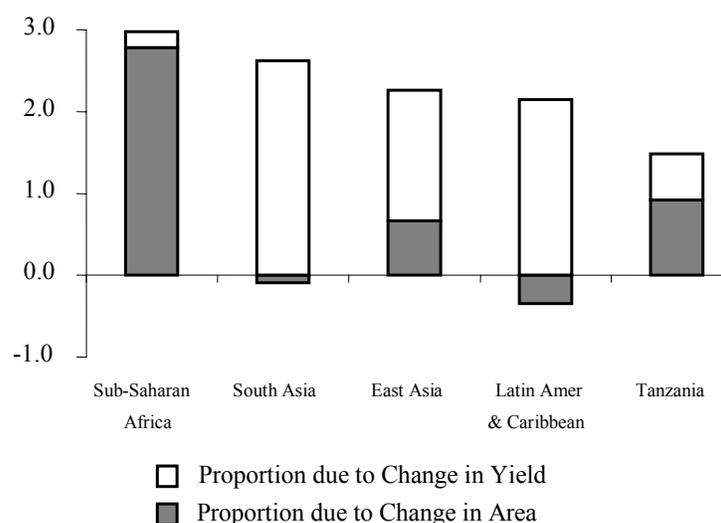
If further macro-economic policy improvements are sustained, agricultural sector interventions and investment will continue to play a significant role in determining agricultural incentives and growth. Following the start of general economic reforms (1986-1995), macro-economic adjustments improved agricultural incentives through depreciations which offset the adverse effect of the significant general decline in world commodity prices.

While macroeconomic policy had a large positive effect on prices, the producer's share of the border price declined over this period for some key export crops (tobacco, tea and cotton), indicating that sectoral policy did little to improve export price incentives over the late 1980s and early 1990s. From the mid-1990s, there were significant changes to marketing institutions for major export crops (coffee, cashews, cotton, tea, and tobacco) resulting in producer's receiving a higher share of the export price, increasing from an average of 54 percent during 1988-94 to 63 percent during 1994-99, although this varies by crop. The benefits to farmers of more favourable world export crop prices (on average) were reduced by the significant appreciation over the late 1990s.

Agricultural productivity has improved but not yet to levels to achieve Tanzania's agricultural growth targets. While agricultural (land) productivity growth³ in Tanzania has been higher than sub-Saharan Africa in aggregate, it lags other world regions (Figure 3). With sustained decline in real world agricultural prices resulting from the technology revolution, productivity gains will be needed to maintain competitiveness of agriculture.

³ Using a crude measure of cereal yields.

Figure 3: Annual Percentage Change in Cereal Production

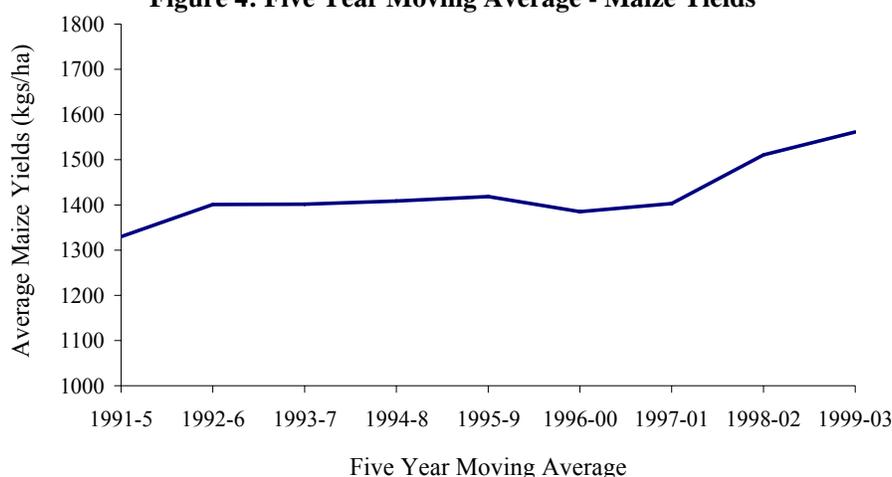


Source: FAO Statistics (2004)

Agricultural growth has varied across food crops, cash crops and livestock. Within food crops, maize is the most important (accounting for over 20 percent of total agricultural GDP) followed by rice/paddy, beans, cassava, sorghum, and wheat. Within cash crops the most important by export value are coffee, cashew, cotton, tobacco and tea. The recent annual average growth rates of export crops, food crops, and livestock has been about 6, 4, and 3 percent respectively.

Investments in greater efficiency and relevance of technology generation and use can yield extremely attractive productivity returns. Much of the past growth in Tanzanian agriculture was the result of area expansion and improvements in the incentive regime. However, there have been recent improvements in yields (Figure 4).

Figure 4: Five Year Moving Average - Maize Yields



Source: FAO Statistics

Raising farm productivity and product value require better management of agricultural resources, in particular land and water, and access to improved technologies. Improving the efficiency,

relevance and effectiveness of the process of technology generation and dissemination (agricultural research and extension/advisory services and other technical services); investments in local infrastructure, including irrigation; and improving the policy and regulatory environment are advocated as key priorities for continued public support in the Government ASDP.

1.2 Structure of the Document

The document is divided into a main text and eight annexes. The main text provides an overview of the relevant policy and strategic frameworks in Tanzania (Section 1), including an overview of agriculture, Government strategies and programmes, as well as the Government and Development Partners' Joint Assistance Strategy (JAS). Section 2 presents the strategic context and rationale of the Programme including key principles and reform elements. The Programme is described in Section 3 which summarizes the objectives, phasing, components and costs including a discussion on its integration within the MTEFs. Implementation arrangements (institutional and financial) are discussed under Section 4; Section 5 briefly discusses benefits and risks of the Programme as well as the Expected Outputs.

1.3 Programme Design Process

Following agreement on the ASDP framework and processes in early 2003 to support the operationalization of the ASDS, the ASLMs have guided the formulation of interventions in support of farmers' empowerment, agricultural services and investment, in particular at district level under the DADP framework. Formulation began in phases aligned to the ASDP sub-programmes with an initial focus on empowerment and agricultural services, followed by investment and capacity building with a broader focus on developing a more comprehensive and integrated programme of support through DADPs.

An Agricultural Services Support Programme (ASSP) document, prepared by a joint Government-Development Partner team, was completed in July 2004. Background studies on research, extension, farmer empowerment and organizations, and information and communication were undertaken by the ASLMs, in close consultation with stakeholders, as an input to the design. The ASSP document elaborated on interventions to improve the relevance and effectiveness of agricultural research and extension services through shifting control over resource allocation to farmers with increased accountability of service providers to farmers. The programme proposes to improve the capacity of farmers to articulate demand for agricultural services, build partnerships with service providers, and improve the capacity of both public and private providers to respond to demand.

The preparation of a Government Programme to support DADPs was completed in May 2005. The preparation team recommended that support to district agricultural investments and services be designed to comply with the recently approved Government policy on fiscal decentralization by financing activities through the new formula-based block grant financing system, which include the Local Government Capital Development Grant (LGCDG) and the Agricultural Extension Block Grant (EBG). The Team also proposed integrating local level interventions proposed by ASSP4 with investments under the DADPs. The Government of Tanzania has adopted the basic principle of decentralisation by devolution that cuts across all sectors. This means that local government is autonomous, representative, accountable and participatory. The relationship between central government and local government becomes one of legal accountability as opposed to past administrative set up. The roles of central government

⁴ DADP Support Programme Document, 9 May 2005.

ministries become policy-making, guidance, standard setting and monitoring. The design of ASDP was guided by the decentralization-by-devolution principle.

In June 2005, the Government and the Development Partners integrated ASSP and DADP activities into one ASDP document comprising a national and local level component, which has been jointly appraised by Government and Development Partners. In addition, Government views pooled Development Partner support through a basket fund mechanism as preferable over project support, and as a transition to budget support. The ASDP is proposed to be increasingly supported by Development Partners through a basket fund arrangement, which is integrated into the Medium Term Expenditure Framework (MTEF).

1.4 Scope of the Programme

This programme document does not cover all Government interventions in the agricultural sector as presented in the ASDP Framework and Process Document. It rather covers a sub-set of interventions whose design has been more clearly aligned to the ASDS principles and objectives. These include the ASSP, DADPs, irrigation and marketing and private sector development interventions. The document presents an integration of the ASDP national and local components into one consolidated set of interventions to be financed through the ASDP Basket Fund. This document supersedes the ASSP and DADP.

2. STRATEGIC CONTEXT AND RATIONALE

2.1 Relationship of Agriculture with National Development Strategies

Higher and sustained agricultural growth is needed to meet Tanzania's National Strategy for Growth and Reduction of Poverty (NSGRP, also called MKUKUTA in Kiswahili) and Millennium Development Goals of halving poverty and food insecurity by 2015 for four main reasons: (i) about 80 percent of the poor live in rural areas and agriculture accounts for 75 percent of rural household incomes, hence significant reductions in overall poverty levels, particularly rural poverty, will require raising agricultural incomes; (ii) agriculture accounts for about 46.2 percent of Tanzania's GDP (2004) and for about 50 percent of exports, with agricultural growth having a larger direct impact on GDP growth than comparable growth in other sectors; (iii) agriculture stimulates economic growth indirectly through larger consumption linkages with the rest of the economy than other sectors. For example, Tshs.1, 000 of new household income from export crop sales can lead to an addition Tshs. 2,000 in local employment in the production of non-tradables⁵; and (iv) meeting the country's food security needs in both rural and expanding urban areas requires higher agricultural growth contributing to higher incomes and lowering food prices. Food insecurity and malnutrition both reduced productivity and the ability of individuals to contribute to growth.

At an aggregate level agriculture has performed relatively well over the late 1990s and early 2000s. Over the first half of the 1990s, annual agricultural growth was about 3.3 percent which increased over the later half of the 1990s to 2003 to a five year moving average of 4.3 percent (despite unfavourable commodity prices over the late 1990s). These rates show significant progress towards the Government's annual 5 percent agricultural growth target in the ASDS⁶. The recent improvements are attributed to improved farmer incentives with marketing

⁵ IFPRI (2000) Agriculture in Tanzania Since 1986: Follower or leader of Growth?

⁶ Note the NSGRP target for agricultural economic growth is 10% by 2010, a very high level to achieve in historic and international terms

liberalization in the mid-1990s, particularly for export crops resulting in farmers receiving a higher share of the world price, and technological change, particularly for traditional food crops which account for three-quarters of agricultural GDP. Agricultural export revenues increased rapidly from 1990 to 1999, but then weakened, particularly for coffee and cotton, with declining world prices. Tanzania's agricultural trade share of world markets relative to its neighbours has also increased, with a significant increase in regional trade. Eighty five percent of Tanzania's agricultural export revenues come from five crops: coffee, cashew-nuts, cotton, tea and tobacco, with traditional cash crops accounting for about 10 percent of agricultural GDP. In recent years, there has also been significant growth in horticultural crop exports, particularly cut flowers and vegetables.

The agricultural sector in Tanzania has a number of strengths which present significant potential for future growth: (i) comparative advantage in the production of almost all traditional export crops (cashew, coffee, cotton, tea, and tobacco), some non-traditional crops (fish mainly from Lake Victoria and horticultural crops), and in wheat and rice⁷. This advantage can be improved through enhanced productivity and market efficiency; (ii) market opportunities are expanding in domestic markets for food, especially for livestock products and crops with high-income elasticity of demand. Tanzania's membership in regional trade groupings (East African Community- EAC and Southern African Development Community- SADC) and as a signatory to international trade protocols is improving market opportunities within the region and globally. The EAC Customs Union launched in January 2005 provides significant regional trade opportunities; and (iii) Tanzania generally still has a relative abundance of natural resources (including arable land and rangeland) which can be used for productive purposes.

Key constraints to achieving Tanzania's agricultural growth targets, including both the shift from subsistence to commercial agriculture and the growth in existing commercial enterprises, include: (i) High transaction costs due to the poor state or lack of infrastructure, particularly rural roads, and the overall policy and regulatory environment governing market transactions (including tax regimes and licensing requirements and costs); (ii) Under-investment in productivity enhancing technologies. While recent progress has been made in increasing land productivity, progress has been hampered by the relative under-investment in research. Current expenditure on agricultural research as a proportion of agricultural GDP (a measure of research intensity) is 0.3 percent, which is less than half the Africa region average of about 0.75 percent, and one third of other developing countries. In addition, the responsiveness and relevance of these services to client demands can be improved; (iii) Limited access to technology demand and delivery channels – with 60-75 percent of households estimated to have no contact with research and extension services; (iv) Limited access to financing for the uptake of technologies; (v) Un-managed risks with significant exposure to variability in weather patterns with periodic droughts. The impact of these events is amplified by the dependency on rain-fed agriculture and the limited capacity to manage land and water resources; (vi) Weak co-ordination and capacity in policy, and the formulation and implementation of public intervention among the various actors in the sector (including the multiplicity of Ministries dealing with agriculture).

2.2 Sector Strategy and Programme

The Agricultural Sector Development Strategy (ASDS), approved by Government in 2001, attempts to address some of these constraints and contributes to both the growth and poverty reduction objectives of the NSGRP and to the Tanzania Development Vision (TDV) 2025. The

⁷ IFPRI (2000) Agriculture in Tanzania since 1986: Follower or Leader of Growth?

Vision 2025 envisages raising the standard of living of Tanzanians to those of a typical medium-income country through ensuring food security, improving incomes and increasing export earnings.

The objective of the Agricultural Sector Development Strategy (ASDS) is to achieve a sustained agricultural growth rate of 5 percent per annum primarily through the transformation from subsistence to commercial agriculture. The transformation is to be private sector led through an improved enabling environment for enhancing the productivity and profitability of agriculture. The implication is for policy and public expenditure to be a means of inducing private sector investment in the agricultural sector. Core features of the strategy are to strengthen public/private partnerships across all levels of the sector and implementation of District Agricultural Development Plans (DADPs) as the comprehensive tool for agricultural development at district level. The ASDS priorities are to create a favourable environment for commercial activities; improve delivery of support services with a delineation of public/private roles; improve the functioning of output and input markets; and strengthen the institutional framework governing the sector.

The Agricultural Sector Development Programme (ASDP) Framework and Process Document (2003) is an operational response to the ASDS. The ASDP identifies five key operational components as a focus for implementation at: (i) district level through DADPs; (ii) national level, including zones; and (iii) cross-cutting issues (Table 1, reflected as sub-programme A, B, and C respectively). The components are: the policy, regulatory and institutional arrangements; agricultural services (research, advisory and technical services, and training); public investment; private sector development, market development, and agricultural finance; and cross-cutting and cross-sectoral issues, including gender mainstreaming and implementation of the land acts. The ASDP also attempts to define how the ASDS can be delivered through a shift to a Sector Wide Approach (SWAp). The ongoing national and area based projects and programmes will be mainstreamed into the ASDP framework as a step towards a SWAp. This will be achieved through dialogue between the Government and Development Partners supporting area based interventions. However, it is anticipated that, by 2008 all the current area based projects and programmes will then be fully integrated into the ASDP.

The Government has also adopted a decentralization policy, which provides a framework for governance and investment at the local level. The Local Government Reform Programme (LGRP), which aims at improving the delivery of quality services to the public, is a key aspect of the decentralization thrust of the Government. It includes shifting from centrally planned to locally planned activities, including agricultural development. Over the last two years, substantial progress has been made within the area of fiscal decentralization – these changes are recent but have not been adequately followed in the design of agricultural programmes and projects such as PADEP, DASIP, ASDP-Livestock and ASPs II⁸ but are of a fundamental nature. The Government has endorsed a strategy for reform of the recurrent grants. Subsequently, during financial year 2004/5 a formula based approach to health and education was introduced, with a similar system starting for agriculture in financial year 2005/6. In addition, a modality for discretionary development funding at LGA level has been developed in the form of the Local Government Capital Development Grant (LGCDG). The ongoing national and area based projects and programmes will be mainstreamed into the ASDP framework as a step towards SWAp. This will be achieved through dialogue between the Government and Development Partners

⁸ PADEP: Participatory Agricultural Development and Empowerment Project; DASIP: District Agricultural Support and Investment Project; ASDP- Livestock Project, ASPs II: Agricultural Sector Programme Support Phase II.

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supporting area based interventions. However, it is anticipated that, by 2008 all the current area based projects and programmes will then be fully integrated into the ASDP.

Table 1: ASDP Sub-programmes and Components.

| Sub-programmes | Main Components | Proposed Sub-Components |
|---|--|---|
| A. Agricultural Sector Support and Implementation at District and Field Level (Through DADP/DDP) (Indicative funding allocation: 75%) | A.1 Investment and Implementation The production and processing of agricultural outputs; indicative funding allocation: 70-80% of Sub-programme A | May include amongst other: Irrigation and water management Range management Livestock development and animal health Better land husbandry Crop production and protection Mechanisation Storage and post-harvest Agro-processing |
| | A.2 Policy, Regulatory and Institutional Framework Supporting enabling environment at LGAs for all farmers | Policy and Regulatory framework District institutions Community empowerment Agricultural information Advocacy |
| | A.3 Research, Advisory Services and Training Establishing the support services needed for agricultural growth | Client-oriented research Animal and plant multiplication Advisory services Training of producers Service provider training |
| | A.4 Private Sector Development, Marketing and Rural Finance Supporting the commercialisation of agricultural growth | Private sector development Market development and infrastructure Producer organizations Financial institutions and services Agro-processing |
| | A.5 Cross Cutting and Cross-Sectoral Issues Managing links between Agriculture and other sectors | Same list as Sub-Programme C: e.g. HIV/Aids, Gender, Environment etc.) |
| B. Agricultural Sector Support at National Level (Indicative funding allocation: 20%) | B. 1 Policy, Regulatory, Legal and Institutional Framework Creating a national enabling environment for all farmers and other actors in the sector | Policy, regulatory & legal framework Commercial sub-sector development Agricultural information ASDP management and Secretariat Advocacy |
| | B.2. Research, Advisory Services, and Training Establishing the basis for agricultural growth | Research Animal and plant multiplication Extension/Advisory services Training and education |
| | B.3. Private Sector Development, Marketing and Rural Finance | Marketing; Rural finance Private sector development Agro-processing |
| C. Cross-Cutting and Cross Sectoral Issues (Indicative funding allocation: 5%) | Managing links between agriculture and other sectors, may include amongst other: Rural infrastructure and energy; Civil service and LGA reform; Land Acts' implementation; Health (HIV/AIDS, Malaria); Gender; Education; Environmental management; Forestry and fisheries; Water | |

Source: ASDP Framework and Process Document

2.3 Joint Assistance Strategy⁹

Development Partner support to the agricultural sector has typically accounted for about 80 percent of the development budget. Recently, the Government and Development Partners have agreed to the management of development assistance on the basis of principles of ownership, harmonization, alignment, managing for results, and mutual accountability as laid out in the Joint Assistance Strategy (JAS) document of 2005. The intermediate objective of the JAS is to build an effective Development Partnership by strengthening national ownership and Government leadership of the development process; aligning Development Partner support to Government priorities, systems and procedures; harmonizing Government and Development Partner processes; managing resources for development results; and ensuring mutual accountability. Consistent with these principles, the JAS has six broad monitoring categories: (i) national ownership and Government leadership, including Government accountability to citizens and capacity building of civil society; (ii) alignment of Development Partner support and processes to Government priorities, strategies, institutions, systems and processes, including shifts to budget support, alignment to NSGRP cluster targets and strategies, and the medium term expenditure framework; (iii) harmonization of processes around the NSGRP and budget process, and streamlining support, missions, and reviews; (iv) managing for results on NSGRP, including reliance on Government monitoring and evaluation frameworks and systems; (v) operational functioning of the JAS; and (vi) mutual accountability of the Government and Development Partners.

Consistent with the ASDS/ASDP and JAS principles, the shift to a Sector Wide Approach (SWAp) requires a change in the way Development Partners support the agricultural sector. Support through fragmented donor projects has typically created multiple parallel systems of planning and reporting, distorted public expenditure allocation priorities, and undermined Government implementation capacity. A SWAp attempts to reduce transaction costs and ensure sustainable impact through the adoption of common approaches, while relying on government systems¹⁰. The frequently stated elements of a SWAp include providing support through common: (i) sector policy and strategy; (ii) MTEF; (iii) implementation and funding arrangement, (iv) co-ordination process; (v) performance monitoring system, and (vi) client consultation mechanism. In line with the SWAp, initial sets of interventions under ASDP are to be supported through a multi-donor basket funded arrangement. The basket fund is intended to be a shift towards budget support and, through detailed design of the Programme, will ensure improved efficiency of these sector expenditures. The basket fund will abide by the principles of the budget process to ensure greater sustainability of support.

2.4 Key Reform Elements

This Programme builds on strategies and reforms agreed in earlier documents, particularly the ASDP Framework and Process Document, ASSP and DADP programme documents.

⁹ JAS is a draft strategy

¹⁰ A commonly used SWAp definition is “All significant funding for the sector supports a single sector strategy and expenditure framework, under government leadership, adopting common approaches across the sector, and progressing towards relying on government procedures to plan, disburse and account for all funds.”

Box 1. Key features of agricultural sector policy as laid out in the ASDS

- Sustained agricultural growth target of at least 5 percent per annum, to be achieved through the transformation from subsistence to commercial agriculture, as a core element of the Poverty Reduction Strategy.
- Transformation to be private sector-led through an improved enabling environment for enhancing the productivity and profitability of agriculture, with the removal of constraints to private sector involvement.
- Sector development to be facilitated through public/private partnerships, including increased contract farming (vertical integration), with a delineation of public/private roles.
- Focus on participatory planning and implementation, using the framework of the District Agricultural Development Plans (DADPs), which are part of the District Development Plans (DDPs).
- Decentralization of service delivery responsibilities to Local Governments Authorities.
- Mainstreaming of cross-cutting and cross-sectoral issues in agricultural development operations.

International and Tanzanian evidence shows that public agricultural service provision reforms built around demand-based approaches can lead to increased productivity and substantial poverty reduction returns. These reforms stress the changing role of research and extension agents from conventional scientists and advisors to development oriented agents and facilitators; increasing control of services by farmers through cost-sharing, farmer fora and advocacy; increasing use of contracted services; and a focus on knowledge provision as well as technical advice. Significant results are possible, but require institutional reform and greater emphasis on community level investment programmes. Government policy is to divest activities, which can be more efficiently implemented by the private sector including, where feasible, research and extension, leaving to the line ministries the planning, regulatory and policy formulation functions.

National, zonal and local institutions will be reviewed and adjusted to reflect the ASDS (Box 1 above) and the LGRP, in particular with regard to client empowerment and participation in the planning and implementation processes. However, the reform of services should not consist of a one-off, across the country change; rather, the reform should be phased so as to: (i) achieve client/local level empowerment; (ii) ensure that public and private institutional capacity can respond to reforms; and (iii) avoid disruption of services during the reform.

Regarding agricultural investment, the DADP programme document recognises the central importance of the DADP as an integrated tool in the LGA planning process, as endorsed by Government. As farmers become more organised and services more client-focused, so the demand for agricultural investments will grow, and the DADP will be the main tool for integrating farmer and village needs and investments through the Opportunities and Obstacles to Development (O&OD) which has been accepted by government as a participatory planning methodology at LGAs. The DADP will integrate these needs with the increased flow of resources anticipated under the capital grant system.

2.5 Key Principles of the ASDP Design

Consistent with the key features of ASDS, the following principles (as shown in Box 2) underline the design of the Programme:

Box 2: Key Principles of the ASDP Design

- ◆ **Increasing control of resources by beneficiaries:** the ASDP stresses the importance of increasing the voice of farmers in local planning processes and in increasing their control in the design and implementation of investments and over the kinds of services that they need. The ASDP aims to empower farmers through placing greater control of resource allocations in the hands of groups and communities to improve the relevance and responsiveness of services.
- ◆ **Pluralism in service provision:** ASDP aims to provide a wider choice in service providers to increase cost-effectiveness and competition. The private sector will be enabled to compete for sector service provision contracts with a de-linking of public funding from delivery.
- ◆ **Results-based resource transfers:** Resources allocations to LGAs will be more transparent and equitable through adopting and extending the local government grant system. The incentive for LGAs to use their funds effectively will be promoted through annual assessments, while support will be given to assist those LGAs that perform poorly to build their capacity in key areas of management.
- ◆ **Integration with government systems:** existing government financing and planning systems (the MTEF, DADP, grant transfers) will be used and through increasing integration will build sustainability, strengthen alignment with government priorities and avoid unharmonised, project-based approaches with parallel implementation mechanisms.
- ◆ **National scope:** the ASDP Basket Fund operations will be national in scope. All LGAs will be eligible to qualify for a full range of additional development, operational and capacity building funding after demonstrating adequate performance and capacity to use funds.

3. PROGRAMME DESCRIPTION

3.1 Programme Objectives¹¹

This Programme has the following objectives:

- i) To enable farmers to have better access to and use of agricultural knowledge, technologies, marketing systems and infrastructure, all of which contribute to higher productivity, profitability, and farm incomes;
- ii) To promote private investment based on an improved regulatory and policy environment.

The objectives will be achieved through a set of complementary interventions aimed at: (i) improving the capacity of farmers, including food insecure and vulnerable groups, to more clearly articulate demand for agricultural services and to build partnerships with service providers; (ii) reforming and improving capacity of both public and private agricultural service providers to respond to demand and provide appropriate advice, services and technologies; (iii) improving the quality and quantity of public investment in physical infrastructure through more devolved,

¹¹ These are the objectives of the sub-set of sector activities to be financed by the ASDP Basket Fund supported activities

technically-sound planning and appraisal, (iv) improving market institutions, including strengthening the policy framework and coordination capacity at national level. These results will be delivered through two components: Local Level Support and National Level Support, as described below. Local level support will be formulated and implemented through District Agricultural Development Plans (DADPs), while national level support will be guided by the ASLMs Medium Term Strategic Plans.

3.2 Alignment to the NSGRP

The ASDP is consistent with both the NSGRP and the ASDS. The ASDP goal is to contribute to the NSGRP, which aims to raise agricultural growth from 5% in 2002-2003 to 10% per annum by 2010, and to raise livestock sub-sector growth from 2.7% to 9% over the same period¹². The NSGRP operational outcomes related to the agricultural sector (within Cluster 1) give emphasis on agricultural productivity and profitability, employment in rural areas, and food security. Key NSGRP cluster strategies target irrigation and water resources management, agricultural research and extension services, technical services and farmer empowerment (Table 2).

¹² Note that these targets are double those from the ASDS, and will be extremely difficult to achieve. The ASDS is the more realistic target.

Table 2: Programme Contribution to NSGRP Targets

| Ref. to MKUKUTA | <u>NSGRP Targets</u> |
|---|---|
| 4.1 | Reduced proportion of rural population below the basic needs poverty line from 38.6 percent in 2000/01 to 24 percent in 2010. |
| 4.2 | Reduced proportion of rural food poor (men and women) from 27% in 2000/1 to 14% by 2010. |
| 2.4 | Increased agricultural growth from 5% in 2002/3 to 10% by 2010 |
| 2.5 | Increase growth rate for livestock sub-sector from 2.7% in 2000/01 to 9% by 2010 |
| <u>NSGRP Cluster Strategies</u> | |
| <i>Services</i> | |
| 2.4.8 | Improve and increase access to support services with particular focus on research and extension meeting the needs of farmers, fisherman, foresters and livestock keepers; and increase communications and collaboration in extension delivery. |
| 2.4.6 | Improve human resource capacity and efficiency in agricultural service delivery |
| <i>Investment</i> | |
| 2.4.4 | Increase productivity in existing agricultural activities through adoption of and investment in more productive technological packages in agriculture |
| 2.4.2 | Increase area under irrigation and promote water use efficiency in irrigation schemes and encourage utilization of low cost technologies*. |
| 2.7.2 | Refocus public expenditure to priority outcomes and associated priority actions and ensure delivery of these resource direct to local authorities |
| <i>Regulatory and business development environment</i> | |
| 4.3.1 | Pursue policies that attract public and private investment in agriculture (including livestock) and natural resources, promote diversification to non-farm activities. |
| <i>Marketing and Private Sector Development</i> | |
| 1.1.1 | Upgrade and develop new capabilities in order to maintain the growth of domestic markets and exports and promote specialization of dynamic exports and encourage increased competition |
| 1.1.3 | Encourage public-private partnership to invest in business training export and domestic marketing. Also, training in quality assurance and establish modern quality testing centres and laboratories |
| 4.4.1 | Increase access to rural financial services for subsistence farmers, particularly targeting youths and women and promote on-farm activities particular focus to supporting agro-processing SMEs, promote and sustain community based servings and credit schemes such as SACCOS/SACCAS and revolving funds. |
| 4.5.1 | Identify new markets, promote products that maximize value addition and tap new opportunities for supply chain. |
| 4.5.2 | Improve transport systems, thus, lowering transportation costs and improve marketing to ensure profit margins for producers. |
| 4.5.3 | Investment in infrastructure and widen access to markets within the country, region and internationally to increase productivity and incomes in agriculture |
| 3.1.1 | Improve access to inputs by subsistence farmers and increase accessibility to micro finance credit. |
| 3.1.2 | Research, identify and promote food storage technologies/facilities and enhance agro-processing as well as environmentally friendly farming technologies and practices especially for rural areas. |
| 4.2.1 | Promote post-harvest techniques in rural households. Promote schemes that add value to primary agricultural, fishing, forest products, wild life and livestock products. |

3.3 Proposed Programme Phasing

ASDP has a 15-year programme horizon and is national in scope, but will be phased in a flexible manner to allow all LGAs time to adjust to the new funding mechanisms and to manage the proposed reforms. The programme is costed for seven years from 2006/7 – 2012/13, with a six month kick-start period from January – June 2006. The seven year period is divided into a three-year first phase and a four-year second phase. The first phase is designed to align with the three year MTEF planning period that begins in 2006/7. A review of programme performance will be undertaken at the end of the first phase, and the results used to adjust programme design for the second phase.

3.4 Programme Components

The Programme will comprise of two components with six sub-components as detailed below:

3.4.1 Component 1: Local Level Support

This component will support sectoral activities at village, ward and district levels; and will focus on:

- Increasing farmer influence in resource allocation for services and investments
- Agricultural services reform leading to greater extension provision and technology transfer by the private sector with continued public funding.
- Increasing access and the relevance of services to farmers
- Improving the quality of public expenditure
- Increasing investments that meet locally-determined production constraints and potentials
- Improving the regulatory environment, and
- Strengthening local level planning and monitoring

The component comprises of three sub-components (i) local agricultural investments, (ii) local agricultural services, and (iii) local agricultural capacity building and reform.

3.4.1 Sub-Component 1.1: Local Agricultural Investments

This sub-component will support district level agricultural investments based on the District Agricultural Development Plans (DADPs) on a cost-sharing basis. The beneficiaries will contribute additional labour and materials in varying proportions, depending on the nature of the investment. Criteria and procedures to assess the feasibility of proposed investments from a technical, economic, financial, social and environmental perspective will be included in the DADP guidelines. Social and environmental assessments will adhere to the requirements provided in the Environmental and Social Management Framework (ESMF) and the Resettlement Policy Framework (RPF) which describe the mechanisms for determining and assessing potential environmental and social impacts of all programme activities and set out mitigation measures.

Investments will be made in accordance with local needs, as determined through local participatory planning and budget processes with a focus in inclusive planning for the food insecure and vulnerable groups. Types of investments which could qualify for financing include: environmental investments, public infrastructure, such as rural roads; small-scale irrigation schemes [at least 20 percent cost-sharing]; group or community investments of productive, including both crops and livestock [at least 50 percent cost-sharing]; group or community investments in risk bearing (locally) innovative equipment [at least 20 percent cost-sharing].

Agricultural inputs (seeds, fertilizers, agro-chemicals, and veterinary medicines) and agricultural equipment will ordinarily not be eligible for cost-sharing, unless they are part of participatory technology development activities.

Performance for this sub-component will be monitored through the number and size of investments undertaken and their compliance with economic, technical, social and environmental standards for local investment, including coverage of operational and maintenance costs by beneficiaries. The latter will be monitored through the annual performance assessment of LGAs.

3.4.2 Sub-component 1.2: Local Agricultural Services

This sub-component will support the shift to contracting of agricultural services and greater control over resource allocation decisions by farmers. It will provide funding for both public and private Agricultural Service Providers (ASPs). The latter will be engaged through agreements and contracts directly between farmer groups and service providers through local government outsourcing. It will be financed through the existing discretionary, formula-based Agricultural Extension Block Grant. District/ward/village extension staff will also play key roles in supporting private ASPs and farmer groups, supporting the up scaling of successful activities and ensuring the dissemination of success stories between farmer groups, village and ward farmers fora and between districts.

Performance for this sub-component will be monitored through the level of public funding used for contracting private service providers, number of contracts financed by the EBG and number of farmers benefiting from contracts.

3.4.3 Sub-component 1.3: Local Agricultural Capacity Building and Reform

This sub-component will provide support to capacity building and reform, which will lead to improved district agricultural planning, agricultural investment appraisal and agricultural services reform. Funds will be channelled directly to districts through capacity building grants, as well as through the national level which will facilitate training and technical assistance for districts. Funds from the base capacity building grant will cover all districts in the country and those qualifying for top-up investments funds through the DADG will receive additional funds to finance reforms.

Districts will receive a base capacity building grant of approximately Tshs. 18 million to assist them to qualify for additional investment funds from ASDP and would include building district capacity in planning, monitoring, and delivering services. Additional capacity building grants would be earmarked for the additional reforms and re-training needed following the LGAs own assessment of public service provision needs and an analysis of current staff levels and functions and future core needs. Funds released to districts for the unearmarked capacity building funds will be against a capacity building plan, and releases for the earmarked capacity building funds will be against an extension reform plan.

Capacity building activities related to farmer empowerment and private sector service provider development will be facilitated at the national level due to the specialized nature of training required and the greater efficiency of contracting in training for multiple districts. Emphasis will be placed on strengthening farmer empowerment and capacity strengthening of private service providers as follows:

- (i) *Empowerment*: Training will be provided for farmer group formation and facilitation (with inclusiveness of food insecure and vulnerable groups), technology testing, group leadership and networking (farmer fora). Specialists in these areas will be contracted to work with new and existing groups. Farmer groups will be supported to form farmer fora at ward and district level, training to interact with local government and to procure and manage contracted services, and to building farmer interests and needs into village, ward and district plans.
- (ii) *Private Service providers*. Support publicity and awareness building of opportunities for private-provided services and the associated operating modalities, and technical and business advice. Support will be given for the transition of civil servants who will resign from the public service to become private providers.

Performance for this sub-component will be monitored through the number of districts receiving the additional capacity building funds, and the subsequent improvements in performance against the annual assessments on quality of planning, and investments, progress on extension reform, and the policy and regulatory environment.

3.4.2 Component 2: National Level Support

The component will focus on five areas: (i) reforming of agricultural services, primarily research and extension; (ii) improving overall sector policy, regulatory and legal framework; marketing and private sector development; capacity building; information and communication; (iii) investing in strategic national level irrigation infrastructure and technical support for local level irrigation investment, (iv) enhancing food security and (v) establishing a framework to ensure the quality and technical soundness of investments and delivery of services at local levels. Emphasis will initially be given to agricultural research and extension services, marketing and private sector development, irrigation, capacity building and programme coordination.

3.4.2.1 Sub-component 2.1: Agricultural Services

Building on previous support for zonal agricultural research, this sub-component will endeavour to improve the relevance and responsiveness of agricultural research. The component will focus on improving the management of the Zonal Agricultural Research and Development Institutes (ZARDIs) through the implementation of a Client Oriented Research and Development Management Approach (CORDEMA), and through a reconstitution and expansion of the Zonal Agricultural Research and Development Funds (ZARDEFs). These approaches build greater farmer influence and accountability into the choice of research programmes, as well as improved management and monitoring of research. The ZARDEF will allow, on a competitive basis, participation of a broader range of research providers in the delivery of publicly funded research with greater control over resource allocation by farmers.

While the main focus of the Programme research agenda would be on providing responses to farmers' needs, there is also a requirement for certain nationally determined research activities which are of local, national and international importance. These could include: agricultural economics, socio-economics and marketing research; post-harvest technology; production enhancing research; long-term land husbandry and natural resource management; and the adaptation and utilization of new technologies. Provision is made for annual meetings of all the Zonal Steering Committees which govern the ZARDEFs, at which such pan-territorial issues could be presented, discussed, and approved.

CORDEMA: The key element of CORDEMA is the strategy that “funds follow quality”¹³ i.e. those researchers who produce high quality and timely outputs would receive support for future work. Teamwork and capacity building are also built explicitly into the process. The proposed CORDEMA strategy has three pillars:

- (i) Changing mindsets: CORDEMA would reach beyond researchers into the wider farming community. An intensive skills enhancement programme would be offered to teams of researchers, extension agents and other field development partners to facilitate a collaborative market-focused research agenda;
- (ii) Funds for planning collaborative activities: to allow new teams to prepare proposals and expose them to review by peers in the scientific and the development communities;
- (iii) A mainstream development-oriented research and development fund: the ZARDEF, would support this work and would be closely linked to local demands and priorities.

ZARDEFs: Any Tanzanian registered research service providers will be entitled to apply for research funds from the ZARDEF, thus opening the field to a wide range of potential service providers. Funds for ZARDEFs will come from existing commitments to research budgets and, by 2013, 80 percent of public research funding would be allocated through the ZARDEFs. Applications will often have to demonstrate joint collaboration between research, extension, and other stakeholders as a mechanism to strengthen these linkages. There will remain a need for separate funding for overall institutional maintenance and staff salaries.

Private research institutions (i.e. TRIT, TACRI and TORITA), as well as allied research and development institutions, such as universities, the Tropical Pesticide Research Institute (TPRI) and the Tanzania Forestry Research Institute (TAFORI), will be active partners of ZARDIs, hence also involved where appropriate in their management bodies (Zonal Steering Committees and Zonal Technical Committees). They will be able to access ZARDEF resources like other research service providers, following the established competitive processes.

The Zonal Research and Extension Liaison Unit (ZRELU) will be reformed to Zonal Information and Extension Liaison Unit (ZIELU), with enhanced communication capability. Its core functions will include the assembly, assimilation and dissemination of relevant agricultural knowledge and information. The ZIELU will be a core unit in the new system linking downwards with LGAs, Farmer Groups and Networks and upwards with ASLMs, national level organizations and institutions. It will focus particularly on success stories to enhance the image of agriculture. The unit will be composed of the Zonal Information and Extension Liaison Officer and should have two staff with a background in research; a general rather than a narrow research focus is preferable thus enabling them to link effectively with all research colleagues. Similarly the unit should have 2 staff with a background in extension allowing them to link effectively with districts and farmer groups.

A prime responsibility of this group in addition to ensuring that all information disseminated to district and wards in a user friendly manner, will be to seek out success stories at ward and village levels. All four technical staff should have excellent communication skills. The technical staff should be supported by a communications/ information expert. This person should have a qualification in communications or journalism and a proven track record in media activity. The main task of this person will be to ensure that success stories (research and extension) are disseminated through both local and national media.

¹³ However, ZARDIs located in remote areas would not be sidelined because of their inability to attract and retain qualified research staff.

This sub-component also focuses on policy and institutional reforms as regards finalising an agricultural services reform strategy, preparing a code of practice for extension, training institutes, and other services, irrigation policy, media (national level radio/television programmes, newsletters, agricultural shows, networking with international agencies etc.) and IT support. Over time, training and additional technical services will be supported under this sub-component, including agricultural mechanization; land use planning and management; animal and plant health services; plant and animal production materials; and additional policy and regulatory support.

Performance for this sub-component will be measured through, inter alia: (i) the level of agricultural research budget flowing through ZARDEFs; (ii) increased output of appropriate technologies by ZARDIs; (iii) number of research and extension contracts entered into and implemented.

3.4.2.2 Sub-component 2.2 National Irrigation Development

The Government of Tanzania places high priority on increasing its area under irrigation. While the District Irrigation Development Fund will finance smaller schemes, larger and more complex irrigation infrastructure will need to be implemented at the national level. Even with an increased flow of public resources to irrigation development, greater private sector response is required to meet the Government's irrigation development targets. A primary objective of national irrigation financing will also be leveraging private investments for irrigation development.

This sub-component will finance the following activities:

- Technical studies and detailed design of irrigation development at the national level, including larger and more costly irrigation development;
- Costs associated with attracting private investments;
- Irrigation infrastructure on a cost-sharing basis with private investments;
- Capital Development Costs of irrigation infrastructure of national interest;
- Costs associated with economic, social and environmental assessments of the proposed investments;
- Costs associated with the screening and prioritizing of irrigation investments; and
- Irrigation capacity strengthening at the national, zonal and district level, including monitoring and evaluation.

The sub-component will prepare and provide required public funding for a number of specific public private partnership (PPP) investment proposals. These proposals will be prepared on the basis of stakeholder involvement and targeted PPP demand studies. They could include (i) cost-sharing of the development costs of primary and secondary irrigation infrastructure between public and private sector, respectively; (ii) support to the emergence of private irrigation service or equipment providers; (iii) performance based management contracts between public and private sector for large-scale irrigation; and (iv) any other appropriate form of PPP.

Outcomes of this sub-component include (i) an increase in area under improved water management of 441,000 ha, and (ii) at least 75 percent contribution from private investors towards overall financing costs of irrigation development over five years.

More detail on financing and implementation arrangements are spelled out in section 3.5 and 3.8, respectively.

3.4.2.3 Sub-component 2.3 Marketing and Private Sector Development

This sub-component will support the scaling up of new approaches to the development of private markets, including efforts to support development of smallholder marketing associations, linkages to external markets, and capacity building and investment along the entire marketing chain. This national level activity is closely coordinated with market development activities at district level, including efforts to organize and empower producer marketing groups. The subcomponent will also improve the formulation of agricultural regulations and laws, and strengthens capacity for their implementation; finally, it builds capacity for agricultural policy, including assessment of public expenditures in agriculture, at both national and local levels, evaluating their impact on ASDP objectives.

Anticipated activities can be outlined in three areas:

- Private marketing system development and farmer empowerment: this covers private sector capacity building and investment facilitation to strengthen private farms, firms, and their organizations (associations). Investment efforts can include public private partnerships, including cost-sharing or capital grants for demand-driven term investments. Supporting the development of private agricultural markets and small and medium enterprises and linkages (including commodity supply chains and creating market linkages between small farmers and private markets or intermediaries) and improving access of private farms and agribusinesses to better technologies, advisory and financial services. A second area of emphasis is public-private partnerships to assess agricultural policies, regulations and public expenditures, and their effectiveness in supporting private market development and investment. Here the facilitating role of a private marketing advisor, based in a private association, is important. Efforts to support financial service delivery, including SACCOs and NGO initiatives will need further study, and will need to be consistent with broader policies for financial sector development, including the Second Generation Financial Sector Deepening Program, and the Financial Sector Deepening Trust.
- Improvement in the agricultural regulatory regime involves review of crop, livestock, and input regulations and their implementation. These are put in the context of specific strategies and action plans for development of private marketing chains formulated under the policy component. An important added activity is the dissemination of information to the private sector on public regulations which is often overlooked but relatively easy to address. Support will also be provided to implement the recommendations of the recently completed diagnostic trade integration study, which recommends improving capacity to comply with sanitary and phytosanitary requirements of major trading partners.
- Agricultural policy and public expenditure analysis is a third focus. Specific sectoral, marketing and food security analyses have been identified that are essential to ASDP objectives (e.g. technology transfer via markets, and food security). These assessments also provide needed input to the yearly agricultural sector review. Funds are allocated to guide improved use of resources in parts of the MTEF not financed by the basket fund, including input subsidies, the Strategic Grain Reserve and the agricultural input trust fund. Analytical work is already underway to assess the efficiency of expenditures in some of these areas and further support will be provided to further assess and facilitate dialogue among stakeholders. Finally, support will be provided to implement the crop board reform action plans. This will include revisions to the Crop Board Acts.

Performance of the sub-component will be determined through: increased share of producer price in final price (measured at consumer market or border; implementation of crop board reforms,

including revision of enabling legislation; increased smallholder farmer marketed surplus; increased use of input and output marketing services by small farmers; lower and more stable retail staple food prices for those purchased in the market; improved sector and public expenditure analysis and measures of impact, with demonstrated feedback into the budget process (local as well as national).

3.4.2.4 Sub-Component 2.4: Food Security

Support will be provided to ensure that the ASDP addresses the specific needs of food insecure and vulnerable groups so that they can participate and contribute to the economic development. This will be primarily through efficient support for Region and LGA (district and ward level) planning, preparation and implementation of strategic actions within the DADPs/DDPs. This sub-component is specifically for leveraging LGAs and Regions planning with reference to food security and vulnerable groups. Support cost will be approximately Tshs. 4 billion for specialised technical assistance, upgraded technical capacity and leveraging LGA through extensive advising and specialised training.

Specifically, support will be to ensure proper identification of vulnerable groups in terms of potential acute hunger and current chronic/hidden hunger; specialised LGA food security strategic training to develop DADPs that include food security strategies for insecure groups, and strengthening of national Department of Food Security functions. The successes of the Special Programme for Food Security pilot will be scaled up through the DADPs.

This focused support is required because vulnerability monitoring systems and strategic actions for prevention of acute hunger crisis, chronic hunger conditions and hidden hunger must be specifically addressed beyond general development actions of various ASDP programmes. Tangibly, Rural Vulnerability Assessments need to be undertaken locally and regularly linked to specific action triggers; appropriate technical support that considers the exceptionally low resources of vulnerable persons; and specific crisis prevention interventions.

3.4.2.5 Sub-Component 2.5: Co-ordination, Monitoring and Evaluation

The sub-component will strengthen both national and district level mechanisms for planning, implementing and reporting of agricultural sector investments and services. This will be attained through supporting existing government institutions. The Director of Policy and Planning, MAFC, is tasked with co-ordination of the implementation of ASDP and oversight of the ASDP Basket Fund on behalf of the ASDP Basket Fund Steering Committee, while providing progress reports to the Basket Fund Steering Committee (more detail is provided in the institutional arrangements section and on the oversight functions). Emphasis will be placed on strong monitoring procedures in order to account for the use of the LGA grants. Support will be provided for:

- *Coordination*: Implementation of the ASDP at national level will be co-ordinated by the Director of Policy and Planning, MAFC and overseen by an ASLM Committee of Directors.
- *Quality Control*: Support will be provided for establishing and disseminating regulatory standards for services, for technical and for conducting the annual performance assessments. The annual performance assessment criteria aligned to that of the Local Government Capital Development Grant will be a key tool to assess the pace of LGA reforms and DADP quality, as well as building accountability and determining future grant access.
- *Monitoring and Evaluation*: Support will be provided to national and local systems to improve monitoring of performance and outcomes in line with the programme objectives. At

local level, resources are provided to strengthen the capacity of local actors to plan and measure DADP results. Standardized tools for local government reporting and accounting are being rolled out currently to ensure consistency with local government M&E reforms.

The support for this area will strengthen the role of the Regional Secretariat (RS) in advisory, facilitation, back stopping. Regional Secretariats are still understaffed. An Institutional Strengthening Programme (ISP) for Regional Secretariats has been included under the Medium Term Plan and Budget for LGRP 2005-2008. However, ISP is mainly going to focus on the Management Support Services Cluster, to strengthen the LGCDG system. With the support of technical aspects, the RS could play an important roll in back stopping, information supply and supporting the agricultural sector reform.

At an aggregate level, the collective results of LGA investments and service improvements will be assessed at regional, zonal and national level. ASLMs will be supported to improve sector monitoring systems, and periodic independent reviews of ASDP progress will take place at the end of each phase. A Rapid Agricultural Services Panel Survey will be commissioned to directly gauge the impact of investments and services on beneficiaries, and results will be compared with other ongoing studies of client satisfaction of public service delivery. A further round of the National Survey Census of Agriculture is expected to be undertaken by the end of Phase 1 to provide more statistically representative estimates of key programme indicators. Funding for this survey is expected to come from the national poverty monitoring system.

Box 3 below summarizes Programme components.

Box 3: Programme Components and Costing (figures include contingencies)

Component 1: Local Government Support - (Tshs. 1,876 billion)

- *Sub-Component 1.1: Local Agricultural Investments* (Tshs. 1,629 billion)
- *Sub-Component 1.2: Local Agricultural Services* (Tshs. 190 billion)
- *Sub-Component 1.3: Local Agricultural Capacity Building and Reform* (Tshs. 57 billion)

Component 2: National Level Support - (Tshs. 615.9 billion)

- *Sub-Component 2.1: Agricultural Services* (Tshs. 107 billion)
- *Sub-Component 2.2: Irrigation Development* (Tshs. 474 billion)
- *Sub-Component 2.3: Market and Private Sector Development* (Tshs. 11.4 billion)
- *Sub-Component 2.4: Food Security* (Tshs. 5.3 billion)
- *Sub-Component 2.5: Coordination, Monitoring and Evaluation* (Tshs. 17.9 billion)

3.5 Programme Financing Arrangements

Consistent with the ASDP Framework and Process Document, the majority of ASDP expenditures will be at LGA level and will be provided through three fiscal grant transfers: (i) the District Agricultural Development Grant (DADG); (ii) the Extension Block Grant (EBG); and (iii) the Agricultural Capacity Building Grant (A-CBG). The release of funds will be based on a set of performance criteria aligned with ASDP objectives and NSGRP cluster strategies.

Each grant will have two elements: a standard or basic grant which LGAs receive irrespective of performance and additional funds which LGAs receive based on improved performance. The

basic grants will be government funded and the amount per LGA determined using a formula based on number of villages (80 percent weighting), rural population (10 percent) and rainfall index (10 percent). The additional grants, from the Basket Fund, will be disbursed based on LGAs meeting a set of minimum conditions/agreed actions and thereafter adjusted based on annually assessed performance on improvements in DADP design and implementation and on progress made in services reform, the quality of public agricultural investments, and the regulatory environment as set out in the Economic, Social and Management Framework (ESMF) and Resettlement Policy Framework (RPF) Documents. All Local Authorities will have access to a base level capacity building grant to improve on those areas where they score poorly in the assessment.

3.5.1 District Agricultural Development Grant (DADG)

Public investments will be funded through an additional earmarked top-up to the LGCDG in the form of the District Agricultural Development Grant. A base level DADG (around Tshs. 38 million per year per LGA) will be provided to LGAs on an unconditional basis. An additional DADG amounts will be available to those LGAs that meet the minimum conditions/agreed actions and increments given thereafter as their performance improves, rising from Tshs.120 to 210 million per LGA per year¹⁴. Consistent with the LGCDG and dependant on performance, LGAs will either get a 25 percent increase, reduction, or no change in the level of resource transfers.

In addition to the earmarked DADG funds, two funds will be established to finance irrigation development: the District Irrigation Development Fund (DIDF), and the National Irrigation Development Fund (NIDF). According to ASDP guidelines, 75 percent of the irrigation investment funds (including LGCDG, DADG and DIDF) will be implemented by LGAs, 25 percent by National level public institutions

3.5.2 The District Irrigation Development Fund

A District Irrigation Development Fund will be established at district level to finance district level irrigation schemes on a competitive basis. The DIDF is meant to supplement, at the request of the Districts, alternative sources of financing to the LGCDG and DADG for irrigation schemes which don't fit within the LGCDG and DADG budget ceilings. LGAs will need to meet the minimum conditions/agreed actions for accessing the DADG, EBG, and A-CBG, in order to access additional financing through the DIDF.

Requests for DIDF financing will be submitted, reviewed and approved annually prior to the finalization of LGA budget ceilings. The DIDF requests will be scored according to the following criteria:

| Criteria | Maximum score |
|---|----------------------|
| Economic rate of return | 40 |
| The level of alternative sources of funding (LGCDG, DADG) that Districts allocate to the proposed investment | 20 |
| The level of farmers' contribution to the capital investment costs | 20 |
| The complementarity of CBG and EBG funded activities to the irrigation investment | 10 |
| The level of funds that are allocated to software activities such as capacity strengthening of Water Users Associations | 10 |

¹⁴ Including the farmer contributions, the value of the investment will rise to Tshs100 and 340m

Funds will be disbursed to Districts upon completion of the annual competitive process. Implementation of the irrigation schemes will be under the responsibility of the Districts. Districts will be responsible for outsourcing technical assistance for the preparation and implementation of the investments.

The DIDF will be managed by a committee that will consist of representatives of the Ministry of Finance and the ASLMs, the Basin Authorities, and private sector, and will be co-chaired by PMO-RALG and MAFC. The committee will review and select the funding proposals from LGAs to be financed by the DIDF, base on the above criteria.

3.5.3 The National Irrigation Development Fund

A National Irrigation Development Fund will be established at the national level to finance larger and more complex irrigation development, with the particular use for leveraging in private investment. Irrigation development financed by the NIDF will be implemented under the responsibility of MAFC. Financing under the NIDF will require investments to meet the following criteria: there should be commitment of the private investor to fully develop and use any land acquired through the public-private partnership arrangements according to the specifications in the contract; commitment of private investors to be fully responsible for operations and maintenance; favourable economic, social, and environmental appraisal of proposed irrigation investments (those above Tshs.5 million); availability of a water abstraction right; and evidence of land use rights.

Irrigation schemes proposed for NIDF funding will be screened against the above criteria with the following weighting:

| Criteria | Maximum score |
|--|---------------|
| Economic rate of return | 60 |
| Amount of private funding available for cost-sharing | 40 |
| Total | 100 |

3.5.4 Agricultural Extension Block Grant (EBG)

This grant will finance extension reforms including the shift to contracting of services with greater control over resource allocation decisions by farmers. It will operate through the existing discretionary, formula-based Agricultural Extension Block Grant some of which will be earmarked for contracts to non-public service providers. In general the additional grant funds will further support both public and private agricultural service providers.

3.5.5 Discretionary Capacity Building Grant

The discretionary capacity building grant covers both ‘discretionary’ and ‘earmarked’ capacity building grants under the Local Agricultural Capacity Building Grant. All districts will receive a capacity building grant irrespective of whether they meet the minimum conditions to access additional DADG, A-CBG and EBG. The discretionary capacity building grant funds will be used to improve functional areas to meet the minimum conditions and to improve on the performance criteria in subsequent years to access higher resource transfers. The earmarked portion of the grant will be used to finance LGA restructuring and will only be allocated for the first three years against the extension reform plan.

3.6 Grant Access Conditions for LGAs

Consistent with the Local Government Capital Development Grant (LGCDG)¹⁵, LGAs will need to fulfil a set of predetermined minimum conditions/agreed actions (presented in Table 3 below), in addition to those set for the LGCDG to access the additional funds within the three grants. The LGCDG conditions provide a basic safeguard for proper use of funds, including a focus on financial management, procurement and reporting, while the proposed conditions/agreed actions for additional resources for the Extension Block Grants DADGs and the Agricultural Capacity Building Grant for Private Service Provision relate to the improving the quality of the DADP planning and its implementation, including extension reform, the quality of investments, and local policy environment for the private investments. (in line with the LGRP all districts receive a base extension block grant based on the formula for agricultural extension block grant allocation).

Table 3: Agreed Actions for Grant Access

| Functional Area | Agreed Actions | Remarks |
|------------------------------|---|---|
| District Management | District Qualifies for Local Government Capital Development Grant | Primary Confirmed by PMO-RALG |
| District Management | Position of DALDO filled | Secondary** Council |
| DADP Status | Council has DADP | Primary* DADP document |
| Agricultural Services Reform | Evidence of a commitment to reform of agricultural extension services – Council passes resolution on reform (written documentation) | Secondary Verified by minutes of council meeting |

*Primary – must be in place at time of annual assessment; **Secondary – districts given additional time to satisfy these agreed actions (e.g. within two months of assessments).
These agreed actions are detailed in Annex 2 Appendix 1, together with guidance for assessment of their compliance.

3.7 Performance-Linked Fund Transfers

In addition to the agreed actions, a detailed scoring system of the performance of the LGAs in terms of improved DADPs will be included in the LGCDG system of council assessment. Key areas of performance are set out in Table 4 (Annex 1 for the detailed performance criteria).

Table 4: Proposed Scoring System for Annual Assessment against Performance Measures

| Area of Assessment | % |
|--|-----|
| Quality of the local government agricultural planning | 35 |
| Progress on agricultural services reform and provision | 20 |
| Quality of local agricultural investments | 30 |
| Local policy and regulatory environment | 15 |
| Total | 100 |

These performance measures are detailed in Annex 2 Appendix 1, together with guidance for assessment of their compliance.

¹⁵ Manual for the Assessment of Councils against Minimum Access Conditions and Performance Measurement Criteria, Local Govt. Capital Development Grant System, PO-RALG, Nov. 2004.

4. PROGRAMME IMPLEMENTATION ARRANGEMENTS

Implementation of this programme will be governed by two main principles: (i) greater control by farmers and clients, in cooperation with the public sector agencies and, increasingly, with the private sector agricultural service providers, Non-Governmental Organizations (NGOs) and civil society. Emphasis will be given to the increased transfer of jurisdiction over agricultural service provision to the farmers/clients and their representative fora; and (ii) alignment with Government of Tanzania systems and procedures, especially those governing public expenditure management, and integration of programme implementation into the relevant institutions.

4.1 Institutional Arrangements

The programme will be organised under two main levels: (i) Local level, which includes district, ward and village levels and are targeted by Component 1 of this programme. The primary responsibility for implementation will be PMO-RALG and the concerned LGAs; (ii) National and zonal levels, which are under the sector ministries (MAFC, MLD, and MITM) constitute Component 2 of this programme. With integration, the programme will seek to deepen and strengthen the MTEF and other planning and implementation processes within existing Government structures and the ASDP framework. The following are four main levels of implementation within the above organisation:

4.1.1 Local Level

LGAs will implement their part of the programme under the leadership of the District Executive Directors (DEDs) in accordance with the existing LGA financial and other regulations and rules. Day-to-day management, facilitation and backstopping will be the responsibility of the District Agricultural and Livestock Development Officer (DALDO)/Cluster Head and the District Agricultural Team. LGAs will formulate and implement DADPs as part of the District Development Plans (DDPs) based on the DADP Guidelines; undertake monitoring and reporting of DADP activities; provide, supervise and coordinate delivery of support services such as extension, the cooperatives' inspectorate, agricultural information and animal health services; and mobilise resources (financial, human and facilities/equipment) for local development programmes. All programme funds allocated to the district, e.g. for preparing and implementing the agricultural services reform of districts, as well as for financing investments and other operations, such as the contracting of service providers by client groups, will be managed under the responsibility of the District Executive Director consistent with government practice for district resources. The reporting mechanism will follow the existing government structures whereby the LGAs will submit through Regional Secretariats their quarterly and annual financial and physical reports to PMO-RALG. PMO-RALG will forward the reports to the Coordinating Ministry, MAFC (Director of Policy and Planning).

All tasks to be performed by the LGAs in the context of ASDP will be in accordance with LGA responsibilities and procedures. No specific institutional arrangements at this level are therefore foreseen in the context of ASDP.

Farmers' increasing involvement in decisions governing the use of the programme funds will primarily come about through two processes: (i) With increased empowerment, particularly through the gradual formation/evolution of Ward and District Farmer Fora (WFF and DFF), increased control of the programme's activities and funding will gradually be vested in the beneficiaries. It is envisaged that, over time, ward and district fora will also determine the service

needs of their members, jointly plan annual activities for service delivery, and participate in the selection of service providers, their contracting and in quality control of service delivery; (ii) Agricultural investments: Both the general DDP and the DADP guidelines build on the principle of planning starting at the village level, then being consolidated at the ward and finally at the district level. The programme's efforts at strengthening this mechanism are expected to gradually lead to a situation where the farmers' and local communities' own priorities effectively, guide the investment contents of the plans and determine the use of the funds. The 30:70 principle (30% to be spent at District level and 70% at ward and village levels) governing the LGCDG will facilitate this process.

Village Extension Officers (VEO,s) will be based at ward or village level depending on district circumstances. They will play key roles in training, facilitating and supporting farmer group formation, farmer networking and assisting groups and farmers' fora/networks to develop service contract proposals and plans. They will collaborate with research in conducting on farm trials. They will also link with the district in ensuring the availability of current extension materials for the Ward Resource Centres (WARCS).

The reporting mechanism will follow the existing government structure whereby at the local level, the LGAs will submit through Regional Secretariats their quarterly and annual financial and physical reports to PMO-RALG. PMO-RALG will forward the reports to the ASLMs and will be examined by the Committee of Directors. At national level, ASLMs DPPs will submit their quarterly and annual financial and physical reports to the Committee of Directors. Then DPP-MAFC will have the overall responsibility of consolidating all the reports, and presenting a consolidated report to the ASDP Basket Fund Steering Committee.

4.1.2 Regional Level

Regional Secretariats will assist LGAs on matters related to DADPs including: assisting councils in the preparation of DADPs and quarterly and annual reports; evaluating DADPs and LGA quarterly reports and compliance with DDP guidelines; collate LGA plans and quarterly reports; undertake regular monitoring visits to review quality of supported investments and services; and advise LGA on required improvements. They will also support LGAs in implementing agricultural service reform measures. Their administrative responsibilities comprise inter alia, the collation of LGA plans and quarterly reports; the forwarding of consolidated LGA plans and reports to the PMO-RALG with their recommendations as to the qualifications of councils for fund disbursements; and finally, the Regional Secretariats participate in the annual assessments of LGAs' eligibility for central government grants, including those funded through ASDP.

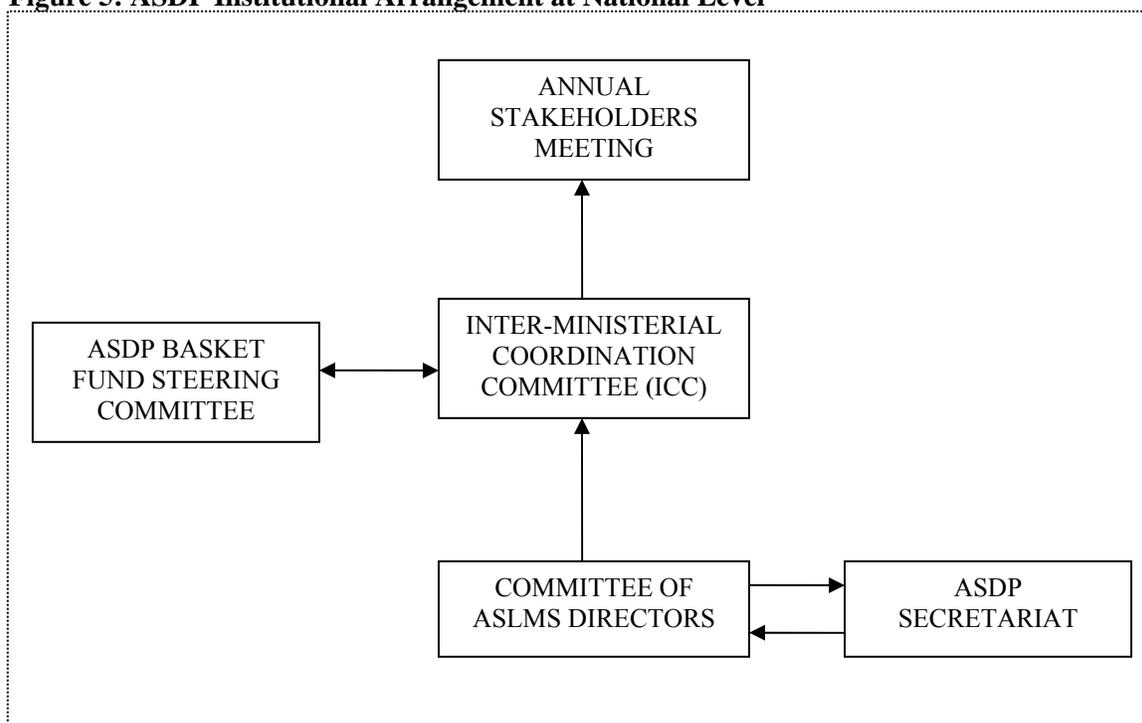
4.1.3 Zonal Level

Agricultural services, primarily research and development, will be provided on the basis of the seven broad agro-ecological zones, corresponding to the coverage of the existing seven Zonal Agricultural Research and Development Institutes (ZARDIs). These will play an important role in implementing parts of Component 2. Overall, the management of the Zone will follow the Client Oriented Research and Development Management Approach (CORDEMA) with an enhanced ZIELU to ensure that appropriate research findings are communicated to districts. CORDEMA is intended to allow increasing farmer influence on the research agenda. Farmers' increasing involvement in the decisions on the use of programme funds will be through representation on the Zonal Executive Committees, which make resource allocation decisions for the ZARDEFs. These are financial facilities made available to each Zone in order to fund zonal research priorities.

4.4.4 National Level

Inter-ministerial Co-ordinating Committee: Overall policy guidance and coordination of the ASDP will be provided through the Inter-ministerial Co-ordinating Committee (ICC) (Figure 5). The ICC, chaired by the Permanent Secretary, MAFC, is responsible for policy making, overseeing implementation of the ASDP, and monitoring its performance to ensure that the goals of the programme are being achieved. The ICC will meet quarterly and will comprise PSs of all five ASLMs. Also attending are PSs from the Ministry of Natural Resources and Tourism, Ministry of Lands, Housing and Human Settlements Development, and Vice President's Office [Annex 7]. The ASDP Secretariat will be the secretary to the ICC.

Figure 5: ASDP Institutional Arrangement at National Level



ASDP Basket Fund Committee: The ASDP Basket Fund Steering Committee will oversee the ASDP basket fund reviews workplans and budgets, and take decisions on quarterly resource transfers from the Holding Account based on quarterly physical and financial reports, policy changes governing the basket (e.g. memorandum of understanding). In addition, it discusses the general progress of activities and performance of the implementing entities as well as major constraints encountered, and issues policy directions on the basket's operation. See Annex 7 for its Terms of Reference. The composition of the ASDP Basket Fund Steering Committee will include the ICC expanded for selected meetings to include Ministry of Finance, Ministry of Planning and Economic Empowerment (MPEE) and all development partners contributing to the basket fund. The Director of Policy and Planning, MAFC serves as secretary to the Basket Fund Steering Committee.

ASLM Permanent Secretaries and Directors: At national level, the main implementing agencies are the ASLMs. Of these, the MAFC, MLD and MITM are responsible for all aspects of the technical implementation of the national level component, including the associated management

and administrative tasks. PMO-RALG and LGAs are mainly responsible for implementation of the local level component. The Permanent Secretaries in each implementing ministry will be responsible for implementation of the associated elements of the programme. The respective Directors of the ASLM Divisions will be delegated responsibilities of the associated sub-elements of the programme. Implementation co-ordination will be through both the ICC and Committee of Directors comprising the Heads of all divisions in the ASLMs. This committee will be chaired by the Director of Policy and Planning, MAFC and will make recommendations to the ICC on the compliance of proposed activities with policies and strategies, on submitted work plans and budgets as well as reports, and on the amount of basket resources to be recommended to the Basket Fund Steering Committee to be released for implementation. The Committee of Directors will be a central driving, coordinating, and supervising force of all technical implementation in the ASLMs, and supporting the shift to a sector-wide approach. To accomplish this, the Committee of Directors will assemble and supervise integrated technical task forces to undertake implementation of inter-sectoral activities as required.

Director of Policy and Planning, MAFC: The administrative aspects of the ASDP Basket Fund will be a responsibility of the Director of Policy and Planning (DPP) MAFC. The Policy and Planning unit will work primarily with the Directors of Policy and Planning (DPPs) of the other ASLMs, all ASLM finance and administrative sections, and the Department of Local Government in PMO-RALG who will produce and/or consolidate work plans and budgets, quarterly and annual physical and financial reports, progress reports, and requests for funds on behalf of the implementing agencies. The DPP MAFC will review and ensure quality, consolidate, and submit to the associated documentation to the Basket Fund Steering Committee (Annex 7). The DPP department will be strengthened in terms of personnel, skills and equipment to manage the additional responsibilities.

Agricultural Services Facilitation Team: The Agricultural Services Facilitation Team (ASFT) comprising of joint specialists from the ASLMs was established to prepare programme implementation plans for the agricultural services elements of the ASDP. The team will be reconstituted and continue to complete the start up activities under the Directorates responsible for research, training and extension. In order to ensure Government co-ordinated implementation support at the start of the programme, and to build on progress made in developing the implementation guidelines for agricultural services, the mandate of the expert teams will include: (i) finalizing the implementation plans and guidelines, (ii) assist LGAs to prepare for the performance assessment (preparing for council resolution on extension reforms), (iii) assist LGAs and ZARDIs in the preparation for contracting, with oversight for the execution of some contracts for initial capacity building, and farmer empowerment, and (iv) support and guidance to LGAs on the preparation and implementation of extension reform plans.

National level extension functions: In addition to the above functions, the following extension functions will be performed at national level: (a) completion of agricultural services reform strategy; (b) policy and legal reforms; (c) preparation and updating of code of practice for agricultural services ; (d) facilitating training; (e) capacity building for LGAs and Zones; (f) coordination of national and zonal promotion activities (agricultural shows, seed and breed fairs, milk promotion week etc.); (g) linking with research, training, PMO-RALG and international bodies; and (h) developing/updating and monitoring quality control criteria/mechanisms.

ASDP Secretariat: The ASDP Secretariat will have both coordination and facilitation roles in ensuring that support to the sector is well co-ordinated and harmonized, including providing progress reports to the Inter-Ministerial Coordinating Committee (ICC), facilitating the mainstreaming of programmes and projects in the ASDP basket fund (Annex 7). The Secretariat

will be composed of one Coordinator and two professional staff, a Monitoring and Evaluation Officer and Information and Communication Officer. The Secretariat will act as secretariat to the ICC.

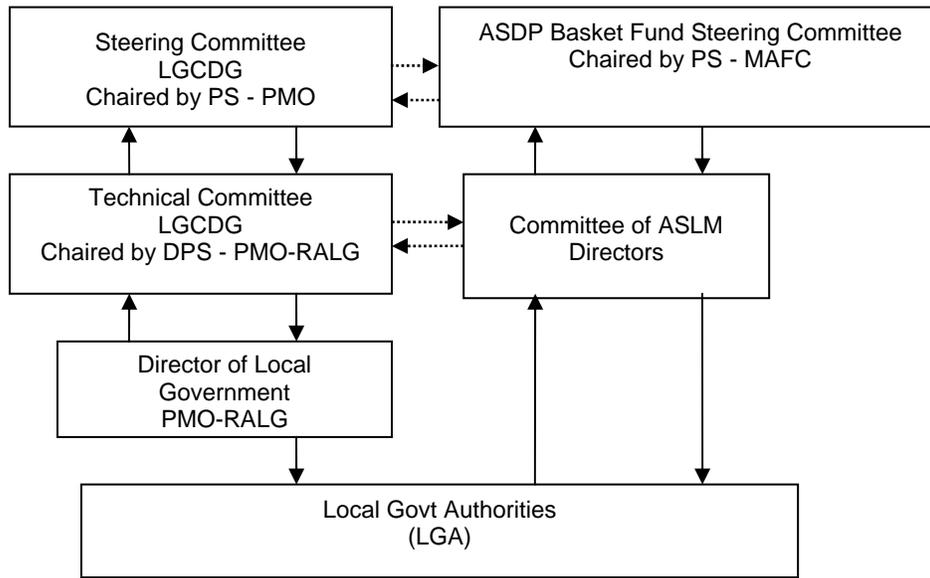
Due to the multiplicity of interventions and institutions, the programme requires coordination and facilitation in the start-up period, once ASDP activities are integrated into the ASLMs action programmes during implementation, the institutional arrangement will be reviewed accordingly.

Local Government Capital Development Grant Steering Committee: The ASDP support to LGA will integrate with the Local Government Capital Development Grant (LGCDG) Steering Committee, which takes decisions on (i) changes in the LGAs grant allocation formula; (ii) identifies districts which qualify for grants based on LGA annual assessment reports; (iii) administers decisions of appeal; (iv) LGA grant allocations and changes to the annual assessment criteria. The LGCDG Technical Committee undertakes the necessary background work and makes recommendations to the Steering Committee on the above listed decision areas. The committee is chaired by the Permanent Secretary (PS) of the PMO, with the PS PMO-RALG serving as secretary. The ASDP as a co-financier of the grants will be represented through the PSs of the ASLMs. The committee is supported by a LGCDG Technical Committee, in which the ASLMs are represented at Directors' level, and in which there are also representatives of the Development Partners co-funding the grants. (Annex 7)

4.2 Financial Management Arrangements

The proposed institutional arrangements (Section 4.1) are specific to the ASDP Basket Fund. The Basket Fund will initially provide funding for only part of the agricultural sector MTEFs with support from several Development Partners as described in the previous section. Additional Development Partners are expected to join this pooled funding arrangement over time, which will require signing a common Memorandum of Understanding between the Government of Tanzania and Development Partners agreeing to the operational modalities of the Basket Fund. At the local level the basket fund supported block grants (the District Agricultural Development Grant, the Agricultural Capacity Building Grant, and the Extension Block Grant) will be integrated into the institutional arrangements used by the Local Government Capital Development Grant (LGCDG).

Figure 6: Financial Management Arrangements



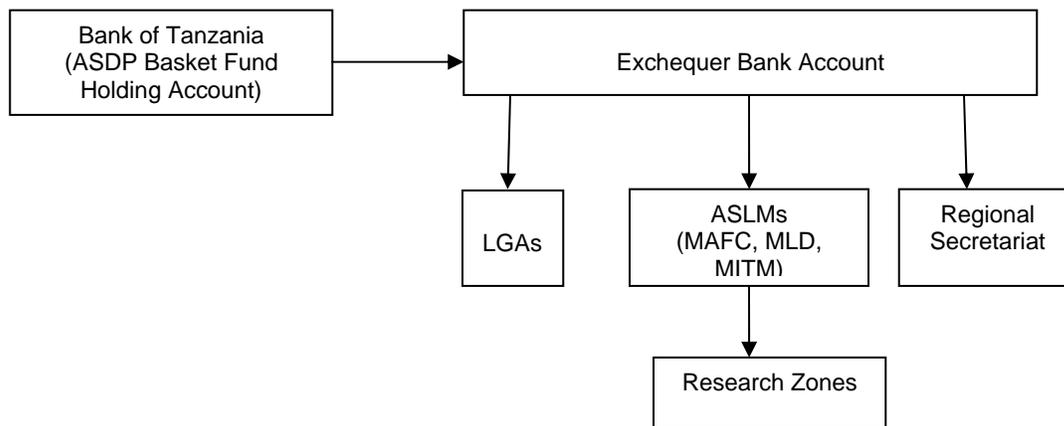
The process to be used for the ASDP Basket Fund allocation is as follows: (i) the ASDP Basket Fund Steering Committee meets prior to the start of the financial year where Government and Development Partners confirm their financial commitment to the ASDP Basket Fund consistent with the MTEF; and (ii) the agreed funding levels are included in the MTEF budget guidelines sent to line ministries and local governments for preparation of detailed budgets. Non-basket funds from other Development Partners are included separately in the budget submissions of the beneficiaries and Treasury advised accordingly. The proposed annual expenditures presented in this document will form the basis for planning for ASDP basket expenditures to be included in the ASLMs budget submissions.

The ASDP Basket Fund activities will be coordinated through the Director of Policy and Planning MAFC, who is also secretary to the ASDP Basket Fund Steering Committee. The composition of the ASDP Basket Fund Steering Committee will include the ICC expanded for selected meetings to include MoF, Ministry of Planning and Economic Empowerment (MPEE) and all representatives of Development Partners contributing to the Basket Fund.

The Steering Committee will oversee the basket fund that will cover both district and national components of the Programme. The Committee will take decisions on: (i) Government and Development Partner contributions to the ASDP Basket Fund prior to the respective budget year including the overall financial envelopes for DADPs funding within a 3 year MTEF framework to assure predictable flow of funds; (ii) quarterly resource transfers from the Basket Fund to the agriculture line Ministries based on acceptable quarterly technical and financial reports and audits; (iii) policy directives governing the basket fund; and (iv) content of submissions of the ASLMs representative on the LGCDG Technical Committee on changes in the agriculture formula for LGA allocations, changes in the annual assessment criteria, identification of LGAs which qualify for the grants, and issues pertaining to rules of eligible investments, cost sharing arrangements. The ultimate decision on these latter items will be the LGCDG Steering Committee, with the ASDP Basket Fund Steering Committee approving the submission of changes to the Steering Committee through the agriculture representative on the LGCDG Technical Committee.

A US Dollar designated ASDP Basket Fund holding account will be operated by the Accountant General's and maintained at the Bank of Tanzania. Development Partners contributing the basket fund (in principle the European Union, Irish Aid, the Danish International Development Assistance, the International Fund for Agricultural Development, the World Bank, and Japanese International Corporation Agency) will deposit funds into this joint account on a quarterly basis. The funds will then be transferred into the Exchequer bank account with quarterly disbursements to MAFC, MLD, MITM, Regional Secretariat and LGAs, using the LGCDG system. The ASDP Basket Fund Steering Committee will authorize the fund releases to ASLMs, LGAs and Regional Secretariat for the first two quarters, with subsequent approval of the third and fourth quarters based on satisfactory technical and financial performance in the first and second quarters as reflected in the physical and financial quarterly progress reports for those periods. The LGCDG Steering Committee will manage the funds at local level where the basket fund supported block grants (the DADG, ACBG and EBG) will be integrated into LGCDG system.

Figure 7: Flow of Funds



Consistent with the JAS, these arrangements use the Government system for disbursement and procurement. This is in contrast to current traditional project practice of setting up separate commercial accounts in which to deposit project funds to be managed by project implementation units, rather than use Government systems.

The ASDP Basket Fund accounting policies and procedures will comply with the existing Government accounting policies and procedures. The accounts will be prepared in accordance with the Public Finance Act No. 6 of 2001 and its Regulations, and presented in line with Generally Accepted Public Sector Accounting Practice. The accounts will be maintained on a cash basis but will also adopt commitment accounting to ensure effective budgetary control to avoid over-commitment of available funds.

4.2.1 National Level

At the national level, all ASDP transactions will be processed on the Integrated Financial Management System (IFMS) and will be disbursed to respective ASLM votes using existing GFS codes which will be used to track expenditures and to prepare reports. The Chief Accountants of the respective ASLMs, will be responsible to prepare financial reports for submission to the

ASDP Basket Fund Steering Committee. Allocations from the ASDP Basket Fund to the ASLMs will be against activities described and costed in this program document. Irrigation funds at national level will be disbursed to MAFC while District Irrigation Development Fund (DIDF) will be disbursed to the LGAs as earmarked funds (Figure 7).

The research medium-term plan (MTP) recommended setting up an endowment fund to stabilize research funding and be a major contributor of financing to the ZARDEFs. It is also envisaged to become a vehicle of public-private partnership. The endowment fund was envisaged to be a complementary instrument and not a substitute or replacement for the Government's regular budget allocations. The proposal for establishing an endowment fund to be set up as a research trust fund was development in July 2002.¹⁶

4.2.2 Zonal level

Financing of zonal level research activities will be supported through the research directorates of MAFC and MLD and will be disbursed to the zone with further exploration of creating sub-votes for each zone. Funds directed to the zonal level will flow to the ZARDIs for public funded research; and to the ZARDEFs for competitive contracts. Over time, the proportion of funds flowing through the ZARDEFs would grow to about 80 percent of the fund flows. Stakeholders would also provide funds (increasing over time) to the ZARDEFs. The ZARDEFs would be managed by independent committees, in which farmers are represented at all levels. The ZARDEFs would determine Zonal research priorities as advised by recommendations by the Zonal Technical Committees (ZTCs) and on other information as appropriate or necessary. Various call for research proposals to address these priorities would be issued and then competitively tendered. Funds would flow from the ZARDEFs to either the ZARDIs or the other private and public ASPs, dependant on the award of the contract.

4.2.3 Local Level

Local level accounts will be prepared according to the Local Government Finance Act No 9 of 1982 and revised in 1999, the Local Authority Financial Memorandum and the Local Authorities Accounts Manual and Regulations. Except for Procurement and consolidated reports LGAs maintain their accounting records separately on stand alone Epicor accounting software. All other reports are generated on the IFMS by the respective District Treasurer. Formats of all reports are included in the Annexes to the ASDP Basket Fund and LGA Financial Mechanism Documents. Quarterly LGA reports, of which ASDP Basket Fund expenditures will be a subset, are reviewed by the Sector Committees, Finance Committee and full Council and submitted to the Regional Secretariat (RS). The RS then submits a consolidated report to PMO-RALG for review. Annual financial reports are prepared by all ASLMs and LGAs and submitted for external audit.

The internal audit process of the ASDP basket will operate within the normal ASLMs and LGAs internal audit procedures as stipulated in the Public Finance Act of 2001 and elaborated in the ASDP Basket Fund Financial Mechanism Document. Internal Auditors will work closely with the ASDP Audit Committee which is a sub-group of the ASDP Basket Fund Steering Committee. There will also be an external audit of the ASDP receipts and payments statements in accordance with International Standards. The auditors will give an opinion on the operation of the basket fund account, give an opinion on the financial statements of ASLM and LGAs, assess adequacy

¹⁶ See Tanzania Agricultural Research Endowment Fund Proposal. TAGREF – A public private partnership linking agriculture to natural resources, July 2002.

of accounting system and internal control procedures, and prepare a management letter on the audit.

4.3 Programme Costs

This section presents the costs of interventions to be financed through the ASDP Basket Fund with the associated government expenditures. The programme costs include estimates of all sources of funding and expenditures that will be committed to the reform and provision of agricultural services and investments at local level across all LGAs. Development Partner funds will be committed and disbursed via a basket modality, details of which are discussed in section 4.1. The ASDP Basket Fund is not intended to cover all Government expenditures in the sector, but to focus first on those interventions designed under ASSP, DADP, irrigation, marketing and food security, and integrated into the ASDP document.

The indicative total programme cost of the first two phases amounts to Tshs 2,486 billion with contingencies. This is divided into a National Level Support Component costing Tshs 611 billion (25%) and a Local Level Support Component of Tshs 1,876 billion (75%).

The allocation of resources across the two components is presented in Tables 5 and 6 below. The largest component, for Local Level Support, will fund grants to LGAs as well as to farmer groups for financing agricultural investments, support for reform of LGA agricultural services and for outsourcing to private sector service providers, a grant for salaries and operating costs for public service provision, as a Government contribution, and for capacity building of farmer groups, LGAs and private service providers. A key capacity building challenge will be to ensure that capacity of DALDOs, District Environment Coordinators (DECs), farmer groups, regional authority staff and zonal staff is strengthened on development, assessment and monitoring of sub-projects investments including adherence to the ESMF and RPF. The National Level Support covers the funding of agricultural research activities including the reform of the research management system, a national agricultural services reform policy, marketing and private sector development, irrigation development, food security, planning and co-ordination, and monitoring and evaluation.

The financing of the programme is currently costed to be shared among Government, Development Partners and the beneficiaries. Beneficiaries will contribute largely through cost-sharing of agricultural investments. Although the choice of actual investments are not known in advance, it is assumed farmer beneficiaries will contribute an average of 20% of the funding of investments, and 5-10% of the funding of service contracts. The Development Partners provide a declining portion of the funding for the additional DADG, the DIDF and NIDF beginning with 100% support in 2006/7 and reducing to 50% in year 2010/11. For the Basic Extension Block Grant, Government finances 100%, while for the enhanced EBG for outsourced contracts and grants, Development Partners finance 80-90% of the support and farmers contribute the rest. The capacity building support at local level is 100% Development Partner funded.

The overall amount of DADG was guided by the following four criteria: funding estimates under the ASDP Framework and Process Document, Ministry of Finance's MTEF allocations for DADPs, ongoing support to LGAs for agricultural investments (PADEP, DASIP, ASDS - Annex 1B), and the LGCDG provisions¹⁷.

¹⁷ Refer to the DADP Support Programme Document.

Table 5 ASDP Programme Costs and Financiers
(TSH millions)

| | The Government | Development Partner Basket | Farmers | Total | % of Total cost |
|--|------------------|----------------------------|----------------|------------------|-----------------|
| A. Local Programme | | | | | |
| 1. Investment | | | | | |
| Base DADG | 35,795 | - | - | 35,795 | 1.4 |
| Enhanced DADG | 7,101 | 72,967 | 20,017 | 100,085 | 4.0 |
| District Irrigation Investments | 1,211,121 | 17,372 | 264,873 | 1,493,366 | 59.9 |
| 2. Services | | | | | |
| Base Extension Block Grant | 117,590 | - | - | 117,590 | 4.7 |
| Enhanced Extension Block Grant | 12,469 | 56,020 | 3,553 | 72,042 | 2.9 |
| 3. Capacity Building | | | | | |
| a. Base Capacity Building Grant | 3,512 | 19,397 | - | 22,909 | 0.9 |
| b. Top up Capacity Building Grant | 721 | 5,712 | - | 6,433 | 0.3 |
| c. District Capacity Building Farmers Empowerment | - | 15,794 | - | 15,794 | 0.6 |
| Support to Private Service Delivery | - | 12,225 | - | 12,225 | 0.5 |
| Subtotal Local Programme | 1,388,308 | 199,489 | 288,443 | 1,876,240 | 75.3 |
| B. National Programme | | | | | |
| 1. Agricultural Services | | | | | |
| Research and Training | 35,351 | 58,961 | - | 94,312 | 3.8 |
| Extension | 1,347 | 8,547 | - | 9,894 | 0.4 |
| Livestock | - | 3,034 | - | 3,034 | 0.1 |
| 2. Irrigation | 467,521 | 6,531 | - | 474,052 | 19.0 |
| 3. Marketing and Private Sector | - | 11,352 | - | 11,352 | 0.5 |
| 4. Food Security | - | 5,308 | - | 5,308 | 0.2 |
| 5. Coordination, Monitoring and | - | 17,949 | - | 17,949 | 0.7 |
| Subtotal National Programme | 504,218 | 111,683 | - | 615,901 | 24.7 |
| Total PROJECT COSTS | 1,892,526 | 311,172 | 288,443 | 2,492,141 | 100.0 |

Government Programme Document

Agricultural Sector Development Programme
Table 6 ASDP Programme Components by Year
 (TSH Million)

| | 06/07 | 07/08 | 08/09 | 09/10 | 10/11 | 11/12 | 12/13 | Total |
|---|---------|---------|---------|---------|---------|---------|---------|-----------|
| A. Local Programme | | | | | | | | |
| 1. Investment | | | | | | | | |
| Base DADG | 4,576 | 4,744 | 4,919 | 5,100 | 5,288 | 5,483 | 5,686 | 35,795 |
| Enhanced DADG | 6,102 | 7,907 | 10,105 | 13,722 | 17,008 | 19,478 | 25,764 | 100,085 |
| District Irrigation Investments | 13,738 | 148,428 | 151,405 | 255,513 | 263,567 | 324,937 | 335,779 | 1,493,366 |
| 2. Services | | | | | | | | |
| Base Extension Block Grant | 16,004 | 17,486 | 17,954 | 18,495 | 16,083 | 15,835 | 15,733 | 117,590 |
| Enhanced Extension Block Grant | 2,013 | 4,592 | 8,338 | 11,097 | 13,598 | 15,908 | 16,496 | 72,042 |
| 3. Capacity Building | | | | | | | | |
| a. Base Capacity Building Grant | 2,929 | 3,036 | 3,148 | 3,264 | 3,384 | 3,509 | 3,639 | 22,909 |
| b. Top up Capacity Building Grant | 915 | 1,139 | 1,377 | 816 | 846 | 658 | 682 | 6,433 |
| c. District Capacity Building Facilitated at the National Scale | | | | | | | | |
| Farmers Empowerment Support to Private Service Delivery | 4,386 | 1,320 | 1,467 | 2,621 | 1,845 | 994 | 3,160 | 15,794 |
| | 643 | 1,369 | 1,518 | 1,950 | 2,097 | 2,174 | 2,474 | 12,225 |
| Subtotal Local Programme | 51,306 | 190,021 | 200,230 | 312,578 | 323,715 | 388,976 | 409,414 | 1,876,240 |
| B. National Programme | | | | | | | | |
| 1. Agricultural Services | | | | | | | | |
| Research and Training | 11,744 | 14,505 | 15,261 | 13,439 | 13,550 | 13,087 | 12,726 | 94,312 |
| Extension | 1,007 | 2,677 | 1,719 | 1,563 | 1,072 | 950 | 906 | 9,894 |
| Livestock | 786 | 889 | 812 | 284 | 144 | 70 | 50 | 3,034 |
| 2. Irrigation | 89,913 | 63,335 | 68,345 | 84,570 | 88,741 | 38,539 | 40,610 | 474,052 |
| 3. Marketing and Private Sector Development | 1,788 | 1,700 | 1,567 | 1,520 | 1,575 | 1,575 | 1,628 | 11,352 |
| 4. Food Security | 388 | 1,199 | 1,230 | 1,236 | 1,255 | - | - | 5,308 |
| 5. Coordination, Monitoring and Evaluation | 3,430 | 1,934 | 2,723 | 2,107 | 3,732 | 1,945 | 2,078 | 17,949 |
| Subtotal National Programme | 109,057 | 86,239 | 91,656 | 104,718 | 110,069 | 56,165 | 57,998 | 615,901 |

4.3.1 Alignment of the Programme with MTEF

Tanzania's MTEF has established a sound basis for public resource allocation and alignment to the NSGRP (MKUKUTA). Overall spending on the agriculture sector, which comprises the budget allocations of the four ASLMs, is estimated at around Tshs. 152 billion in the current 2005/2006 budget year¹⁸. MTEF ceilings for the forthcoming year have not been released but are

¹⁸ Based on estimates of agriculture related expenditures in the 2005/06 approved budget allocations of MAFS, the Livestock Department of MWLD, MCM and PO-RALG.

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expected to exceed previous projections for the sector due to new Government priorities, particularly the renewed focus on expanding Tanzania's irrigation infrastructure.

In the absence of approved budget guidelines from the Ministry of Finance, the assessment of ASDP's consistency with the sector MTEF ceiling has been based on the 2006/07 budget requests submitted by the ASLMs. Based on these requests, the 2006/07 sectoral ceiling is estimated at Tshs. 291 billion (Table 7), which represents an increase of 91% over last year's ceiling. Significant increases in 2007/08 are also expected as the District Irrigation Fund is established. The increased expenditure is expected to be financed by new commitments from the Government's general budget support funds and external donor support.

| | 05/06 | 06/07 | 07/08 | 08/09 |
|----------|---------|-------|-------|-------|
| ASLM | | | | |
| MAFC | 112.9 | 228.4 | 238.5 | 272.0 |
| MLD | 13** | 34.89 | 33.94 | 35.36 |
| MITM | 7.7** | 9.35 | 9.7 | 12.1 |
| PMO-RALG | 18.4*** | 18.4 | 45.1 | 46.8 |
| Total | 152.0 | 291.0 | 327.2 | 366.3 |

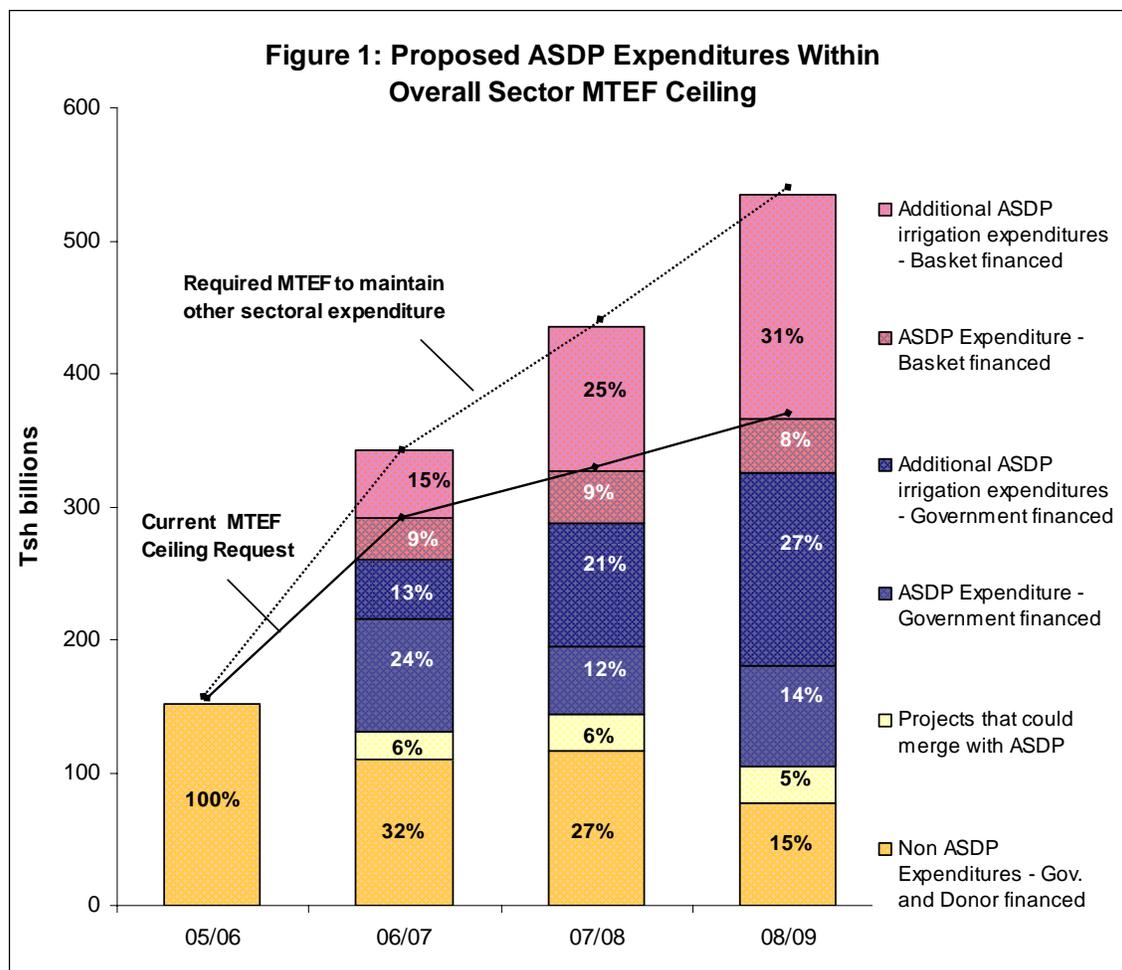
* Based on approved budgets for 05/06 and budget requests for 06/07-08/09, OC and development expenditures only except within PMO-RALG.

** ASLM 05/06 expenditures include former MCM (Now department of Marketing Development in MITM) and MWLD (Livestock Development now MLD). ASLM 06/07-08/09 expenditures include MITM sub-vote 4002: Marketing Development and MLD.

*** PMO-RALG expenditures calculated from estimates of the base District Agricultural Development Grant, district extension PE/OC and an anticipated District Irrigation Fund beginning in 07/08.

The share of ASDP expenditures is estimated within the MTEF is expected to grow over time both as the result of mainstreaming of existing projects into ASDP and sector restructuring and prioritization. There is scope for mainstreaming other donor projects into ASDP (Table 7).

The increasing share of irrigation related expenditure will require changes to MTEF ceilings. ASDP expenditures will remain in line with expected MTEF ceilings only if expenditure ceilings are raised to accommodate increased expenditures. Total programme costs are estimated at Tshs. 168 billion and Tshs. 297 billion in 2006/2007 and 2007/2008. If sectoral ceilings are not raised to anticipated levels, further reallocation within the sector will need to take place, including re-visiting planned ASDP expenditures.



Notes: Based on approved budgets for 05/06 and budget requests for 06/07-08/09, OC and development expenditures only except within PMO-RALG.
 ASDP Expenditure financed by Government includes expenditures associated with crop and livestock research, policy and planning, marketing development, extension services and irrigation.
 Proposed irrigation expenditure under ASDP would require additional MTEF resources in order to keep other sectoral expenditures at current levels.

Table 8: Initial Development Partner Contributions to the ASDP Basket Fund

| Development Partners | US\$ million | |
|---|--------------|----------------|
| European Union (STABEX) | 8.5 | 2006/7-2007/8 |
| Danish International Development Agency | 5.0 | 2006/7-2007/8 |
| Embassy of Japan | 3.0 | 2006/7-2008/9 |
| Irish Aid | 1.0 | 2006/7 |
| World Bank | 90.0 | 2006/7-2010/11 |
| International Fund for Agricultural Development | 36.0 | 2006/7-2012/13 |
| TOTAL | 143.5 | |

4.4 Expected Outputs

The key performance indicators for the programme are listed below and targets set for the end of Phase 1 (2008/9) and end of Phase 2 (2012/13):

Objective 1: Enable farmers to have better access to and use of agricultural knowledge, technologies, marketing systems and infrastructure, all of which contribute to higher productivity, profitability, and farm incomes

- (i) Percent rise in productivity among benefiting farmers (rising in broad terms by at least 5% per year)
- (ii) Percent of farmers accessing improved agricultural services and infrastructure (baseline in agriculture = 35%¹⁹ and in livestock 16%¹⁹; at end of first phase 38% agriculture and 18% livestock, at end of second phase 55% agriculture and 25% livestock).
- (iii) Percent of farmers that show sustained use of one or more relevant technologies and the sustainable use of productive infrastructure (baseline=25, end of second phase=35%)

Objective 2: Promote private investment based on an improved regulatory and policy environment.

- (iv) Percent of private sector investment growth into agricultural (5% per year).

5 BENEFITS AND RISKS

The benefits and risks highlighted below are considered to be most relevant to successful implementation of the Programme.

5.1 BENEFITS

Estimating the benefits generated by the ASDP Basket Fund is complicated by the participatory nature of the programme, which will support investments in community infrastructure or farmer group-based technologies that cannot be known in advance. Nonetheless, the main outputs of the programme, greater responsiveness and efficiency of research and extension services and increased investment in productive or public assets, are expected to generate a range of benefits including higher farm productivity and incomes, greater farmer voice in decision-making and more cost effective public expenditures. By simultaneously reacting to the specific needs of farmers and mobilising more effective service delivery systems and investments, the programme will provide participating communities with the new skills and technologies that best respond to local obstacles and opportunities for growth.

The minimum required incremental output for the programme to generate an economic rate of return (ERR) of 12 per cent was assessed using estimates of programme coverage, costs and growth in agricultural GDP. The analysis uses monetary and non-monetary GDP as a proxy for farm income and measures the required minimum incremental output or productivity increase to be generated by ASDP. Factors affecting GDP are held constant so the only assumed change is that related to ASDP investments. Net benefit streams are evaluated for a 15 year period starting in 06/07 and the discount rate is assumed to be 12%.

Beneficiaries were divided between direct and indirect beneficiaries on the assumption that those participating more actively in project activities, such as those benefiting directly from training or services, would derive greater benefit. In the low case where there are limited irrigation

¹⁹ Baseline and target levels will vary depending on the specific service and infrastructure in question. For example, the recently released *National Sample Census of Agriculture* estimates that on a national basis in 2002/3: 35% of farmers receive crop extension advice while only 16% receive livestock advice; that 18% use improved seed and 8% use irrigation (NBS, August 2005).

investments, the minimum required increase in incremental income per beneficiary would be 14% for direct beneficiaries and 5% for indirect beneficiaries. In the case of substantial irrigation investments, which would account for nearly 80% of programme costs, the required productivity increase would have to be substantially higher, around 75% in the case of direct beneficiaries. Evidence from returns to adoption of improved technology discussed above show the required productivity increase for the low case is achievable. In the high case, evidence of yields and profits of paddy rice indicate increases of above 75%²⁰, however, it seems likely that more effort would have to be made to ensure benefits from irrigation were captured and sustained over time.

Table 9: Required Minimum Productivity increase for 12% ERR

| Required average annual increase in per capita ag. GDP* of Beneficiaries | | | | | |
|--|---------------------|--------------------------------|-------------------------------------|--------------------------------|----------------------|
| | Irrigation Low Case | | | | Irrigation High Case |
| | Base Case | Beneficiaries decreased by 50% | Project benefits delayed by 2 years | Project costs increased by 20% | Base case |
| Direct beneficiaries | 15% | 30% | 22% | 18% | 100% |
| | Tsh 45,400 | Tsh 90,800 | Tsh 66,600 | Tsh 54,400 | 302,800 |
| Indirect beneficiaries | 11% | 21% | 15% | 13% | 80% |
| | Tsh 33,300 | Tsh 63,600 | Tsh 44,400 | Tsh 39,300 | 242,300 |

*Monetary and non-monetary

Evidence from previous experience in agricultural research and technology dissemination, and capital investments demonstrate the underlying economic soundness of ASDP design. The limited economic analysis undertaken above indicates that ASDP expenditures in agricultural services and capital investments could be expected to yield a positive return and contribute to real agricultural growth; however, care will be required to ensure only economically viable investments are selected for support, particularly in the case of irrigation. Further follow up and analysis during implementation and at project end would be required to determine the exact level of benefits generated by the project.

5.2 Risks

The success of the Programme may be affected by several external risks that are outlined here. For each, possible mitigation measures are described.

Delays in Executing Reforms

The programme's effectiveness to improve research effectiveness and the DADP planning process and execution depends on the speed and success of the overarching reform process within which the sector is embedded. For instance, the Local Government Reform Programme (LGRP) suffered delays at the initial stages of LGA reforms. However, recently, significant progress has been made within the area of fiscal decentralisation.

Underdeveloped Private Sector

The private sector is at its infancy and therefore it may not cater for the anticipated upsurge of demands for services, particularly after successful implementation of the empowerment interventions. In addition, there is evidence of mistrust or disinterest between private sector actors

²⁰ Crop budgets developed in the National Irrigation Master Plan show incremental returns of 214% for paddy rice, 118% for maize and 146% for beans.

in agriculture and LGAs, which could constrain their willingness to work together in ways foreseen under the Programme. Further, the willingness of private operators to work in less commercial and marginal areas may be low. The Programme contains measures to build confidence and incentives to engage the potential private sector service providers. Reforms in the regulatory framework will also be a measure to tackle this issue.

Adverse Macro Economic Conditions

The viability of agricultural investments in DADPs will depend on stable macro economic conditions and improving terms of trade for producers. Generally, economic performance at macro level in recent years is positive, as are the reduction in local taxes for agricultural producers. But further favourable policy measures may be required in the agricultural sector if the investment environment is to continue to improve.

Weak Response of Input Supply and Marketing Systems

Higher investment in farm assets and services foreseen under the ASDP will require a response from input suppliers and marketing channels, both largely in the private sector. The response from the private sector will be based largely on profitability, and the viability of individual DADP investments needed to incorporate these considerations during the appraisal process.

Government Commitment to Sector Reform Policy

The Programme is underpinned by the policy agenda stated in the ASDS, and the radical reform of services and future role of LGAs in general requires a sustained commitment from the highest levels of government.

Insufficient Development Partner Support for Basket

The additional funds envisaged under the different grant mechanisms at the local level and the planned support for research services at zonal level, will require considerable Development Partner support phased in and sustained as required. Commitments will need to be in place to ensure this is the case.

Unsupportive Legal Framework

The legislative framework affecting the areas of business relationships and associations is evolving but continued revision to improve and clarify the legal aspects surrounding public-private partnerships, as well as farmer group and business registration, will be needed at both national and local level. As the level of DADP funds rises and the number of contracts grows, there will be pressure to adapt the framework and support for this may have to come from other avenues (such as the 3rd cluster under MKUKUTA).

Weak LGA Accountability Mechanisms

Development funds will be channelled to the various levels of LGAs in form of budget support as opposed to development funding through implementing projects. This means that the Programme will be delegating accountability of the funds to different levels of LGAs. This could result in weaker tracking and financial management, and poorer transparency. The Programme will rely on accompanying efforts under the LGRP to strengthen LG systems in these areas, and will buy into rather than create parallel systems that will stretch capacity and lead to weaker integration.

Poor Technical Capacity of the LGAs

Technical weakness of the LGAs in planning and implementing the DADP has been highlighted and hence is a critical issue to be addressed. Poor planning capacities, including for the O&OD exercise, result in “wish lists” of plans without strategic focus. Currently planned training districts in DADP planning and follow-up activities are expected to mitigate the risk.

Poor Incentive Packages and Non-Conducive Environment

The planned programme interventions may not achieve the desired outputs due to low morale, brain drain and poor working conditions in the public service. However, the reforms under the Programme (example CORDEMA) are anticipated to reverse the trend.

Malnutrition and Food Insecurity

Acute impact from droughts, disease and pest outbreaks can have substantial livelihood asset impact resulting in major household and economic set backs. Chronic malnutrition and food insecurity slows participation in and contributions to overall economic growth activities. Inclusion of specific food security actions will reduce the likelihood that food insecurity and malnutrition will block overall development for substantial numbers of households.

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Annex 1: ASDP Results Framework

| Hierarchy of Objectives | Key Performance Indicators | Data Collection | Critical Assumptions |
|--|---|--|---|
| <p>Sector-related Goal (towards NSGRP):</p> <p>NSGRP Goal 2: Increased agricultural economic growth (2.4)</p> <p>Goal 4: Rural poverty declines (4.1)</p> <p>Investments in sector move towards a SWAp.</p> | <p>Sector Indicators:</p> <p>Annual growth in agricultural GDP moves from 5 to 10% by 2010</p> <p>Reduced proportion of rural food poor (men and women) from 27% in 2000/01 to 14% by 2010.</p> <p>Evidence of basket support moving to budget modality</p> <p>Productivity in participating LGAs rises by 10% over programme period.</p> | <p>National Accounts</p> <p>Household Budget Survey</p> <p>MoF reports</p> | <p>Political will and support sustained for progressive commercialization</p> |
| <p>Programme Development Objective:</p> <p>1. Farmers have better use of agricultural knowledge, technologies, and infrastructure contributing to their productivity, profitability and farm incomes.</p> <p>2. Private sector investment in agriculture rises</p> | <p>ASDP Indicators</p> <p>Productivity in crop and livestock enterprises increases by at least 20%</p> <p>% of farmers accessing improved services and infrastructure (by type) shows measurable annual change</p> <p>% of farmers showing sustained use of one or more relevant technologies and assets (by type) shows measurable annual change</p> <p>By year 3 four new fully developed relevant technologies implemented by farmers in 10% of villages</p> <p>Flow of private funds into agricultural sector increases by 5% p.a.</p> <p># of commercial agro-enterprises rises by 5% annually</p> | <p>National Sample Survey of Agriculture (NSSA)</p> <p>Broad assessment of surveys, including: Rapid Agricultural Services Panel Survey (RASPS) [contracted]</p> <p>Beneficiary and contractor/service provider assessments</p> <p>Bank of Tanzania/TIC reports</p> <p>Business registration records in LGAs</p> | <p>(from Objective to Goal)</p> <p>Input supply and marketing systems respond to higher effective farmer demand</p> <p>Stable macro economic environment with improving terms of trade for producers</p> <p>Supporting local government reform actions occur</p> <p>Supporting legal and regulatory framework</p> <p>Private sector respond to incentives</p> |

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Annex 1.2 Arrangements for Results Monitoring

| Outcome indicators | Baseline | Target Values | | | | | | | Data Collection and Reporting | | |
|--|--|---------------|------|---------------------------|---------|------------|-------|---------------------------|-------------------------------|---|--|
| | | Phase 1 | | | Phase 2 | | | | Frequency and Reports | Data Collection Instruments | Responsibility for Data Collection |
| | | 06/7 | 07/8 | 08/9 | 09/10 | 10/11 | 11/12 | 12/13 | | | |
| % of farmers accessing improved services and infrastructure | Access to crop extension : 35% Access to livestock advice: 16% | | 36% | 38% 17% | 40% | 45% 21% | 50% | 55% 25% | Annual | Rapid Agricultural Services Panel Survey | ASLMs |
| 20% of assisted farmers show sustained use of one or more relevant technologies and assets, and measurable productivity increases by end of Phase 1; and 35% by end of Phase 2 | Farmers using improved seed: 18% Farmers with irrigation: 8% Farmers using ox-ploughing: 18% | | | 20% 12% 20% | | | | 35% 20% 30% | 2005 and 2008 Periodic | Policy and Service Satisfaction Survey (PSSS) National Sample Survey of Agriculture (repeated in Year 4 and 8) Ad hoc beneficiary surveys | REPOA or other research NGO NBS LGAs |
| No of LGAs that qualify to receive enhanced DADG | | 50 | 70 | 80 | 90 | 90 | 120 | 120 | Annual assessment | | |
| No of LGAs access increased DADG funds through performance assessment | LGAs yet to be assessed | 0 | 10 | 20 | 30 | 45 | 55 | 60 | Annual assessment | Grant performance assessment system as part of LGCDG system | ASLMs |

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| Outcome indicators | Baseline | Target Values | | | | | | | Data Collection and Reporting | | |
|--|---|---------------|----|-----|---------|----|----|------|-------------------------------|---|------------------------------------|
| | | Phase 1 | | | Phase 2 | | | | Frequency and Reports | Data Collection Instruments | Responsibility for Data Collection |
| Results Indicators for Each Component | | | | | | | | | | | |
| Component 1: District | | | | | | | | | | | |
| % of investments that show satisfactory progress or completion, meet user needs and are in compliance with legal, environmental and economic standards | No measurement yet as reporting system not yet in place | | | 75% | | | | 90% | Periodic Quarterly | User satisfaction surveys Planrep (LGA reporting system) | LGAs |
| % increase in agricultural investments over base | Existing LGA investment base assessed during formulation of District Agric. Strategy | | | 25% | | | | 100% | Quarterly | Planrep | |
| % of investments jointly planned & implemented by beneficiaries | Baseline varies according to situation in LGA – assessed during diagnostic assessment | | | 75% | | | | 90% | Annual | Performance Assessment | |
| % of all investments meet appropriate appraisal standards | Baseline varies according to situation in LGA – assessed during diagnostic assessment | | | 50% | | | | 100% | Annual | Performance Assessment | |
| The proportion of services delivered by NGO and private service providers rises from existing levels by % | | | | 25% | | | | 50% | Annual | Performance Assessment; Annual DADP progress report | |
| District register of private ASPs operational, and % of open tenders are successful | Few LGAs have register currently | | | 95% | | | | 100% | Annual | LGA Registry; LGA Procurement Committee | |
| % of farmers having a visit from a public or private source of extension | Results vary by LGA: base determined by Diagnostic Assessment | | | 25% | | | | 50% | Annual | RASPS; NSSA | |
| Number of agricultural service contracts issued per qualifying district | Thematic contracts (2 Years) | 0 | 1 | 2 | 2 | 2 | 2 | 2 | Annual | Planrep | |
| | Thematic (1 year) | 1 | 2 | 3 | 3 | 3 | 3 | 3 | | | |
| | Short Term Grants | 20 | 40 | 60 | 80 | 80 | 80 | 80 | | | |

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| | | | | | | | | | | | |
|---|---------------|----|----|-----|-----|-----|-----|-----|--------|---------------------------------|--|
| No. of districts councils make commitment to reform services | None at start | 50 | 70 | 90 | 110 | 120 | 120 | 126 | Annual | Performance Assessment; Planrep | |
| No. of districts with staff restructuring plan in place approved and under implementation | None | | | 70 | | | | | Annual | | |
| % of services contracts are paid within 30 day | None | | | 50% | | | | | Annual | | |
| % of registered groups in LGA with contracts | | 0% | | 25% | | | | 50% | Annual | | |

| Outcome indicators | Baseline | Target Values | | | Data Collection and Reporting | | | | | | |
|---|--|-----------------------|-----|-------|-------------------------------|------|------|-----------------------|-----------------------------|------------------------------------|---------------------------------------|
| | | Phase 1 | | | Phase 2 | | | Frequency and Reports | Data Collection Instruments | Responsibility for Data Collection | |
| Component 2: National | | | | | | | | | | | |
| 75% of operational research budget flows through ZARDEFs | Zero: as ZARDEF yet to be set up | | | 30% | | | | 75% | Annual | Zonal financial reports | Zonal research institutes |
| 75% of ZARDEF research shows significant uptake by target group and/or collaborator endorsement | | | | 30% | | | | 75 | Periodic | | |
| Hectares of irrigation constructed through Irrigation Fund by 2008/9 | Zero: as Irrigation Fund yet to be set up | 1 | 2.7 | 6.4 | 11.2 | 17.1 | 23.9 | 31.9 | Annual | Fund progress reports | Steering Committee of Irrigation Fund |
| Average marketing cost as percentage of farm-gate price falls by 25% from base level by end Phase 1 | Assessed by District Diagnostic Assessment | | | 25% | | | | | | | |
| Coordination | | | | | | | | | | | |
| Number of ICC and other coordination meeting minutes published | | ICC meeting quarterly | | | | | | Quarterly | ICC | | |
| Proportion of budget resources committed to ASDP in line with target | | | | | | | | | Quarterly | Financial reports | ASDP Basket Fund Steering Committee |
| Food Security | | | | | | | | | | | |
| LGAs with specific actions for food insecure and vulnerable groups. | | | | 100 % | | | | | | | |

Annex 2

Support Through Basket Fund

Annex 2.1: Local Level Support

1. Introduction

This Annex presents a summary of Component 1: Local Level Support to be supported under the ASDP Basket Fund. The Component is an integration of previously designed investments developed for services and investments. The Agricultural Services Support Programme (ASSP) was prepared in 2004 and provides for support at LGA level for farmer empowerment, local government and private sector service provision²¹. Subsequently, the preparation of the District²² Agricultural Development Plans (DADPs) was completed in May 2005.

2. Rationale

Improving the relevance and effectiveness of agricultural services at local level by shifting control over resource allocation to farmers and increasing accountability of service providers to farmers is at the core of the ASDP. The first component is designed to improve the capacity of farmers to articulate demand for agricultural services, improve the capacity of both public and private providers to respond to farmer needs and increase the amount of agricultural related investment at the local level. The Programme will provide funding for agricultural investments, support for improvement of LGA core regulatory and supporting functions, and a reformed extension system increasingly delivered by private providers, with continued public financing, to farmers organizations. Activities will be financed through a system of block grants managed and disbursed at the LGA level.

3. Component Objectives and Description

ASDP support at local level will comprise around 75% of the total Programme budget and will make a substantial contribution to the overall Programme Objectives:

- (i) To enable farmers to have better access to and use of agricultural knowledge, technologies, and marketing systems and infrastructure; all of which contribute to higher productivity, profitability, and farm incomes;
- (ii) To promote private investment based on an improved regulatory and policy environment.

The primary entry point for identifying agricultural investments and services at the local level will be District Agricultural Development Plans (DADPs), which are the key planning and implementation tool for LGA resource use in the agricultural sector. The DADP will be an annual plan that is fully integrated into the District Development Plan (DDP), and is based on a participatory process using the Government Obstacles and Opportunities to Development (O&OD) methodology.

²¹ ASSP Programme Document, July 2004.

²² Note on terminology used in ASDP documents:

- District, municipalities and LGAs: the term 'district' is generally used (including for DADP): ideally LGA should be used as it covers both districts and municipalities.
- At district level clarity is needed between extension and agricultural services (e.g. the Extension Block Grant includes non-extension activities).

The component will finance three types of interventions: (i) investments in community infrastructure or productive assets; (ii) provision of public or private agricultural services; and (iii) capacity building for farmers, private and public sector service providers, and local government officials.

Sub-component 1.1: Local Agricultural Investments (Tshs. 1,629 billion with 5.5% from Development partners)

The first sub-component will provide financing for public investment to boost agricultural growth and productivity. Investments will be in accordance with local needs, as determined through local participatory planning and budget processes. Investments will be funded through an earmarked grant called the District Agricultural Development Grant (DADG) and will support implementation of DADPs on a cost-sharing basis. The grant would be earmarked for investments in the agriculture sector but LGAs would retain discretion over the types of investments to be financed by the grant.

Types of investments which could qualify for financing include: environmental investments; public infrastructure, such as rural roads; irrigation schemes, [20% cost sharing]; group or community investments of a small scale productive nature [50% cost sharing]; group or community investments in risk bearing (locally) innovative equipment [25% cost sharing]. Agricultural inputs (seeds, fertilizers, agro-chemicals) will usually not be eligible for cost-sharing, unless they are part of participatory technology development activities (and then only in very small quantities).

In many cases, the DADG will be insufficient for the funding of certain otherwise feasible demand-driven larger scale irrigation schemes. Schemes over 25 ha would likely exceed the initial DADG budget allocation. A District Irrigation Development Fund (DIDF) will be established to provide a separate competitive funding mechanism to assist LGAs in expanding their irrigation infrastructure. It will be managed at the national level and used to complement the DADG 23 on a competitive scheme by scheme basis.

Sub-component 1.2: Local Agricultural Services: (Tshs. 190 billion; with 35% from Development Partners)

This agricultural services sub-component merges the proposals under ASSP for public services reform with the local government grant system for support to local agricultural services. Under ASSP, a reform process is envisaged that will lead to a more efficient, pluralistic system of agricultural service delivery to farmers. The reforms themselves are funded under Sub-Component 1.3 Capacity Building. Sub-component 1.2 provides financing to the recurrent costs both public and private extension services to deliver services responsive to farmer demands. The latter will be engaged through agreements and contracts directly between farmer groups or through local government outsourcing arrangements.

The Sub-component will be financed through the existing discretionary, formula-based District Agricultural Extension Block Grant (DAEG) and through an Enhanced Grant to assist in the contracting and outsourcing of private agricultural service providers (ASPs).

²³ Further details are given in Chapter 7 of the DADP-SP document.

Sub-component 1.3: Local Agricultural Capacity Building and Reform (Tshs. 57 billion; with 93% from Development Partners)

The Programme will support capacity building activities in three areas: (i) improving the ability of farmers to demand and manage agricultural services (the demand side); (ii) improving the capacity of private sector providers to provide services (the supply side); and (iii) improving the capacity of local government to enact reforms in agricultural service provision that are more demand driven and pluralistic.

Funds will be channelled directly to districts through capacity building grants, as well as through the national level which will facilitate training and technical assistance for districts. Capacity building activities related to farmer empowerment and private sector service provider development will be facilitated at the national level due to the specialized nature of training required and the greater efficiency of contracting in training for multiple districts.

Farmer empowerment: Farmer empowerment activities will concentrate on the formation and strengthening of farmer groups and networks. The interventions will build on existing successful grass-root initiatives, such as MVIWATA groups and Farmer Field Schools. Farmer priorities will feed into village agricultural development plans (VADPs). Farmer groups will continue to access public services, while increasingly contracting private service providers, and also public service providers (e.g. researchers or academic institutions such as under EZCORE), which will preferably be aggregated at ward or district level.

These covers the provision of catalytic support to start and sustain group formation processes; enhance farmer knowledge and decision-making capability; build the capacity of farmer groups and organizations to interact with ASPs; and support formation of networks of farmer groups and fora to interact with ASPs and Ward and District Local Government Authority (LGA) entities.

The sub-component will also provide support to institutional and financial strengthening to build on the support for farmer knowledge and organization. Supported activities will seek to legitimatise farmer associations and networks, and institutionalise their role in the planning and management of publicly-funded service provision. Formalised Farmer Fora, at ward and district level (WFF and DFF) will have greater influence over the use of funds for agricultural services. Ward Agricultural Resource Centres, managed by farmers, will contribute to improved information dissemination and two-way communication. This will further ensure that farmer organizations and fora are adequately represented in, and increasingly in control of, decision-making bodies such as a National Farmer Forum (NFF), and under research, the Zonal Steering Committees (ZSCs), and Zonal Agricultural Research and Development Funds (ZARDEFs) to be established under Component 2.

Capacity Building of Private Service Providers. Private ASPs will be involved in a wide range of services, whether for research, extension, information/communication, and/or training and technical services, including technical/ scientific information acquisition and supply, marketing research and adaptive technology testing and transfer. Private ASPs will comprise: private research institutions; international and regional agencies; national and international NGOs; university and academic institutions; chambers of commerce, consultancy companies; as well as individual research consultants and scientists. Private ASPs may also include individual extensionists, some of whom may be retrenched from government service or may graduate as farmer cadres from groups, fora and CBOs.

To enable the private sector to carry out these functions the programme will support: publicity and awareness building of ASDP opportunities and modalities; provision and orientation of demand led training; availability of professional, technical and business advice; provision of incentives for staff retrenchments and/or secondment; promotion of professional association of competent contractors; facilitation for provision of financial assistance by matching grant for small business establishment and development. The key output of this sub-component will be an adequate number and calibre of private ASPs to meet farmer group/client demands

LGA Reform. All LGAs will receive a base capacity building grant and an additional or 'enhanced' capacity grant would be made available to LGAs meeting the minimum conditions/agreed actions to qualifying for additional funds under the programme. Districts would develop a capacity building plan against which discretionary funds would be disbursed and develop an extension reform plan against which the earmarked funds would be disbursed. The earmarked capacity building funds would be expected to be used in upgrading skills, improving planning and implementation of DADPs, district-specific reforms tailored to the transformation to increasing private and NGO sector service provision, and functional analysis of the District Agricultural Sector Office and resulting re-orientation of job descriptions and functions. These elements should be included in the LGA extension reform plans.

The additional capacity building grant can also be used to facilitate the core team of staff who will be implementing the DADP - the DALDO/Cluster Head, together with a District Extension Officer (DEO), District Planning and or Monitoring and Evaluation Officer (DP/MEO), District Private Sector Support Officer (DPSSO) and District Cooperative/Marketing Officer or other SMSs. The ward extension team will typically comprise three staff based at ward or village level, and the pool of Cooperative Officers in the districts could also be effectively used after being provided with short term training on marketing skills. Through the additional capacity building grant, the team will have increased capacity to perform planning, training, managerial and monitoring functions. In essence, extension staff will be given additional skills and mobility facilities to perform an agricultural development facilitation role.

4. Grant Financing Mechanisms

The Government has, with Development Partners, introduced a system for discretionary development funding at LGA level: the Local Government Capital Development Grant (LGCDG). The LGCDG provides discretionary funding to LGAs on mainland Tanzania if they fulfill basic access conditions. Funds are distributed according to a formula with average district allocations around Tshs. 500 million annually. LGAs can determine how to use the funds locally as long as investments fall within a broad menu of eligible investments including agricultural development. The Ministry of Finance has on behalf of Government declared the LGCDG system as the preferred modality for development financing at LGA level and expects both Development Partners and sectors to integrate into this system.

As part of that same system, all LGAs will also receive a Capacity Building Grant (CBG). This grant is a discretionary grant to LGAs for capacity building primarily of its staff but also councillors at district, ward and village levels. In addition a formula-based Extension Block Grant for funding agricultural services has been released through PMO-RALG starting from 2005/2006 instead of through the three line agricultural ministries as was the case in the past.

Consistent with this recently introduced LGCDG system, the ASDP will provide additional funding to LGAs for agricultural-related support as a top-up to the LGCDG. The grants will be

provided in three forms: (i) a District Agriculture Development Grant (DADG), (ii) additional funds for the EBG and (iii) additional funds for CBG.

Table 2.1: Grant Mechanisms for Local-Level Sub-Components

| Sub-Component | Grant Mechanism | Purpose |
|---|---|---|
| 1.1: Local Agricultural Investments for DADPs | Basic District Agricultural Development Grant (DADG) | Discretionary fund allocated to all districts to finance investments in infrastructure or productive assets |
| | Additional District Agricultural Development Grant (DADG) | Fund allocation to qualifying districts to finance investments in infrastructure or productive assets |
| 1.2: Local Agricultural Services | Extension Block Grant (EBG) | Finances salaries and operating costs of public extension staff at LGA level |
| | Extension Block Grant top-up (EBG top-up) | Discretionary fund to finance the cost of contracting private agricultural services providers |
| 1.3 Local Agricultural Capacity Building and Reform | Agricultural Capacity Building Grant (A-CBG un-earmarked) | Discretionary fund to finance training and capacity building of LGA |
| | Agricultural Capacity Building Grant (A-CBG earmarked) | Earmarked fund to finance LGA reform (only active for first 2-3 years of implementation) |

Full details of the arrangements for these grants are set out in the DADP Support Programme document, but they are summarised below under each of the ASDP Sub-Component descriptions.

Sub-component 1.1: Local Agricultural Investments in DADPs. Investment funds available to LGAs will originate from three distinct sources: (i) a basic DADG for all LGAs disbursed annually to LGAs as part of their budget, currently around Tshs. 38 million; (ii) an enhanced DADG of Tshs.100 rising 25% per year depending on use and performance which will require LGAs to meet certain criteria related to DADP planning and a commitment to reform. The identification of eligible LGAs will follow the same assessment methodology and timing used to establish eligibility for the LGCDG. The actual amounts disbursed will be based on the same formula as used for the Extension Block Grant, and calculated based on rural population, number of villages and a rainfall index²⁴; and (iii) a District Irrigation Fund which will not be formula based but instead will be discretionary and disbursed on a competitive basis against specific irrigation investment proposals.

Basic DADG: (Tshs. 36 billion). The basic DADG reflects the government's existing contribution to agricultural investment funding through the DADPs, which is expected to be Tshs 4.5 billion per year. This is treated as an unqualified grant for all LGAs and which will amount to around Tshs. 38 million per LGA per year on average, but distributed following the formula. The purpose of Basic DADG is to ensure a minimum level of agricultural funding for all LGAs that can be used while an LGA is undergoing reforms and capacity building in order to access the Enhanced DADG.

Additional DADG:(Tshs. 100 billion with 7% from Government, 73 % from Development Partners and 20% from Beneficiaries). The enhanced DADG is proposed as a substantial 'to

²⁴ Refer to the PMO-RALG MTEF Guidelines 2005/2006 - 2007/2008 for further details.

provide additional resources for agricultural investments proposed under DADPs. The Enhanced DADG will gradually increase in size, as follows:

- (i) LGAs that meet the specific access condition/agreed actions for the enhanced DADG (related to the capacity and structure of the DALDO/Cluster Head and the preparation of the DADP) will receive additional funding averaging Tshs. 100 million.
- (ii) LGAs that perform well against the additional performance indicators set for DADG will receive additional funding for investments, growing at 25% per year up to Tshs. 340 million per year. The annual performance assessment will be the basis for this gradual and substantive increase in investment funding.

Based on assumed levels of performance shown in the Table 2.2 below, all districts will access the full DADG grants by 2010/11.

Table 2.2: Proposed Phasing of LGA Access to the DADG

| LGA Phasing Assumptions | FY 06/07 | FY 07/08 | FY 08/09 | FY 09/10 | FY 10/11 | FY 11/12 | FY 12/13 |
|---|-------------|-------------|-------------|-------------|-------------|-------------|-------------|
| 1 Qualify for basic DADG | 120 | 120 | 120 | 120 | 120 | 120 | 120 |
| 2 of which Qualify for enhanced DADG | 50 | 60 | 70 | 90 | 100 | 100 | 120 |
| 3. Qualified LGAs receiving enhanced DADG of Tshs. 100 million | 50 | 23 | 28 | 36 | 30 | 20 | 29 |
| 3 Qualified LGAs that improve (and receive above Tshs. 100 million) /1 | 0 | 25 | 30 | 40 | 57 | 74 | 91 |
| 4 Qualified LGAs that don't improve (and receive less than Tshs. 100 million) | 0 | 13 | 13 | 14 | 13 | 5 | 0 |

/1 Assumed grant increment accessed by improving LGAs rises from 100 in 20% increments

District Irrigation Development Fund (DIDF): (Tshs. 1,493 billion with 1.2 % from Development Partners and 20% from Beneficiaries over five years). The DIDF will be centrally managed by the Ministry of Agriculture, Food and Cooperatives, from where funds will be competitively made available to districts in order to assist in the financing of specific schemes qualifying for these additional resources. This requires that the fund is discretionary rather than formula based.

The DIDF requests will be scored according to the following criteria:

| Criteria | Maximum score |
|---|---------------|
| Economic rate of return | 40 |
| The level of alternative sources of funding (LGCDG, DADG) that Districts allocate to the proposed investment | 20 |
| The level of farmers' contribution to the capital investment costs | 20 |
| The complementarity of CBG and EBG funded activities to the irrigation investment | 10 |
| The level of funds that are allocated to software activities such as capacity strengthening of Water Users Associations | 10 |
| Total | 100 |

District proposals will be demand driven and formulated on a participatory basis; but also comply with the appropriate regulatory framework such as land, water, environment, societal, and gender.

Furthermore, funds from the DIDF will be disbursed in a manner that adequately reflects the difficulties of financing implementation schedules that would normally extend beyond a single financial period.

A committee, consisting of representatives of the Ministry of Finance and the ASLMs, the Basin Authorities, and others as relevant, will manage the DIDF. A guideline document will be prepared prior to implementation setting out the conditions governing the access and use of the fund.

Sub-component 1.2: Local Agricultural Services. The District Agricultural Extension Block Grant (DAEG) has already been introduced as part of the new formula based local government funding system, and was implemented from FY 2005/06. ASDP will therefore adopt this grant to cover regular salary and recurrent costs of LGA extension services. It will also include, over time, additional resources for funding of contracts or outsourcing agreements between LGAs and private service providers and grants to farmer groups to contract or hire services. These grants will replace LGA recurrent expenditure, as services are increasingly outsourced. According to the published DAEG allocation plan²⁵, no overall increase in PE is anticipated, however allocation between LGAs will change substantially as the formula is applied.

The total requirement for the additional DAEG resources rises from Tshs18 billion in 2006/7 to Tshs 32.2 billion in 2012/13 (base costs). This consists of:

- (i) The Basic DAEG for:
 - staff salaries, budgeted at a constant Tshs. 11.2 billion per year
 - public operating costs, budgeted to decline from 5 billion to 1 billion as more service delivery costs are outsourced.
- (ii) The additional or 'enhanced' DAEG grant to fund:
 - contracts with private sector service providers, increases from Tshs. 1.5 billion to 9.6 billion over the programme period.
 - grants to farmer groups to hire extension services directly (through the farmer field school or other approaches) rises from Tshs. 0.5 billion to 3.5 billion.

Sub-component 1.3: District Agricultural Capacity Building and Reform (Tshs. 57 billion; with 93% from Development Partners)

A base, discretionary capacity building grant, A-CBG, will be provided to all LGAs. The A-CBG will comprise two elements: a basic discretionary grant for use by LGAs, and an additional capacity building reform grant that will provide resources during the transition process for the expected reform of agricultural services.

- (i) *A-CBG [un-earmarked]*: The un-earmarked A-CBG provides for general discretionary grant of Tshs. 18 million per district per year for general training and support provided in the DADP document. Funds will be disbursed against a capacity building plan.
- (ii) *A-CBG [earmarked]*: Provides limited term funding for restructuring and reform of LGA agricultural extension to support the restructuring and reform of LGA agricultural extension. The grant will be earmarked for these purposes and funds will be disbursed to LGAs against their agricultural extension reform plans. Eligible uses include: (i) preparation and

²⁵ Guidelines for the Preparation of LGA Medium Term Plans and Budgets for 2005/6 – 2007/8, PO-RALG, January 2005.

implementation of a reform plan; (ii) equipment and ICT to support re-orientation of the agriculture sector officers in the LGA; (iii) support for longer term training; and (iv) recurrent costs for these additional capital items during the programme period. The grant would provide an additional Tshs. 18 million per district.

The additional A-CBG will only be available for a maximum of a three year period and tied to an extension reform plan. For continuing capacity building thereafter, the LGA will have access to the standard, un-earmarked A-CBG.

Grant Access and Assessment System

Common to all grants, LGAs will have to pass a set of minimum condition/agreed actions to access the grants, and subsequently, be assessed annually on their performance against a set of key criteria that will determine the level of funding that they can receive in the following year. The assessment system will be integrated into the LGCDG assessment system, and the ASDP will provide additional support to conduct the extra assessment work for the agricultural grants. The draft set of criteria to be used in the assessments are attached in Appendix 1, and are summarised below.

Every year, PMO-RALG will contract a team to assess all LGAs in the country. At present each team has members representing expertise in LG finance, LG institutional performance, engineering (covering project management and procurement issues), planning and budgeting. Possible stakeholders to be included are PMO-RALG, MOF, ALAT, LGAs, CAG and the Regional Secretariat and Development Partner representatives. In order to cover the agricultural aspects of the annual assessment, which will determine subsequent allocations for the agricultural grants; agricultural experts will be added in the Assessment Teams, either from contracted consultants and/or from ASLMs and Regional Secretariat.

Table 2.3: Minimum Conditions/Agreed Actions for Access to Additional DADG, EBG and CBG Resources

| Functional Area | Agreed Action | Remarks |
|------------------------------|---|---|
| District Management | District Qualifies for Capital Development Grant | Primary Confirmed by PMO-RALG |
| District Management | Position of DALDO filled | Secondary Council |
| DADP Status | Council has DADP | Primary DADP document |
| Agricultural Services Reform | Evidence of a commitment to reform of agricultural extension services – Council passes resolution on reform (written documentation) | Secondary Verified by minutes of council meeting |

In addition to the minimum conditions a detailed scoring system of the performance of the LGAs in terms of improved DADP planning, implementation and monitoring will be used. The key areas of performance assessment are listed in Table 10.

Table 2.4: Annual Performance Assessment Criteria

| | |
|--|---|
| 1. Quality of Local Government agricultural planning | The quality of the DDP and its analysis of agricultural development, including a diagnostic assessment and formulation of an agricultural strategy, |
|--|---|

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| | |
|---|--|
| | Evidence of empowered groups demanding and contracting services |
| 2. Progress on agricultural services reform and provision | Evidence of reform of the DALDO/Cluster Head staff structure, a review of agricultural services delivery |
| | The degree of outsourcing of services, the extent to which the LGA pay private contractors on time and other agreed indicators of reform of the extension system |
| | Evidence of linkage with Zonal Agric. Research Institute |
| 3. Quality of local agricultural investments | Proof that investments meet technical, financial and economic, social, gender, and environmental standards |
| 4. Local policy and regulatory environment | LGA adherence to national guidelines on LGA tax structures and extent to which the LGA provides an enabling environment for private investments, |

Further detail on the screening process of districts level investments under the DADGs is provided in district guidelines, and for the purpose of irrigation these screen criteria include:

| Criteria | Maximum score |
|---|---------------|
| Economic rate of return | 40 |
| The level of alternative sources of funding (LGCDG, DADG) that Districts allocate to the proposed investment | 20 |
| The level of farmers' contribution to the capital investment costs | 20 |
| The adequacy of CBG and EBG activities supporting the proposed irrigation investment | 10 |
| The level of funds allocated to software activities such as capacity strengthening of Water Users Associations. | 10 |
| Total | 100 |

In addition to the non-earmarked DADG funds, two funds will be established to finance irrigation development: the District Irrigation Development Fund (DIDF), and the National Irrigation Development Fund (NIDF). According to ASDP guidelines, 75 percent of the public investment funds (including LGCDG, DADG and DIDF) will be implemented by LGAs and 25 percent by national level entities.

DADP

The Component will use the District Agricultural Development Plan as the key planning and implementation tool for LGA resource use in the agricultural sector. The DADP will be an annual plan that is fully integrated into the District Development Plan (DDP), and is based on a participatory process using the Government Obstacles and Opportunities to Development (O&OD) methodology. The DADP will consider the use of all resources available to the LGA: the LGCDG, the DADG, the agriculture extension block grant, as well as ongoing donor-funded projects. The DADP will be underpinned by a District Agricultural Development Strategy (DADS), which will be based on an assessment of conditions and potentials in the LGA, set the vision and medium term objective for agriculture, and the basis for public investment into the sector.

The DADP will be in line with the national ASDP, and will include:

- (i) Analysis and proposed reforms of the regulatory and institutional framework,
- (ii) Establishment of demand driven and contracted advisory services and training.
- (ii) Private sector development, with a view to involving private sector services providers as in the implementation of planned investments, directly supporting producers, services providers, agro-processing and traders; and facilitating linkages with financial institutions.
- (iv) Investments planned at village, ward and district levels through participatory planning methods and steps, including: (a) PRA-type planning (such as O&OD); (b) participatory feasibility screening; (c) detailed design and cost-sharing agreements; (d) LGA budgeting and approval; (e) participatory implementation; and (f) participatory M&E.
- (v) Cross-cutting and cross-sectoral issues and links with the overall DDP, such as rural infrastructure, forestry, fisheries, water, environment, gender and health.
- (vi) References to issues beyond the district level (regions, zones, basins).

DADP Guidelines

Existing guidelines will be continually revised better capture all different situations, steps and elements of the DADP planning, budgeting, implementation, monitoring and evaluation process; and to better cater for the different levels and functions of the anticipated users at district, ward and village level. Criteria and procedures to assess the feasibility of proposed investments from a technical, economical, financial, social and environmental perspective will be included in the DADP guidelines. The criteria and procedures for assessing investments from a social and environmental perspective will be based on the requirements provided for in the ESMF and the RPF.

ANNEX 2 - APPENDIX 1

CRITERIA FOR THE ANNUAL ASSESSMENT AGAINST MINIMUM CONDITIONS FOR THE ADDITIONAL FUNDS FROM THE ENHANCED ASDP: (A) THE DADG (CAPITAL GRANT), (B) THE DAEG AND (C) A-CBG

| Functional Area | Indicators of Minimum Conditions | Information Source, Assessment Procedures and Scoring Procedure | Level |
|--|--|---|-----------|
| 1. District Management | District qualifies for Capital Development Grant | PMO-RALG annual assessment report | Primary |
| 2. District Management | Position of DALDO filled | Establishment | Secondary |
| 1. District Agricultural Development Plan Status | Council has a DADP | DADP | Primary |
| 4. Agricultural Services Reform | Evidence of a commitment to reform of agricultural extension services. | Obtain council minutes of resolution on reform | Secondary |

CRITERIA FOR THE ANNUAL ASSESSMENT AGAINST PERFORMANCE MEASURES FOR ADDITIONAL ANNUAL FUNDS FROM ENHANCED ASDP: (A) THE DADG (CAPITAL GRANT), and (B) THE DAEG

| Functional Area | Indicators of Performance Measures | Information Source, Assessment Procedures and Scoring Procedure |
|---|---|--|
| 1. District Agricultural Development Plan prepared and implemented according to guidelines and as part of DDP. <i>Maximum score=35</i> | <p>1. The DADP contains an analysis of the district's agricultural potential, opportunities and obstacles to development. A Diagnostic Assessment and Agricultural Strategy is available, with private sector role & opportunities identified.</p> <p>2. DADP assessed for level of implementation as per activities and budget</p> | <p>Review DADP to ensure the District Strategic Plan includes the following.</p> <ul style="list-style-type: none"> • <i>An analysis of the district's agricultural potential, opportunities and obstacles to development: 10</i> • <i>A diagnostic assessment: 5</i> • <i>Private sector roles and opportunities identified: 2</i> <p>Assess together with DPO, DALDO and relevant District Management Team members the status of implementation of the DADP:</p> <ul style="list-style-type: none"> • <i>90-100% implementation of DADP: 25</i> • <i>50-90% implementation of DADP: 12</i> • <i>25-50% implementation of DADP: 6</i> • <i>0-25% implementation of DADP: 0</i> <p>* Higher scores reflect improved planning under defined budget ceilings with greater integration into the DDP.</p> |
| 2. District Agricultural Services Reform | 1. Proof that agricultural services are progressively embracing empowerment | Review strategy documents, DADP and annual reports. Interview with (a) DALDO/Cluster Head team and (b) private sector service |

Government Programme Document

| Functional Area | Indicators of Performance Measures | Information Source, Assessment Procedures and Scoring Procedure |
|--|--|---|
| <p>and contracting <i>Maximum score=20</i></p> | <p>approaches and engaging the private sector (ward and district farmer fora formed; extension services contracted to private sector).</p> <p>2. Evidence of linkage with Zonal Research Institutes.</p> | <p>providers in the district</p> <ul style="list-style-type: none"> • <i>All Wards have established farmer fora:10</i> • <i>50% of all Wards have established farmer fora: 7</i> • <i>Less than 50% of all Wards have established farmer fora: 3</i> • <i>No evidence of strategy in place: 0</i> <ul style="list-style-type: none"> • <i>Over 10% of LGA budget for extension used for contracting services through private providers:10</i> • <i>5-10% of LGA budget for extension used for contracting services through private providers: 7</i> • <i>Less than 5% services contracted out to the private sector: 3</i> • <i>No services contracted out to private service providers: 0.</i> <p>Evidence of ongoing research activities in LGA</p> <ul style="list-style-type: none"> • <i>District have accessed information on 4 priority technologies from the ZARDI with explicit consideration of input and output prices and costs of the technology: 0</i> • <i>Districts have accessed published material on at least 3 success stories per year from the ZARDI: 0</i> |
| <p>3 Agricultural investments follow standards of compliance and technical audit conducted <i>Maximum score=30</i></p> | <p>Proof that investment meet technical, financial and economic, social, gender, and environmental standards.</p> | <p>Make spot check of 5 randomly selected investments and examine investment documentation for DADP activities to determine the extent to which they meet relevant standards and guidelines.</p> <ul style="list-style-type: none"> • <i>All 5 show compliance with technical, economic, environmental and social guidelines: 30; 4 show compliance: 25; 3 show compliance: 20; 2 show compliance: 15; 1 show compliance: 10; 0 show compliance: 0</i> |
| <p>4. Policy and regulatory <i>Maximum score = 15</i></p> | <p>Agricultural cess limit of 5% of farm gate price with no cess on products passing through the districts or where it is sold in markets (in compliance with the Local Government Finance Act)</p> | <p>Review a sample of five product markets: For each product - above 5% : 0; below 5%: 3 (3x5=15)</p> |

Note: Financial management, Fiscal capacity, planning and budgeting, procurement, council's functional processes, project implementation, Monitoring and evaluation capacity included in the CBG and CDG performance assessment are also relevant.

Annex 2.2: National Level Support ASDP: Support through the Basket Fund

1. Introduction

National level support under ASDP is designed to assist ASLMs in implementing the policy and institutional reforms envisioned in the ASDS and providing an enabling environment for greater commercial activity in the sector. The support through the ASDP Basket Fund will be focused on four areas: (i) reform of agricultural services, primarily research and extension; (ii) market development; (iii) irrigation development; and (iv) improved policy and planning. The four sub-components will encompass a sub-set of the expenditures of MAFC, MLD and MITM with a focus on improving the allocation and use of those expenditures. It is expected the scope of the component will be expanded over time to cover a greater proportion of the Ministries' expenditures in subsequent phases of support.

Sub-component 2.1: Agricultural Services (Tshs. 107 billion with 66% from Development Partners):

The agricultural services sub-component will build on the Agricultural Services Reform Strategy to support reforms at national and zonal levels to enhance agricultural research and extension performance. The sub-component will focus on making research, extension and training more responsive to demands from empowered farmers and other clients by: (i) reinforcing the policy reform process and strengthening national level capacity to implement and design appropriate institutional reforms; (ii) institutionalising a Client Oriented Research and Development Management Approach (CORDEMA) and through a reconstitution and expansion of the Zonal Agricultural Research and Development Fund (ZARDEFs); (iii) establishing effective, two-way information and communication mechanisms to promote farmer empowerment and improve public and private agricultural service delivery; and (iv) establishing effective coordination and, where appropriate, integration of agricultural services. Although focused primarily on research and extension services, training and technical services will also be expected to be supported under this sub-component over time.

Strengthening national capacity to implement and design appropriate institutional reforms: Support will be provided to reinforce policy formulation, legislation and development of regulatory mechanisms for agricultural services. Funds will be provided to finalise the agricultural services reform strategy, develop a legal framework governing private provision of agricultural services, and prepare a code of practice for extension and other services. The sub-component will also support capacity building for improved public sector agricultural services delivery management by:

- Strengthening human resources in research and extension, including the managerial capacity of central Government institutions, focusing on the ASLMs as well as other institutions;
- Mainstreaming academic and other research bodies into the National Agricultural Research System (NARS), based on the Sokoine University of Agriculture (SUA) experience;
- Reinforcing management systems of reformed institutions (such as through CORDEMA);
- Strengthening public and private sector training capacity, Livestock Training Institutes (LITIs) and Ministry of Agriculture Training Institutes (MATIs);
- Funding new investments, including two-way information and communication capacity at local, district, zonal and national levels; and
- Financing the construction and rehabilitation of infrastructure, provision of equipment and mobility.

At the National level, support through the ASDP Basket Fund will support training to facilitate the acquisition of new skills and to reinforce an institutional culture of doing business as unusual. Heads of ASLM Departments will participate in workshops designed to enable them to better support farmer empowerment initiatives, and will be provided with a range of training activities to improve specific technical skills. National level staff will also share MIS information training.

Agricultural research: Activities to improve the efficiency of the national agricultural research system will be based on three elements: (i) improved communication, (ii) developing a focused priority research agenda in a participatory manner, and (iii) improved management. The farmers' voice will be explicitly built into the system, in particular through increasing control over resource allocation, and it will grow stronger and more effective as experience and capacity develop. These changes will be accompanied by a greater involvement of researchers in development activities and increased focus on the key biological and non-biological aspects of agricultural development.

The primary tool for enhancing the responsiveness and quality of agricultural research will be improving the management of the seven Zonal Agricultural Research and Development Institutes (ZARDIs) and national institutes (e.g. ADRI, TTRI, etc.) with the implementation of the Client-Oriented Research and Development Management Approach (CORDEMA), and through Zonal Agricultural Research and Development Funds (ZARDEF), which will allow on a competitive basis, participation of a broader range of research providers in the delivery of publicly funded research. Major funding for provision of services at the National and Zonal Levels will include:

- Funding research activities of MAFC and MLD and operational support;
- Core funding for ZARDIs' operating costs – conditional on zones establishing increased client control of resource allocation and improved communication through ZIELUs;
- Funding for operationalising CORDEMA, and strengthening or establishing ZARDEFs;
- Funding for applied and adaptive research, and on a pilot basis for extension, increasingly through competitive grants open to all ASPs; and
- Sustained funding for priority strategic research through core Government and Donor funding.

A key element of CORDEMA is that “funds follow quality”²⁶. Those researchers who produce high quality and timely outputs will receive support for future work and teamwork and capacity building are built explicitly into the process. The proposed CORDEMA strategy has three pillars: Changing mindsets: CORDEMA will reach beyond researchers into the wider farming community. An intensive skills enhancement programme will be offered to teams of researchers, extensionists and other field Development Partners to facilitate a collaborative market-focused research agenda.

Funds for planning collaborative activities: to allow new teams to prepare proposals and expose them to review by peers in the scientific and the development communities.

A mainstream development-oriented research and development fund: ZARDEF will support this work and will be closely linked to local demands and priorities.

²⁶ However, Programme Management will ensure that ZARDIs located in remote areas will not be side-lined because of their inability to attract and retain qualified research staff.

At **Zonal Level**, the Agricultural Research and Development Institutes (ZARDIs) will operate along CORDEMA lines. Farmers and other clients, represented through their respective organizations, will increasingly influence decision making of Zonal Steering and ZARDEF Technical Committees (ZSCs and ZaTCs) and of the Zonal Research and Outreach Review workshops. The Zonal Director for Research and Training (ZDRT) will ensure liaison with other R&D institutions (SUA, private research institutions) through the various committees serving the ZARDEFs – ZSCs, ZaTCs, and farming systems review teams.²⁷ Clients/farmers and the private and NGO sectors will form the majority of the committee and will have decisive control over ZARDEFs, the competitive zonal funds for contracting research. The functions and working modalities of the Zonal Information and Extension Liaison Units (ZIELUs) will be reviewed in light of the District reform implementation and strengthened as appropriate to meet client and District information and training demands. The participation of researchers in service contracts at district level, such as extension activities, trouble shooting and short-term training, as they have done in the EZCORE project, will also contribute to strengthening farmer-extension-research linkages.

ASDP requires a fully functional team in the ZIELO's office consisting of an integrated group of researchers and extension workers as shown by:

By year 3 of the programme:

- One researcher per ZARDI and one at each ARI working in the ZIELO's office on a part-time basis in accordance with their formal job description.
- One researcher co-opted to the ZIELU to work specifically on the priority commodity or technology (as approved by ZSC) and its uptake strategy in the zone.

The expected Output would be:

By year 3:

- In every district in the zone, targeted farmer-friendly technology recommendations, with explicit consideration of input and output prices and costs, for at least 4 priority technologies for the zone for each year
- At every ZARDI, published material on at least 3 success stories from the zone in a format useful to policy makers, NGOs, and other potential 'scaling up' partners (this to include data spreadsheets, cost-benefit analyses, and other information of direct value to planners) for each year.

At the zonal research level the thrust would be to show that researchers are utilising the new funding opportunities under ASDP and that they are actively engaging with non-public sector collaborators as a significant proportion of their research activity. ASDP requires researchers to become development workers and learn to operate in partnership with other development agencies so as to ensure the rapid flow of targeted, high quality technology to the various sectors of the farming communities. At the end of 3 years the following should be accomplished:

²⁷ The Zonal Research and Outreach Review workshops is an advisory quality check at the institutional level, the ZaTC and Farming Systems Review Teams formally screen proposals for quality and for focus on priority problems, the ZSC finally approves proposals recommended by the ZaTC and is responsible for determining zonal priorities and overall quality control of the research process. Farmers and agribusiness have strong representation at all levels.

- CORDEMA training completed the recommended CORDEMA structures and practices implemented, and ZARDEFs established in all zones.
- ZARDEFs account for at least 30% of all ZARDI supported research (to be 75% by year 5)
- 80% of all ZARDI scientists have a ZARDEF approved grant year 5
- 50% of ZARDI scientists have a ZARDEF approved grant by year 3
- 50% of all ZARDEF grants have a non-public sector collaborator or principal investigator

In the same period all ZARDEF structures would be in place and funds being disbursed within 4 weeks of receipt of approved quarterly report and request for next quarter's funds. At the same time, transparent and efficient review process in place as evidenced by speed of approval (or non approval) of proposals and records of review comments.

At National Level, the ASLMs will be responsible for policy, regulatory, planning functions. They will support ZARDIs through research, extension, training and technical services in an integrated and coordinated manner. The clients/farmers, represented through their respective organizations, will be increasingly involved in decision making through district, zonal and national bodies such as Farmer Fora, Agencies, Committees and Boards. To increase the sustainability and predictability of financing for agricultural research, an endowment fund – the Tanzania Agricultural Research and Development Fund (TARDEF) – is proposed to be created at national level to complement other sources of research funding under the Programme. The mandate of TARDEF will be to maximise revenues from its investment portfolio and to pass as much of these revenues to the ZARDEFs. Work to develop the detailed operation of this fund will be developed with the objective of bringing a full proposal for consideration once the ZARDEF system is shown to be fully functional.

A national coordinating body for research and extension is needed and must be effectively functioning as a single apex organization for the entire Tanzania NARES. This body needs to be recognised by all key stakeholders, including private sector agencies, through Memoranda of Understanding (MoUs), and/or other arrangements to facilitate efficient implementation, including:-

Managing the national interest

- Determining and agreeing mandates for basic and strategic research in those fields considered of key national interest (e.g. long term or 'over the horizon' research in crops, livestock, fisheries, and in NRM/agro-forestry)
- Assigning responsibilities for implementing these mandates through a transparent and competitive review process to specified research centres and teams (including 'buy ins' from international and regional centres of expertise). The review process to include assessment of capacity to undertake the proposed work, the cost-effectiveness of the programme proposed, and agreement on timelines, budget, and uptake pathways.
- Coordinating the development and implementation of TARDEF (or an alternative body) to review and approve programmes of national focus, with a stakeholder-representative body free of domination by any single institution and/or political considerations.

Enhancing capacity

- Coordinating capacity development across the NARES to ensure that the poorer areas of the country (and orphan crops and other critical, but neglected, research topics) are appropriately resourced.
- Facilitating the mainstreaming of key public and private sector research institutes (such as the agricultural universities and commodity research agencies) into the NARES.

Logistical and other support

- Undertaking those support functions of the NARES that cannot be efficiently executed by the individual ZARDIs/ARCs. This includes bulky and/or high cost procurement, technology acquisition from abroad, biosafety and quarantine matters, and the facilitation of international cooperation through fully budgeted and specifically assigned MoUs.
- Fulfilling the planning, budgeting and reporting requirements of the government for the entire NARES, and ensuring that efficient and timely arrangements for fund flows from sources to the NARES constituent partners are identified and agreed.

Building a sustainable funding base

- Ensuring that effective arrangements are in place to provide sustainable funding for high priority national research projects, either through dependable core funding, or through the proposed TARDEF national agricultural research fund.

Private research agencies (TRIT, TaCRI, TORITA), co-financed by public and private sectors, as well as academic and other National Agricultural Research System (NARS) institutions, will also become major partners at National level and in their respective zones/farming systems. In addition to their core funding mechanisms, they will also access resources on a competitive basis to provide services such as empowerment, research, extension and training. Academic institutions will also be contracted to provide services in areas of their comparative advantage, such as socio-economic research. Export commodities such as sugar cane, sisal, cotton, cashew and pyrethrum will continue to be part of the public research establishment (through the ZARDIs) but co-financed by the industry²⁸. The private sector will play an increasing role in agricultural and livestock services, in particular with respect to extension, training and technical services.

While the main focus of the Programme research agenda will be on providing responses to farmers' needs, there is also a requirement for certain non-demand-driven research activities. These are research topics which may not be immediately identified by the farmers but which are, nonetheless, of local, national and international importance. These could include: (i) agricultural economics, socio-economics and marketing research, (ii) post-harvest technology, (iii) production enhancing research, (iv) long-term land husbandry and natural resource management, and (v) the adaptation and utilisation of new technologies. For the funding of such national priorities or long-term strategic research, ZSCs will be sensitized through participation in the national annual agricultural research meeting. At this meeting, the existing National Programme Leaders will report to the ZSCs on issues requiring funding on a scale greater than the zonal level. A joint ZSC meeting will then agree which of these research areas to support and will commit a proportion of their budget to them. A ZSC to lead each agreed research area will be nominated by the joint ZSC meeting. That ZSC will issue a call for proposals which will then go through the same process of peer review established for zonal research calls. The efficiency of this process will need careful monitoring to ensure that these very important long term issues are given due consideration. In Year 3 of the Programme, a specific review of the effectiveness of the mechanisms introduced under the Programme will be undertaken, and adjustments and changes made as necessary.

Information and Communication: A critical component in the provision of improved agricultural services involves the integration of Information and Communication Technology (ICT) with existing two-way communication mechanisms and processes. The programme will be supported by a wide-ranging set of investments in ICT and other appropriate information and communication (IC) interventions at all levels of planning and implementation. A new

²⁸ Private research institutions and export commodity research programmes operated by the public research establishment will be financed largely by the industry through commodity cesses and levies.

communications strategy will be developed for the ASLMs with the aim of encouraging improved access to, and achieving more efficient levels of IC. Local consultants will design and implement a national Programme Media Campaign, radio extension messages, and mobile phone use programmes to improve communications among and between field extension staff and the districts. A national management information system (MIS) will be established to enhance the management of agricultural information across all levels. To complement the MIS, efforts will be taken to improve the levels of IC among public sector institutions, including the ASLMs, the four ASLM Library Resource Centres and the ZARDIs.

Establishing effective coordination: At the National Level, there are a number of options for a new institutional framework to support improved agricultural service delivery. The future shape of central (macro-level) management of agricultural services will be assessed during the Programme implementation, and an agreed reform strategy formulated and agreed by stakeholders. This will lay the basis for the need to revise the Government organization structures in line with their foreseen roles in the second phase of the Programme implementation.

At national level, rationalisation of agricultural services institutions to ensure integration and effective coordination within and between ASLMs with respect to research, extension, training and technical services, as well as the establishment of effective coordination mechanisms with other government partners, private sector, farmer's organizations and NGOs.

Other Technical Services: In addition other strategic technical and policy support services that will be formulated including: agricultural mechanization; land use planning and range management; animal and plant health services; plant and animal production materials; and policy and regulatory support.

Sub-component 2.2 National Irrigation Development (Tshs. 474 billion with 1.4% from the Development Partners)

The National Irrigation Master Plan (NIMP) was launched in 2002 and was intended to contribute to the achievement of the ASDS objectives of increased agricultural productivity and profitability by establishing a framework for sustainable irrigation development. Using a rigorous multi-parameter analytical process, the NIMP identified the total potential area for irrigation development in Tanzania at 29.4 million ha with varying potential levels. Of this total area, which includes some, 250,000 ha already under agricultural water management, 2.3 million ha are of high potential, 4.8 million ha are of medium potential and 22.3 million ha are of low potential. The various parameters used to arrive at these figures included land potential; population density, social connectivity and water availability.

The national irrigation development fund (NIDF) will support scaling up of irrigation in high potential areas both through support to larger, more complex irrigation schemes that cannot be financed through the DIDF and in developing the conditions that would allow greater private sector investment in irrigation.

In particular, the NIDF will target larger scale infrastructure to address issues surrounding the need for storage and greater reliability in water flows. Not all of the country's irrigation potential can be realized by discrete run-of-river, water harvesting or groundwater withdrawals and there is a need for trans-seasonal or trans-annual storage and/or shared feeder canal systems. Furthermore, regional experience suggests strongly that a bulk or service infrastructure will be required to catalyse private sector investments in commercial irrigation. NIDF irrigation financing will be targeted towards leveraging private investments for irrigation development and

laying the ground work for increased investment in bulk infrastructure from public and private sources. This would include preparation of a number of specific PPP investment proposals prepared on the basis of stakeholder involvement and targeted PPP demand studies. They could include: (i) cost-sharing of the development costs of primary and secondary irrigation infrastructure between public and private sector, respectively; (ii) support to the emergence of private irrigation service or equipment providers; (iii) performance based management contracts between public and private sector for large-scale irrigation; and (iv) any other appropriate form of PPP.

Outcomes of this sub-component include (i) an increase in area under improved water management of 441,000 ha, and (ii) at least 75 percent contribution from private investors towards overall financing costs of irrigation development over five years.

Sub-component 2.3: Marketing and Private Sector Development: (Tshs. 11.4 billion with 100% from Development Partners).

Tanzania's smallholder farmers and livestock keepers face obstacles organizing among themselves, evaluating market opportunities, and meeting market requirements for product quality, quantity, and delivery timing. Along the marketing chain, small and medium-scale traders, processors, and other service suppliers are forced to limit their outreach due to high marketing and transactions costs and risks. The sources of these problems are myriad, and include, among others, inadequate agricultural policy and laws (or poor implementation of policies); poor infrastructure; limited financial services; and lack of business and marketing skills. The net effect is higher marketing costs and risks, lower marketed volumes, reduced farm profitability, and less technology transfer and farm level adoption than needed to reach ASDP objectives. Fulfilment of ASDP aims therefore requires that marketing and private sector development constraints be better understood, and that once identified, they be addressed in a strategic manner. This will require greater collaboration between government and private associations in the formulation and implementation of government strategy. While some areas of agricultural marketing require better analysis of the underlying constraints – rural financial services and processing investment are examples – in some cases innovative approaches for market development exist, for example under ongoing donor projects. The challenge here is to learn from the successes of these efforts (PASS, DAI-PESA, IFAD Marketing and Finance Projects, and PADEP, among others) and determine what has to be done to mainstream and scale up the successes in a sustainable manner.

This subcomponent identifies three areas of activity that are essential for development of private markets and firms. These include private market development; regulatory assessment and institutional reform; and policy and public expenditure analysis. Food security concerns have been “mainstreamed” into the marketing subcomponent, ensuring that this issue is addressed at household, regional and national levels.

Private marketing system development

Economic liberalization and deregulation have increased the role the private sector plays in the agricultural economy. The private sector provides most income – generating activities and job creation opportunities, and is increasingly becoming the driving force for economic growth. Private-sector led growth is also necessary for poverty reduction, and an important goal of policies supporting private markets and firms is to assist with the integration of low-income smallholders and SMEs in the growth process. Even where public funds are needed to include the poor in the agricultural growth process the private sector is often the most effective service provider. This insight lies behind the new extension approaches in ASDP.

The domestic private sector deserves attention because domestic resources are larger than external resources, domestic assets are significantly larger than cumulative Foreign Direct Investment (FDI), and domestic resources provide the basis for a more stable and sustainable pattern of growth. Ultimately, the two are complementary, and FDI brings a corporate culture that can change the way business is done, as well as managerial and market know-how.

This diagnosis of the structure of the private sector and constraints to rapid growth applies in differing degrees across a wide range of functions performed by the private sector. Addressing the constraints to unleash the potential of the private sector will require programmes tailored to address differing limitations. In the agricultural sector, the private sector carries out a number of functions including; production, output marketing, input supply, financial services, processing (value addition), research and market information services. Others are procurement, bulking, grading, transport, storage, and extension of technical advice. The latter includes both general business advice and skill transfer, as well as agriculture-specific technical advice. The private sector can also support capacity building and empowerment activities, as well as risk management.

In the ASDP context private sector development aims at mainstreaming the private contribution to agricultural sector development. Activities include:

(i) Private sector capacity building and investment facilitation efforts that strengthen the business and marketing skills of private farms, firms, and their organizations (associations). Investment efforts can include public private partnerships, including cost-sharing or capital grants for demand-driven term investments. Capacity building activities will largely be publicly financed, but implemented by private service providers. Some attention will need to be given to verification of the quality of services delivered. Supporting the development of private agricultural markets and small and medium enterprises and linkages (including commodity supply chains and creating market linkages between small farmers and private markets or intermediaries) and improving access of private farms and agribusinesses to better technologies and advisory services. Efforts to support financial service delivery, including SACCOs and NGO initiatives will need further study, and will need to be consistent with broader policies for financial sector development, including the Second Generation Financial Sector Deepening Program, and the Financial Sector Deepening Trust.

(ii) Public-private dialogue on agricultural policies, regulations and public expenditures, and on their effectiveness in supporting private market development and investment: In addition to appropriate macro-level institutional and policy framework, private investment to rural areas requires enabling policies and institutions at the local levels. There is a need to promote active engagement of the private sector in dialogue to effect policy and institutional change that will promote private sector development. Public infrastructure investment can also crowd in private investment if planned within a credible agricultural growth strategy. Such strategies, which operate at both national and local levels, require extensive private sector consultation and input. Here the facilitating role of a private marketing advisor, based in a private association (and possibly co-financed by them) is crucial. The advisor will draw up a yearly schedule of regulatory and policy initiatives, and plan and identify stakeholder groups to take part in public-private discussion of these initiatives. He/she will also plan and manage the discussions and their follow up. The modalities for this component are consistent with the demand driven approaches of the ASDP's research and extension activities, and with the principle of using public funds to finance privately provided services.

(iii) Improvement in the regulatory regime and implementing institutions through public-private dialogue involves focus on review of crop, livestock, and input regulations and their implementation. These are put in the context of specific strategies and action plans for development of private marketing chains formulated under the policy component. The formulation and implementation of regulations will involve more regular and intensive consultations with private stakeholders, facilitated by a private marketing advisor. An important added activity is the dissemination of information to the private sector on public regulations which is often overlooked but relatively easy to address. This component includes a line item for implementation for the crop board reform action plan. In addition, support will also be provided to implement the recommendations of the recently completed diagnostic trade integration study, which recommends improving capacity to comply with sanitary and phyto-sanitary requirements of major trading partners.

(iv) Agricultural policy and public expenditure analysis is a third focus. Specific sectoral, marketing and food security analyses have been identified that are essential to ASDP objectives (e.g. technology transfer via markets, and food security). These assessments also provide needed input to the yearly agricultural sector review. In addition, separate analyses on public institutions and expenditure need attention as input to the yearly public expenditure review. Funds will be provided to guide improved use of resources in parts of the MTEF not financed by the basket fund, including input subsidies, the Strategic Grain Reserve and the agricultural input trust fund. Analytical work is already underway to assess the efficiency of expenditures in some of these areas and further support will be provided to further assess and facilitate dialogue among stakeholders. Finally, support will be provided to implement the crop board restructuring plans. This will include revisions to the Crop Board Acts.

Sub-component 2.4 Food Security (Tsh 5.3 billion with 100% from Development Partners) :

Food security and poverty reduction are key objectives of the ASDP. Specific actions aimed at food insecure households and communities are essential elements to ensure inclusiveness of vulnerable food insecure persons. Although there is an implicit assumption that the economic growth process will benefit all persons through generalised overall growth and the bottom-up planning process, explicit actions are needed for immediate impact on specific vulnerable groups. Moreover, it is known that under-nourished food insecure households are less likely to have the basic energy level (caloric intake), health status or resources to contribute extensively to economic activities. Indeed, poor health status often means that scarce financial resources are used on non-productive inputs (e.g. medicine, doctor visits) rather than on economic activities or education. Chronic and acute (especially emergencies) food insecurity limits the ability of households to improve productivity and participate in the wider economy.

Tanzania has significant experience through programmes such as SPFS and PADEP that can provide lessons and opportunities to integrate successful approaches into the current ASDP framework.

Food security interventions in ASDP would be aimed at supporting LGAs (region, district and ward level) in planning, preparation and implementation of strategic actions through the DADPs/DDPs and discretionary capacity building funds in order to support the specific needs of the food insecure so that they can participate and contribute to the economic development.

Actions will include:

- Identification of “normally food insecure areas and vulnerable groups” through existing food insecurity and vulnerability monitoring mechanisms.

- Strengthening of the human, technological and policy analysis capacity of the existing food insecurity and vulnerability monitoring mechanisms.
- Modification of DADP guidelines to assist LGAs to identify and promote specific actions for normally food insecure areas.
- Sensitization of LGAs and villages in normally food insecure areas to create long-term food security strategies and emergency prevention that can be incorporated in the DADPs using the broad experiences of key ministries.
- Facilitation of training for LGA staff, NGOs, private sector, extension service providers and others with support of key ministries to plan, prepare and implement DADPs with special emphasis on successful food security strategies.
- Facilitation of social safety net support with World Food Programme (WFP) and Tanzania Social Action Fund (TASAF) to complement DADP based action plans in food insecure communities (e.g. school feeding, food for work, cash for work, etc.).
- Assistance to develop regional long-term strategies for normally food insecure areas.
- Identification of new food security strategies for specific vulnerable groups (e.g. pastoralists, HIV/AIDS orphans) as information sharing to LGAs.
- Coordinate with Food Security stakeholders in key ministries, private sector and civil society for sharing of successful experiences and inclusion in ASDP processes.

The expected outcomes on food insecure populations include:

- Food insecure households and communities will participate in meaningful DADP based actions resulting in improved nutritional and economic status (reduced chronic food insecurity).
- Normally food insecure areas will experience less economic and livelihood shock due to emergency conditions (reduced acute food insecurity).

The expected outcomes on LGA capacity and DADP development include:

- DADPs in normally food insecure Regions and LGAs will include specific successful strategies and actions to reduce chronic and acute food insecurity.
- DADP guidelines will reflect inclusive methods for food insecure households and vulnerable communities.
- Additional social safety nets resources from WFP and TASAF will complement DADPs and DDPs.

Sub-component 2.5: Co-ordination, Monitoring and Evaluation (Tshs. 16.9 billion with 100% from Development Partners).

The planning and coordination sub-component will strengthen national and district level mechanisms for planning, implementing and reporting of agricultural sector investments and services. Support will be channelled into three broad areas: (i) ASDP kick starting activities and programme management; (ii) establishment of the LGA performance assessment system and quality assurance measures for service providers and investments; and (iii) monitoring and evaluation including strengthening of agricultural statistics and information.

Programme Coordination and Management: The ASDP and Regional secretariats will support a series of kick-starting activities for districts in order to facilitate the transition to the proposed processes and practices described in Component 1 above. To guide preparation of DADPs, LGAs will undergo a district diagnostic assessment, which will be facilitated by a contracted agency under the guidance of the Regional Secretariats. The ASDP Secretariat will oversee development of guidelines for formulation of DADPs and capacity building of LGAs.

Implementation of the ASDP implementation between the four sector ministries and PMO-RALG, will be co-ordinated by the Director of Policy and Planning, MAFC and overseen by an ASLM Committee of Directors. DPP MAFC will provide oversight of the ASDP Basket Fund and progress reports to the ASDP Basket Fund Steering Committee. The Policy and Planning Unit MAFC will be strengthened to fulfil this role. The Agricultural Services Facilitation Team, under the ASLM Committee of Directors will provide the necessary integrated support for implementation.

Quality Assurance: A strong emphasis will be placed on monitoring procedures in order to account for the use of the LGA grants and ensure the quality of services and investments at local levels. Support will be provided to develop and implement the following quality assurance measures:

LGA Performance Assessment: The annual performance assessment system will be a key M&E tool to judge the pace of LGA reforms and DADP quality, as well as building accountability and determining future grant access. At an aggregate level, the collective results of LGA investments and service improvements will be assessed at regional, zonal and national level. ASLMs will be supported to improve sector monitoring systems, and periodic independent reviews of ASDP progress will take place at the end of every phase.

Setting Standards and Regulation of Service Delivery and Contract Fulfilment: The Programme will finance development of a quality control system to set basic quality standards for ASPs and establish a regulatory framework. Quality assurance standards for service delivery and contract fulfilment will be developed for all categories of ASPs (both public and private), across a range of technical areas (legal, governance, participatory, technical and environment). Through a series of workshops and studies, approaches, methodologies and tools will be developed for measuring standards and quality services. These methodologies will be tested in selected districts and refined over time. At National and Zonal Level, standards and regulations will be developed and issued for ASPs. An initial inventory of ASPs will be undertaken and a registration scheme developed for approved service providers at the zonal, district and ward level. Districts will maintain a register of approved ASPs within the district.

Technical Auditing of Service Providers and Contractors: Regulation of ASPs will require their periodic technical audits by clients, including farmer fora and farmer groups, LGAs and ASLMs. To ensure accountability, transparency and quality, DALDOs/Cluster Heads will conduct regular technical audits of ASPs. The Programme will finance development of the technical auditing system and training of DALDOs/Cluster Heads, ASPs and other stakeholders. Audits will examine the technical capacity and performance of ASPs and will be based on the standards developed above. Technical audits will complement the routine monitoring and evaluation of ASP service delivery that will take place at the farmer level. The form and substance of the technical audits will be developed with input from technical specialists in ASLMs, farmers and specialist advisers, who will set their own criteria for quality assurance and provide critical information for performance assessment.

In addition to district based technical audit activities, periodic financial and technical audits, including contracted investigative studies, will be undertaken by the national level staff. A learning dimension will be integrated into the coordination, M&E and quality control activities, so that feedback from all the different meetings, reports, studies and audits produced in a given year will be used by service providers and beneficiaries to improve service delivery in subsequent years.

The Regions will play an important role in backstopping the preparation and review process of the DADPs, as well as other planning, quality control and reporting activities. In particular, the strengthened Regional Agricultural and Livestock Advisors will review the plans to ensure that they conform to the principles underpinning national policy.

Monitoring and Evaluation: Support will be provided to increase monitor and evaluate outcomes and impact of ASDP investments and services throughout programme implementation. At the district level, DADPs will need to adopt more measurable and specific objectives, ensure the necessary tools and funding are in place to collect data, and establish feedback mechanisms to the Council and other stakeholders to ensure collected information is used in decision making. There will also be a need to utilize more participatory approaches, where the beneficiaries themselves evaluate outcomes and impact. All LGAs were required to implement the Local Government Monitoring Database (LGMD) in 2004/05, the exercise so far has been a low priority and results are not complete. In addition, the agricultural indicators in LGMD are not very appropriate given the current policy and reform agenda. Under the programme, ASLMs will receive assistance to further revise and test appropriate standard indicators, so that LGMD may become more effective for DADPs. M & E guidelines will also be developed at the national level and technical backstopping provided by the planning departments of the ASLMs for LGAs.

The regional or sector-wide outcomes and impact occurring from the collective resources flowing through all DADPs will also be measured periodically to assess their impact on sector growth targets and national poverty reduction goals. A national sample survey of agriculture was completed in 2003 and results published. A large range of indicators will be tabulated at district and regional level that will be of value to DADPs, as well as providing a baseline for the ASDP. Support will be provided for the further analysis and dissemination of results. Funds are also earmarked for independent programme reviews in Years 3 and 5. These could be underpinned by data gathered as part stand alone surveys financed by the programme or existing instruments such as the service delivery or agricultural production surveys.

Annex 3: Monitoring and Evaluation

1. Introduction

The monitoring and evaluation system proposed follows closely the structure of the programme document and covers mainly two levels: the district level where the bulk of the ASDP funds are expected to be spent, and the national level. Key elements of the system are presented in a log frame in Annex 1 which presents, for each of the overall ASDP development objectives, a set of performance indicators, source of information and assumptions. Indicators, data sources and assumptions are then presented for the investment and services components at the local and national levels, for outputs in the components of research, irrigation, and markets, as well as a programme coordination/quality control component. The summary below outlines the M&E system proposed for the ASDP, placing particular emphasis on proposed tools at each of the levels.

2. Local Level

At local level, the M&E system for DADPs can be divided into three main groups:

- Tracking funds and measuring outputs through Planrep
- Measuring LGA performance through use of grant fund
- Measuring outcomes

Tracking funds and measuring outputs

The Planning and Reporting Database (Planrep) will be a central tool of planning and reporting for DADPs. It was launched by PMO-RALG in 2005 with the installation of the system in all districts and the provision of extensive training in all 21 regions. It is expected that LGAs will enter their DDPs in the Planrep, and also track expenditures and activities. LGAs are expected to prepare monthly and quarterly reports, this task eventually being facilitated by linking Planrep with EPICOR, thus allowing for the import of financial information electronically. Codes for EPICOR, however, need to be made compatible with MTEF. A national version of Planrep will allow ASLMs to aggregate district plans and performance.

Planrep links its MTEF Objectives and Targets with measurable indicators which the LGA can select from the list of standard indicators which have been developed for six priority areas, including agriculture²⁹, and are contained in the Local Government Monitoring Database. If Planrep is effectively implemented, it should provide a sufficient vehicle for DADP reporting on financial and physical progress, as well achievement of MTEF outputs and targets. The reports produced by Planrep will be critical in the annual performance assessment that will be undertaken to determine LGA eligibility for funds under the new discretionary grant system.

Measuring LGA performance through use of grant

While the Planrep will allow for LGAs to report against their DADPs/MTEF, an annual assessment system is proposed as a way for higher levels of Government, and the public, to assess the comparative performance of LGAs in managing and accounting for MTEF funds. The

²⁹ The priority areas are governance, education, health, water and sanitation, roads, agriculture and land; plus a general set of poverty indicators.

assessment would focus on LGA access and use of additional grant funding to be provided under the ASDP, namely the District Agricultural Development Grant, the District Agricultural Extension Grant, the District Agricultural Capacity Building Grant. Additional assessment criteria relevant to the DADPs will be added and the assessment would be integrated with that for the LGCDG, relevant expertise being added to the assessment teams.

2. Regional and National Level

Measuring outcomes and impact

The M&E system described so far focuses on tracking funds and activities rather than impact. Two levels of M&E for outcomes and impact are proposed, namely the local and national/sectoral levels. At the local level, LGAs would evaluate service performance, value for money and cost effectiveness. For this, each DADP investment and services projects would develop indicators such as cost per beneficiary, hectare or per unit of produce, change in access levels (e.g., time or distance) to a service, cost to the client of using a service before and after improvement. The main method for assessing these would be routine data tools, where relevant, and surveys.

In addition, wider regional or national outcomes and impacts occurring from the collective resources flowing through all DADPs would be assessed at the regional or national/sectoral levels. The Poverty Monitoring Master Plan (PMMP) is expected to capture some assessments of macro-level outcomes and impacts, relevant data being collected through routine data systems and census and surveys. These are seen as key in collecting information for outcome M&E and are described below.

Routine data systems include the Local Government Monitoring Database, which provides information relevant to both local, regional and national level M&E. It was launched in 2002 by PO-RALG and is known to most district planning officers even though many have not used it. However, it requires an extensive annual data collection exercise locally, including from village executive officers, schools, wards and districts. In addition, the set of agriculture-related indicators that it includes are limited, even though they overlap quite significantly with those collected under Planrep.

ASLMs also have other routine data collection systems which assemble a wide range of agricultural information, mostly based on qualitative assessments by field extension staff. It is not yet clear how these systems would be inter-linked with the system for ASDP M&E. ASLMs need to address this, as well as making indicators in other systems which could be used to collect information for the monitoring and evaluation of the ASDP, such as Local Government Monitoring Database. Clearly, there is still some effort required to improve coherence among these various systems.

Census and surveys are proposed as important tools for collecting information for the monitoring and evaluation of outcomes and impact. A baseline assessment would be conducted to establish baseline data. This would include Client Satisfaction Surveys and Public Expenditure Tracking Surveys (PETS), and would, ideally be managed by the local councils themselves who would be given adequate technical and financial support. Also, as each of the districts joins the programme, they would undertake a District Diagnostic Assessment which would provide district level baseline information.

The ASDP M&E system proposed would benefit from data collected in other routine censuses, notably, the National Sample Census of Agriculture (NSCA), last conducted in 2003. Since this

survey would normally not be done frequently (perhaps every 5 – 10 years), an additional instrument, the Rapid Agricultural Service Survey (RASS), would be conducted to collect relevant information in Years 1, 3 and 5. The RASS would be conducted by an independently recruited survey team using a standard, multiple-choice questionnaire to record changing levels of service use and satisfaction.

Actors

The regional administrators have a supportive role and will be expected to provide back-stopping support to the LGAs in improving their M&E capacity. It is acknowledged that although capacity in the region is currently weak, PMO-RALG plans to significantly expand resources at the regional level to enable them to more effectively play their role in supporting the LGAs. Any planned support to the region under the ASDP should bear these plans in mind.

The zonal level proposal is for the continued use of existing systems, i.e., planning through CORDEMA, reporting to ZTCs and to the funding board which will oversee the ZARDEF. Some additional budgetary provision would be made for field support to monitor research activities at the district and ward level.

M&E functions is expected to be led by the DPPs in the ASLMs who would be expected to play a role in finalizing the DADP guidelines, assisting in the preparation and review of the DADPs, assessing the performance of the DADPs through the annual performance appraisals, and analyse the results of DADP investments. The ASDP secretariat will link the M&E system of the ASLMs and thereby estimate the sector's performance at a national level, including its contributions to poverty reduction targets. The DPPs would work closely with the ASDP Secretariat in accomplishing these as well as preparatory activities which will include, finalizing the M&E system for ASDP, including assuring coherence with ongoing or planned systems, and further analysis of NSCA to develop benchmarks.

Government Programme Document

Annex 4: Programme Costs

Table 4.1 Components by Financiers
(TSH Million)

| | The Government | | Development Partner Basket | | Farmers | | Total | |
|---|----------------|-------------------------|----------------------------|-------------------------|---------|-------------------------|-----------|-----------------|
| | Amount | % of component financed | Amount | % of component financed | Amount | % of component financed | Amount | % of Total cost |
| | | | | | | | | |
| A. Local Programme | | | | | | | | |
| 1. Investment | | | | | | | | |
| Base DADG | 35,795 | 100.0 | - | - | - | - | 35,795 | 1.4 |
| Enhanced DADG | 7,101 | 7.1 | 72,967 | 72.9 | 20,017 | 20.0 | 100,085 | 4.0 |
| District Irrigation Investments | 1,211,121 | 81.1 | 17,372 | 1.2 | 264,873 | 17.7 | 1,493,366 | 59.9 |
| 2. Services | | | | | | | | |
| Base Extension Block Grant | 117,590 | 100.0 | - | - | - | - | 117,590 | 4.7 |
| Enhanced Extension Block Grant | 12,469 | 17.3 | 56,020 | 77.8 | 3,553 | 4.9 | 72,042 | 2.9 |
| 3. Capacity Building | | | | | | | | |
| a. Base Capacity Building Grant | 3,512 | 15.3 | 19,397 | 84.7 | - | - | 22,909 | 0.9 |
| b. Top up Capacity Building Grant | 721 | 11.2 | 5,712 | 88.8 | - | - | 6,433 | 0.3 |
| c. District Capacity Building Facilitated at the National Scale | | | | | | | | |
| Farmers Empowerment Support to Private Service Delivery | - | - | 15,794 | 100.0 | - | - | 15,794 | 0.6 |
| | - | - | 12,225 | 100.0 | - | - | 12,225 | 0.5 |
| Subtotal Local Programme | 1,388,308 | 74.0 | 199,489 | 10.6 | 288,443 | 15.4 | 1,876,240 | 75.3 |
| B. National Programme | | | | | | | | |
| 1. Agricultural Services | | | | | | | | |
| Research and Training | 35,351 | 37.5 | 58,961 | 62.5 | - | - | 94,312 | 3.8 |
| Extension | 1,347 | 13.6 | 8,547 | 86.4 | - | - | 9,894 | 0.4 |
| Livestock | - | - | 3,034 | 100.0 | - | - | 3,034 | 0.1 |
| 2. Irrigation | 467,521 | 98.6 | 6,531 | 1.4 | - | - | 474,052 | 19.0 |
| 3. Marketing and Private Sector Development | - | - | 11,352 | 100.0 | - | - | 11,352 | 0.5 |
| 4. Food Security | - | - | 5,308 | 100.0 | - | - | 5,308 | 0.2 |
| 5. Coordination, Monitoring and Evaluation | - | - | 17,949 | 100.0 | - | - | 17,949 | 0.7 |
| Subtotal National Programme | 504,218 | 81.9 | 111,683 | 18.1 | - | - | 615,901 | 24.7 |
| Total PROJECT COSTS | 1,892,526 | 75.9 | 311,172 | 12.5 | 288,443 | 11.6 | 2,492,141 | 100.0 |

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Table 4.2 Project Components by Year -- Totals Including Contingencies
(TSH Million)

| | 06/07 | 07/08 | 08/09 | 09/10 | 10/11 | 11/12 | 12/13 | Total |
|---|---------|---------|---------|---------|---------|---------|---------|-----------|
| A. Local Programme | | | | | | | | |
| 1. Investment | | | | | | | | |
| Base DADG | 4,576 | 4,744 | 4,919 | 5,100 | 5,288 | 5,483 | 5,686 | 35,795 |
| Enhanced DADG | 6,102 | 7,907 | 10,105 | 13,722 | 17,008 | 19,478 | 25,764 | 100,085 |
| District Irrigation Investments | 13,738 | 148,428 | 151,405 | 255,513 | 263,567 | 324,937 | 335,779 | 1,493,366 |
| 2. Services | | | | | | | | |
| Base Extension Block Grant | 16,004 | 17,486 | 17,954 | 18,495 | 16,083 | 15,835 | 15,733 | 117,590 |
| Enhanced Extension Block Grant | 2,013 | 4,592 | 8,338 | 11,097 | 13,598 | 15,908 | 16,496 | 72,042 |
| 3. Capacity Building | | | | | | | | |
| a. Base Capacity Building Grant | 2,929 | 3,036 | 3,148 | 3,264 | 3,384 | 3,509 | 3,639 | 22,909 |
| b. Top up Capacity Building Grant | 915 | 1,139 | 1,377 | 816 | 846 | 658 | 682 | 6,433 |
| c. District Capacity Building Facilitated at the National Scale | | | | | | | | |
| Farmers Empowerment Support to Private Service Delivery | 4,386 | 1,320 | 1,467 | 2,621 | 1,845 | 994 | 3,160 | 15,794 |
| | 643 | 1,369 | 1,518 | 1,950 | 2,097 | 2,174 | 2,474 | 12,225 |
| Subtotal Local Programme | 51,306 | 190,021 | 200,230 | 312,578 | 323,715 | 388,976 | 409,414 | 1,876,240 |
| B. National Programme | | | | | | | | |
| 1. Agricultural Services | | | | | | | | |
| Research and Training | 11,744 | 14,505 | 15,261 | 13,439 | 13,550 | 13,087 | 12,726 | 94,312 |
| Extension | 1,007 | 2,677 | 1,719 | 1,563 | 1,072 | 950 | 906 | 9,894 |
| Livestock | 786 | 889 | 812 | 284 | 144 | 70 | 50 | 3,034 |
| 2. Irrigation | 89,913 | 63,335 | 68,345 | 84,570 | 88,741 | 38,539 | 40,610 | 474,052 |
| 3. Marketing and Private Sector Development | 1,788 | 1,700 | 1,567 | 1,520 | 1,575 | 1,575 | 1,628 | 11,352 |
| 4. Food Security | 388 | 1,199 | 1,230 | 1,236 | 1,255 | - | - | 5,308 |
| 5. Coordination, Monitoring and Evaluation | 3,430 | 1,934 | 2,723 | 2,107 | 3,732 | 1,945 | 2,078 | 17,949 |
| Subtotal National Programme | 109,057 | 86,239 | 91,656 | 104,718 | 110,069 | 56,165 | 57,998 | 615,901 |
| Total PROJECT COSTS | 160,363 | 276,261 | 291,887 | 417,296 | 433,783 | 445,140 | 467,412 | 2,492,141 |

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Table 4.3 Expenditure Accounts by Financiers
(TSH Million)

| | The Government | | Development Partner Basket | | Farmers | | Total | |
|---|------------------|-------------|----------------------------|--------------|----------------|-------------|------------------|-------------|
| | Amount | % | Amount | % | Amount | % | Amount | % |
| I. Investment Costs | | | | | | | | |
| A. Civil Works | | | | | | | | |
| Civil Works Office Rehabilitation | 0 | - | 312 | 100.0 | - | - | 312 | - |
| Civil Works Laboratories Rehab | - | - | 50 | 100.0 | - | - | 50 | - |
| Civil Works General Infrast Works | 0 | - | 1,196 | 100.0 | - | - | 1,196 | - |
| Subtotal Civil Works | 0 | - | 1,558 | 100.0 | - | - | 1,558 | 0.1 |
| B. Goods | | | | | | | | |
| Vehicles | 0 | - | 3,468 | 100.0 | - | - | 3,468 | 0.1 |
| Equipment and Furniture | 0 | - | 10,031 | 100.0 | - | - | 10,031 | 0.4 |
| Subtotal Goods | 0 | - | 13,499 | 100.0 | - | - | 13,499 | 0.5 |
| C. Consultancies Training and Audit | | | | | | | | |
| International TA | 0 | - | 7,730 | 100.0 | - | - | 7,730 | 0.3 |
| Local TA | 40,363 | 83.1 | 8,187 | 16.9 | - | - | 48,550 | 1.9 |
| Long Term Training (Overseas) | - | - | 2,016 | 100.0 | - | - | 2,016 | 0.1 |
| Long Term Training (Local) | 1,347 | 49.2 | 1,388 | 50.8 | - | - | 2,734 | 0.1 |
| Short-term Training (Local) | 0 | - | 28,812 | 100.0 | - | - | 28,812 | 1.2 |
| Workshops | 0 | - | 9,343 | 100.0 | - | - | 9,343 | 0.4 |
| Studies | 293,223 | 90.3 | 31,555 | 9.7 | - | - | 324,777 | 13.0 |
| Audit | 0 | - | 4,465 | 100.0 | - | - | 4,465 | 0.2 |
| Subtotal Consultancies Training and Audit | 334,932 | 78.2 | 93,494 | 21.8 | - | - | 428,427 | 17.2 |
| D. Grants | | | | | | | | |
| Zonal Ag. Research and Development Funds (ZARDEFs) | 3,605 | 23.3 | 11,892 | 76.7 | - | - | 15,497 | 0.6 |
| Tanzania Ag. Research Development Endowment Fund (TARDEF) | 5,160 | 100.0 | - | - | - | - | 5,160 | 0.2 |
| Business Development Fund for Private Service Providers | 0 | - | 10,233 | 100.0 | - | - | 10,233 | 0.4 |
| District Agricultural Development Grant | 35,795 | 100.0 | - | - | - | - | 35,795 | 1.4 |
| District Agricultural Development Grant Top Up | 7,101 | 7.1 | 72,967 | 72.9 | 20,017 | 20.0 | 100,085 | 4.0 |
| District Agricultural Extension Block Grant Top Up | 12,469 | 17.3 | 56,020 | 77.8 | 3,553 | 4.9 | 72,042 | 2.9 |
| District Capacity Building Unearmarked Grant | 3,512 | 15.3 | 19,397 | 84.7 | - | - | 22,909 | 0.9 |
| District Capacity Building Earmarked Grant | 721 | 11.2 | 5,712 | 88.8 | - | - | 6,433 | 0.3 |
| National Irrigation Development Fund | 300,567 | 100.0 | - | - | - | - | 300,567 | 12.1 |
| District Irrigation Development Fund | 1,044,489 | 78.9 | 15,004 | 1.1 | 264,873 | 20.0 | 1,324,366 | 53.1 |
| Subtotal Grants | 1,413,418 | 74.7 | 191,226 | 10.1 | 288,443 | 15.2 | 1,893,088 | 76.0 |
| Total Investment Costs | 1,748,351 | 74.8 | 299,777 | 12.8 | 288,443 | 12.3 | 2,336,571 | 93.8 |

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Table 4.3 Expenditure Accounts by Financiers continued
(TSH Million)

| | The Government | | Development Partner Basket | | Farmers | | Total | |
|--|------------------|-------------|-------------------------------|-------------|----------------|-------------|------------------|--------------|
| | Amount | % | Amount | % | Amount | % | Amount | % |
| II. Recurrent Costs | | | | | | | | |
| A. Salaries | 26,586 | 100.0 | - | - | - | - | 26,586 | 1.1 |
| B. Allowances | 0 | - | 6,971 | 100.0 | - | - | 6,971 | 0.3 |
| C. Operation and Maintenance | 0 | - | 4,423 | 100.0 | - | - | 4,423 | 0.2 |
| D. District Agricultural Extension Block Grant /a | 117,590 | 100.0 | - | - | - | - | 117,590 | 4.7 |
| Total Recurrent Costs | 144,176 | 92.7 | 11,394 | 7.3 | - | - | 155,570 | 6.2 |
| Total PROJECT COSTS | 1,892,526 | 75.9 | 311,172 | 12.5 | 288,443 | 11.6 | 2,492,141 | 100.0 |

^a Salaries and Operating Costs from Govt. Budget

Annex 5: Interventions Supported by Development Partners in the Sector

Agricultural sector programmes supported by Development partners are³⁰:

The International Fund for Agricultural Development (IFAD) currently supports: (i) The Participatory Irrigation Development Programme (2000-2006); (ii) The Rural Financial Services Programme (2001-2011); (iii) ASDP - Livestock (Agro-Pastoral Livestock Development Programme 2005 – 2010); (iv) together with ADB, IFAD supports the Agricultural Marketing Systems Development Programme (2002-2009).

The World Bank (WB) support includes the following most relevant projects/programmes: (i) The Local Government Support Programme; (ii) The Tanzania Social Action Fund Project (2000-2005). (iii) The Forest Conservation and Management Project (2002-2007); (iv) The participatory Agricultural Development and Empowerment Project (PADEP, 2003-2008).

The African Development Bank (ADB) supports: (i) the Selous Game Reserve Management Project (1998-2005), with a follow-up in the pipeline; (ii) the Special Programme for Food Security Pilot Project (2002-2005, implemented by FAO); (iii) the District Agricultural Sector Investment Project, which targets 25 districts in the North-West of mainland Tanzania, and which was designed in-line with ASDP principles; and (iv) together with IFAD, ADB supports the Agricultural Marketing Systems Development Programme (2002 -2009), in particular the infrastructure component.

The Danish International Development Agency (DANIDA)-funding Agricultural Sector Programme Support.

The European Union (EU) (i) support to ASDP, consisting of support to the ASDP Secretariat, support to further ASDP formulation activities and support to DADPs in some districts (with STABEX31 funds), (ii) support to cotton, coffee and tea research.

Irish Aid (IA) supports: (i) Eastern Zone Client Oriented Research and Extension; (ii) the Tanga Coastal Zone Conservation and Development Programme; and (iii) co-finances with IFAD the Participatory Irrigation Development Programme and the Agricultural Marketing Systems Development Programme.

The Japanese International Cooperation Agency (JICA) supports irrigation and capacity building under ASDP. Japan further supports irrigation through an FAO executed project. Belgium, Germany, Netherlands, Norway, Sweden, and the USA also provide substantial support to agricultural and rural sector development.

³⁰ A Sector Support Database is currently under development under the guidance of the ASDP Secretariat, which is designed to capture all major investments of both a public and private nature into the agricultural sector. Data is expected to be available by October 2005.

³¹ The STABEX (Stabilisation of Export Earnings) system came into being in the political and economic environment of the early seventies. The system only intervenes to alleviate the effect of non-structural problems such as fluctuations in world prices or events beyond the control of producers and purchasers (e.g. natural disasters). Funded by the European Development Fund, it operates in a basic principle of transfers to replace the amounts which will have been paid to producers if market conditions had been normal.

Potential integration of Development Partner Programmes within ASDP

Several of the projects highlighted above (DASIP, PADEP, ASPHII, ASDP -Livestock) could potentially be integrated in the ASDP Basket Fund. This integration will depend on the performance of the programme and the willingness of Government and the respective Development Partners to change the individual agreements on the projects.

Annex 6: Financial and Economic Analysis

Introduction

This Annex presents an assessment of the economic benefits that are expected as a result of the investments planned over seven years of support to ASDP. It builds on the economic analysis of the Agricultural Services Support Programme (ASSP) and expands the analysis to include the additional investments generated by integration of the ASSP and DADP, particularly the substantial number of capital investments at the local level envisioned within DADP.

A conventional quantitative economic analysis is not attempted due to the farmer and LGA-led, participatory nature of the programme, where investments in community infrastructure or farmer group-based technologies cannot be known in advance. In addition, the nearly national scope of the programme's coverage and the immense variation in farming conditions and systems contained in the different zones and regions covered make it difficult to estimate the range of investments and services with any accuracy. Third, some of the technologies or investments likely to be adopted are of a long-term natural resource management nature for which benefits relating to avoidance of loss of production due from the continuation of existing detrimental practices are hard to estimate. Finally, the programme encompasses a considerable investment in institutional reform and capacity building, the benefits from which are both difficult to quantify in monetary terms, and likely to accrue in the medium and longer term rather than in the seven year phase represented by the current investment.

For these reasons the economic and financial analysis is indicative only, and will be subject to ex-post analysis at mid term and/or at programme phase completion when actual data on farmer and community benefits will be available.

Methodology

The economic viability of ASDP is assessed through analysis of the programme's ability to generate economic benefits in the form of higher farm productivity and higher agricultural growth.

In calculating the economic benefit of the ASDP, reference is first made to examples of the very positive returns to investment in agricultural research and extension in developing countries globally and in the East and Southern African region. Evidence from past and ongoing farmer-led and community-driven approaches (such as integrated pest management and farmer field schools) that are to be supported under ASSP is also examined. These are combined with evidence of the development and adoption of relevant technologies from recent research and extension work that have shown the potential to raise farm benefits and income changes, and which are likely, if further adapted and extended, to lead to successful up-scaling. These benefits are compared to anticipated adoption levels and beneficiary numbers, to gauge the level of return per head and per programme needed to deliver an EIRR of 12% given the level of investment planned. This will provide a break even rate of return that is required to justify the investment, and against which various sensitivity factors can be assessed such as levels of adoption, programme scope and beneficiary outreach in terms of scale and phasing.

For the purposes of this analysis, no difference is assumed between financial and economic costs, since liberalisation and the free movement of exchange rates have allowed input and output prices in the economy broadly to reflect their border values.

Indicative Programme Benefits – Agricultural Services³²

International Evidence. Various sources point to the very positive ex-post benefits that accrue to investments in agricultural research and extension in developing countries including in the Africa region. A recently completed study indicates, in general, economic returns of 22 percent from agricultural research investments³³. The International Food Policy Research Institute (IFPRI) has also argued that research has a very positive impact and can have major poverty alleviation benefits³⁴. Important successes have occurred with treating the cassava mealy bug, cassava mosaic disease, pathogen-free banana tissue culture and banana integrated pest management (IPM), integrated pest management of cotton, farm breeding of new rice varieties, and improved pigeon pea varieties and marketing.

In Tanzania, the evidence of benefits from extension and research so far is less clear, partly because of the historical distortions following subsidisation policies, and partly because of the mixed impact of recent investments into agricultural research and extension³⁵. Analysis has shown that the main food and export crops have achieved production increases largely through area expansion in recent years, rather than through raising production per unit area, and that this was mainly driven by policy change. The evidence shows that earlier gains in productivity may have been lost in the late nineties, as fertilizer subsidies were removed, and the only reason for production keeping pace with demand is because of expansion into new areas³⁶.

The pressure has therefore grown to find lower cost and more sustainable technologies and practices that can be afforded under a liberalized environment, and which can permit intensification without soil mining. There is fortunately a considerable body of evidence now emerging on the positive returns that have been observed in Tanzania to the adoption of appropriate and less input intensive technologies for a variety of crops and ecosystems. These are reviewed below.

Past Returns to Farmer Field Schools (FFS)/IPM. Evidence from various studies in Tanzania (and elsewhere) indicate production returns of 50-200%, depending on crop type to farmer field school / integrated plant and pest management approaches. Zanzibar IPM experience concluded that cassava yield increases of 125-190% occurred, while banana returned increases of 100-200%, and irrigated rice improved yields by 100%, with rainfed rice showing 20%³⁷ improvements. In the Southern Highlands, evidence from FFS showed maize production increases of 20-50% and for coffee 50%. In Kagera Region, where the largest experience of FFS/IPM has taken place, 207 groups with 5500 farmers used the approach.

³² The use of the term agricultural services in this context refers primarily to agricultural research and extension as other services are not yet part of the ASDP Basket Funding.

³³ A 1 percent increase in agricultural yields was shown to reduce the number of people living on under \$1/day by 6.25 million with 95 percent of these living in Africa and Asia. Thirtle, C., Lin, L., and Piesse, J. (2003). The Impact of Research-Led Agricultural Productivity Growth on Poverty Reduction in Africa, Asia and Latin America. World Development, 31(12):1959-1975.

³⁴ More Research and Better Policies are Essential for Achieving the World Food Summit Goal, Per Pinstrup-Andersen, IFPRI, World Food Summit: Five Years Later, Rome, Italy • June 2002.

³⁵ Implementation Completion Reports, NAEP II and TARP II.

³⁶ Africa in Transition: Macro Study Tanzania, Final Research Report, Prepared by: Aida C. Isinika, G. Ashimogo, J. Mlangwa, IFPRI, August 2003.

³⁷ New ways of developing agricultural technologies, the Zanzibar experience with IPM, G. Bruin and F. Meerman, ICTA, 2001.

Benefits from FFS/IPM as documented arise not only from rising yields and gross returns per area of land, but more often from savings from reduced use of expensive inputs such as pesticide and fertilizers, through the use of sounder organic methods or appropriate application rates of inorganic inputs in terms of more careful use based on assessment of crop damage or pest population levels. This is particularly relevant in the post-subsidy era in Tanzania where purchased inputs are proving uneconomic when applied according to standard recommendations³⁸.

FFS/IPM was also one of the extension approaches piloted under NAEP II. Findings from a study into various approaches tested under NAEP II have shown promising returns³⁹. Paddy rice and maize production were reportedly two to three times higher under the NAEP II FFS pilots. Other technologies disseminated were the use of animal drawn implements (resulting in 63% increase in maize yield and 48% increase in sorghum yield), improved water management for rice (doubling production), introduction of high value crops (such as mushroom and vanilla), and introduction of improved breeds and husbandry practices (reducing poultry mortality by 70%, and raising conception rates and milk production). Further evidence of the benefits of group formation in terms of marketing and credit (through SACCOs and WUAs) were also shown, and that groups had greater gender equality, food security and household income.

Potential Agricultural Technologies to be Disseminated under ASDP. A number of new technologies have been identified through agricultural research that promises improved returns in farm production or savings. These technologies are mostly already in use by a small but growing number of farmers as a result of pilot testing/adaptation or of delivery through extension. Ongoing research efforts are also focused on generating new technologies that will likely be released during the ASDP implementation period. These new and recently released technologies are shown in the Table 6.1.

Table 6.1: Examples of Newly Released Technologies

| Technical Problem/Constraint | Existing or Pipeline Technologies |
|---|---|
| Maize – Grey Leaf Spot (GLS) Disease | GLS-tolerant and high yielding varieties (UH 615, UH 6303) developed at ARI-Uyole and now available on the market. |
| Cassava Mosaic Disease (CMD) | Promising CMD-tolerant clones MM 96/4684, MM 96/46/9, SS4, TME 14, I91/00063, I91/2324, MH 91/0067, and I91/0057 have reached on-farm stage of evaluation |
| Post-harvest losses in roots/tuber crops e.g. cassava | Improved processing equipment tested, recommended and is now available. |
| Bean seed availability | Improved varieties Uyole 94, Uyole 96, Uyole 98 and Kabanima are high yielding and tolerate diseases. Now included in the Quality-Declared Seeds (QDS) production system. |
| Bean Stem Maggot (BSM) | Control measures: application of Murtano or Marshall at 30 mg/100 Kg seeds. Also spraying bean seedling with Thiodan, DUSBAN, Sumithion, Selecron or botanicals 4-5 days after germination. |

³⁸ Such an analysis was presented in the PADEP appraisal report, which compared returns to major crops in Tanzania between farmers who adopted high inorganic input use to those who adopted mainly organic input use plus improved weeding and other management practices, with slightly raised inorganic input use. For maize, sorghum, rainfed rice, banana, cashew and coffee, the optimum returns occurred with the lower costs organic approach, while for cotton, irrigated rice and tobacco, the higher investment in inorganic inputs proved more profitable (PADEP PAD, Annex 4, WB, 2003)

³⁹ Source: The National Agricultural Extension Project (NAEP II), Final Draft, Lessons from Experiences of NAEP II Micro projects, MAFS, Feb. 2004.

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| Technical Problem/Constraint | Existing or Pipeline Technologies |
|--|---|
| Short self life of tomatoes | Varieties Tengeru 97 (indeterminate) and Tanya (determinate) are a result of vigorous selection of breeding lines obtained from the Asian Vegetable Research and Development Centre (AVRDC). Seeds for planting now readily available in the market.. Estimated 60,000 producers |
| Cashew Powdery Mildew Disease (CPMD) | - Sulphur application at 0.25 Kg/tree/ round (5 rounds) at 21 days intervals, - Organic fungicide Anvil, Bayfidan, and Topas for control and found more effective for cure and protection - 20 cashew clones identified as potentially high yielding and tolerant to diseases and pests |
| Management of nematodes and weevils in bananas in Kagera Region | <u>Chemical</u> Carbofuran 5G control weevils and nematodes at 60gm/stool, thrice/year; <u>Neem</u> extract sprayed around stools; soaking in Furadan dip <u>Improved varieties</u> : Yangambi KM5 and Bluggoe are known to resist nematodes/weevils <u>Cultural</u> : Weevil trapping; deep planting of stool; Chopping of pseudo-stems after harvest; intercropping; practicing sequential uprooting and replanting of run-down fields. |
| Deforestation/ environmental degradation in tobacco growing areas | Introduced and trained farmers how to manage and use/harvest indigenous fruit trees and fruits Introduced suitable tree species for provision of fuel-wood, soil fertility improvement, etc |
| On-farm Introduction of Dual-Purpose Mpwapwa Cattle | Mpwapwa breed cattle introduced in pilot villages and milk production increased from 1-2 litres to 5-7 litres/day under farmer management. Improved mean birth weights range from 21 to 30 Kgs, and demand for bulls has increased tremendously. |
| New Castle Disease (poultry) | Thermostable Vaccine (I-2) available for control of NCD in rural areas. |
| Improved Dual-Purpose Goats in Central Tanzania | Milk production from the introduced goats ranged from 1.0 to 3.0 litres/day (vs 0.2 litres/day by local breeds). The goats weighed about 2.9 and 13.5 Kgs at birth and 16 weeks of age, respectively. |
| Poor rainfall management and inappropriate or insufficient soil conservation/tillage | - Dry Land Farming: rainwater harvesting/conservation, deep pan / chisel ploughing and oxen tillage. - Using Farm Yard Manure (FYM) with rock phosphate Import of Zambian ox-drawn implements |

On farm and research station yields from improved technologies include: reductions in crop losses by up to 50% from dissemination of maize varieties resistant to grey leaf spot, cassava clones resistant to mosaic disease improving yields by 80-100%, nematode control methods in bananas raising yields from 4.5 to 20 tonnes, and improved cattle breeds and husbandry raising milk production from 1-2 to 5-7 litres/day.

Indicative Programme Benefits – LGA Investments

Community Infrastructure and Productive Assets: ASDP grant funds will be used to finance small scale investments in community infrastructure or acquisition of new technologies. Investments are likely to include: small scale infrastructure to improve access to markets or facilitate market functioning (roads or paths, bridges, market structures, storage areas); improved crop or livestock technologies (inputs, seeds, processing equipment) and soil and water conservation investments. Evidence from PADEP implementation indicates crop and livestock investments are often

common, followed by investments in farm mechanisation and soil and water conservation (Table 6.2).

Table 6.2: Distribution of PADEP Community Agriculture Projects

| Type of Investment | Distribution (n=413) (%) |
|-----------------------------|-----------------------------|
| Crop husbandry | 23.5 |
| Livestock production | 31.4 |
| Seed and fertilizer | 5.8 |
| Processing of farm produce | 3.1 |
| Natural resource management | 2.2 |
| Farm mechanisation | 18.2 |
| Marketing | 6.3 |
| Soil and water conservation | 9.4 |
| Total | 100 |

Source: PADEP Semi-annual progress report July-December 2004

PADEP pilot activities were analyzed for economic and financial viability during the project's appraisal and incremental cost benefit ratios generated for a range of farm enterprises (Table 6.3). Results showed positive returns for those in maize production systems but were mixed for paddy production.

Table 6.3: Example of Mixed Farming Productivity Cost-Benefit Analysis Ratio

| Crop/Livestock product | Net Incremental income (Tshs/ha)* | Average return to labor (Tshs/person day) | Incremental Cost Benefit Ratio |
|--|--------------------------------------|--|-----------------------------------|
| Cashew – Southern Coast | 137,000 | 4,014 | 2.26 |
| Maized – Southern Coast | 35,000 | 1,085 | 2.29 |
| Coffee – Southern Coast | 126,041 | 1,386 | 1.52 |
| Rice – Central Semi-arid | 170,000 | 4,816 | 6.03 |
| Sorghum – Central Semi-arid | 53,000 | 1,480 | 2.86 |
| Coffee – Northern Highlands | 138,541 | 1,261 | 1.57 |
| Banana – Northern Highlands | 355,000 | 4,897 | 5.44 |
| Cattle (annualized 5 year enterprise) | 47,000 / animal unit | - | - |
| Chicken (annualized based on 3 year enterprise) | 2,000/ animal unit | 1,406 | - |

* Improved over unimproved

Source: ASSP 2004

Irrigation. At present, the districts are spending a portion of their capital budget on irrigation and it is expected that DADG and DIDF funding will further increase irrigation expenditures. DIDF investments will be spent on schemes that are both within and that cut across the boundaries of a specific district. The NIDF will include financing for irrigation investment whose funding levels are above those that can be accommodated by the districts and irrigation development interventions that require strategic planning and implementation such as irrigation schemes extending beyond a single district, large irrigation schemes, complex irrigation infrastructure, and infrastructure needed to crowd in private investment in irrigation. Investment in irrigation will be on the following categories of schemes:

- *Traditional irrigation schemes* that have been initiated and operated by farmers themselves using local skills and materials, with no intervention from external agencies. These will

include schemes based on traditional furrows for the production of fruits and vegetables in the highland areas, and simple diversion on the lowlands for paddies.

- *Water harvesting and flood recession schemes*, on which subsistence farmers have themselves, introduced simple techniques to artificially control the availability of water to crop. These schemes involve a process whereby rainfall is concentrated or is captured as runoff from a large area and is canalized for use in a smaller targeted area. Water application to the scheme is essentially uncontrolled under farmer-managed practices. The objective is simply to capture as much water as possible and store it within reach of plant(s) in the soil profile of cultivated area or into a storage reservoir.
- *Modern irrigation Schemes*: the formally planned and designed smallholder schemes, on which full irrigation facilities have been provided by external agencies with or without some contribution from the beneficiaries, and on which there is usually a strong element of management provided by Government or other external agency.
- *Improved Traditional Irrigation Scheme*: schemes which have been initiated and operated by semi-subsistence farmers themselves and on which there has subsequently been some intervention by an external agency in the form of construction of a new diversion structure, gated canal intakes, water diversion boxes and other farm related structures. The layout of irrigation canals and drainage system is well defined.
- *Small Scale Farmers Irrigation*: This is a relatively new but growing sector, where individual farmers or small groups irrigate homesteads or vegetable gardens of small to medium size (0.2 to 1.0 ha), using small scale technology such as treadle pumps.
- *New Irrigation Schemes*: These are irrigation schemes which are developed from an area which has never had any irrigation infrastructure before. There are areas with such a potential and thus suitable for investment in commercial irrigated agriculture.

Evidence from the recently completed River Basin Management and Smallholder Irrigation Improvement Project shows positive returns to investments in rehabilitation of existing irrigation schemes. The project supported the rehabilitation of 15 smallholder irrigation schemes in the Pangani and Rufiji basins, improving average paddy yields by 166% and average maize yields by 276% (Table 6.4). Rehabilitated schemes also doubled their irrigation efficiency, thus improving the overall water availability in the entire basin. Family average incomes have increased from US\$ 425 to US\$ 1,250 per annum. More over, the resultant increase in irrigation efficiency, at the same time having improved crop production has brought harmony among water users as water users' conflicts have now been significantly reduced in areas where the project was implemented (Table 6.5). This is in line with integrated water resources management requirement. The average cost of improvement was US\$ 1,700 per hectare.

Table 6.4: Incremental Yield Increase on Rehabilitated Small Scale Irrigation Schemes

| Location | Crop | Average yield baseline (tons/ha) | Average yield March 2004 (tons/ha) | Average incremental yield increase (tons/ha) |
|---------------|-------|----------------------------------|------------------------------------|--|
| Pangani Basin | Paddy | 2 | 5.3 | 3.3 |
| | Maize | 1.1 | 4.75 | 3.65 |
| Rufiji Basin | Paddy | 1.54 | 4.2 | 2.66 |
| | Maize | 1.06 | 3.35 | 2.29 |

Source: Implementation Completion Report, RBMSIIP, December, 2004

Table 6.5: Comparisons of Water Use Efficiency Before and After Scheme Improvement

| Scheme | Wet Season | | | | Dry Season | | | |
|--------------------------|-------------|-----------|-----------|-------------|------------|------------|------------|-------------|
| | Ec | Eb | Ea | E | Ec | Eb | Ea | E |
| Baseline data | 40% | 55% | 34% | 7% | 60% | 60% | 38% | 14% |
| After Scheme Improvement | 83% | 60% | 36% | 18% | 86% | 76% | 47% | 30% |
| Percentage Change | 108% | 9% | 6% | 157% | 43% | 27% | 24% | 114% |

Notes:

E = Overall Efficiency

Ec = Conveyance Efficiency

Eb = Field Canal Efficiency

Ea = Application Efficiency

Source: Implementation Completion Report, RBMSIIP, December, 2004

Given the large amount of funding that could be potentially allocated to irrigation, there will be a particular need to ensure irrigation investments are clearly screened to meet the criteria of economic viability. All investments would be assessed prior to approval to ensure they meet minimum criteria and districts should be sensitized to clearly link the size and cost of schemes to their likely profitability and project life. Initial work such linkages has been undertaken as part of the National Irrigation Master Plan (Table below) but should be extended to the district level to build skill, assessment would be required throughout implementation to ensure the screening process is accurate and that investments are performing according to expectations.

Table 6.6: Irrigation Cost Ceilings based on Estimated Scheme Profitability and Project Life

| Maximum Per Ha Cost of Construction (\$/ha) | | | | | | | | | | | |
|---|------------------------|-------|-------|-------------|-------|-------|-------------|-------|-------|--------------|-------|
| Estimated Profit/ha | Project Life of Scheme | | | | | | | | | | |
| | 10 yrs | | | 10 – 20 yrs | | | 20 – 30 yrs | | | up to 50 yrs | |
| | New | Reh. | W/H | New | Reh. | W/H | New | Reh. | W/H | New | Reh. |
| 0 - \$100/ha | 500 | 400 | 300 | 650 | 500 | 400 | 750 | 600 | 500 | 800 | 650 |
| \$100-\$200/ha | 1,000 | 800 | 600 | 1,250 | 1,000 | 800 | 1,500 | 1,200 | 1,000 | 1,650 | 1,300 |
| \$200-\$400/ha | 2,000 | 1,600 | 1,200 | 2,500 | 2,000 | 1,600 | 3,000 | 2,400 | 2,000 | 3,300 | 2,600 |
| \$400-\$600/ha | 3,000 | 2,400 | | 3,750 | 3,000 | | 4,500 | 3,600 | | 5,000 | 3,900 |
| \$600-\$800/ha | 4,000 | 3,200 | | 5,000 | 4,000 | | 6,000 | 4,800 | | 6,600 | 5,200 |
| \$800-\$1,000/ha | 5,000 | 4,000 | | 6,250 | 5,000 | | 7,500 | 6,000 | | 8,250 | 6,500 |
| \$1000/ha + | 6,000 | 4,800 | | 8,000 | 6,000 | | 9,000 | 7,200 | | 10,000 | 7,800 |

Notes: New: new irrigation scheme; Reh: rehabilitation of existing scheme; W/H: Water Harvesting

Source: National Irrigation Master Plan

Programme Beneficiaries

By the end of its seven year implementation, ASDP is expected to be operational in all LGAs in the country but will likely scale up certain activities in phases due to variable levels of capacity and commitment to reform at the LGA level. Using this and other assumptions from above about types of investments and services to be undertaken at the local level, the number of beneficiaries from the programme is estimated as follows:

Agricultural services. ASDP has targeted an increase in the total number of farm households receiving agricultural services from 35% to 55%. Not all farmers will receive the same level of services but farmers are expected to benefit directly through service provision as well as indirectly through farmer to farmer linkages growing out of the programme's participatory technology dissemination methodologies.

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Local agricultural investments. ASDP is expected to rapidly scale up investments through the LGA grant system in the first few years, LGAs will be eligible for local agricultural investment funds based on access criteria requiring LGAs to demonstrate basic planning and implementation capacity. It is expected that up to 50 LGAs would qualify in the first year alone. Nonetheless, full participation by all LGAs in the programme is not anticipated until the latter years of the projects as all LGAs may not be able to meet the minimum access criteria.

ASDP will finance a number of agricultural investments in community infrastructure or productive assets, including irrigation and water management infrastructure through DIDFs and DADGs. Funding for irrigation is still uncertain and beneficiary estimates have been calculated based on low and high case scenarios. In the low case, irrigation funds would finance a total of nearly 8,400 ha of irrigation over the first four years and in the high case a total of 419,400 over seven years. Conservative estimates have been used to calculate costs (Tshs. 4 million per ha) and it is likely more irrigation would be feasible, particularly in the low case, at lower costs.

Table 6.7: Indicative Beneficiary Numbers

| | 06/07 | 07/08 | 08/09 | 09/10 | 10/11 | 11/12 | 12/13 |
|--|--------|---------|---------|---------|---------|-----------|-----------|
| Assumptions | | | | | | | |
| Expected increase in extension contact | 36% | 38% | 40% | 45% | 50% | 55% | 55% |
| Districts qualifying for additional grants (cumulative #) | 50 | 60 | 70 | 90 | 100 | 100 | 120 |
| Districts qualifying for basic grants | 120 | 120 | 120 | 120 | 120 | 120 | 120 |
| Average DADG grant allocation per district (Tshs million) | 100 | 104 | 110 | 112 | 121 | 133 | 142 |
| DADG/DIF irrigation investments (ha) basket funded only | 1,044 | 2,473 | 2,451 | 2,418 | - | - | - |
| DADG/DIF irrigation investments (ha) Government request | 4,530 | 41,720 | 42,402 | 71,492 | 73,779 | 91,146 | 94,319 |
| Agricultural services | | | | | | | |
| # of Technology Development Grants | | 1,000 | 2,200 | 3,600 | 5,400 | 6,400 | 7,200 |
| # of Thematic contracts | | 100 | 220 | 410 | 500 | 590 | 670 |
| # of service beneficiaries | | 40,000 | 88,000 | 154,000 | 208,000 | 246,000 | 278,000 |
| Local Investments | | | | | | | |
| DADG Investments beneficiaries | 60,000 | 75,000 | 92,454 | 121,082 | 144,741 | 159,858 | 203,913 |
| Irrigation beneficiaries basket funded investments only | 746 | 2,346 | 2,328 | 2,290 | - | - | - |
| Irrigation beneficiaries Government investment request | 4,598 | 45,953 | 46,697 | 79,005 | 81,532 | 100,813 | 104,323 |
| Total Beneficiaries | | | | | | | |
| Total direct beneficiaries basket irrigation financing only (correcting for services overlap -25%) | 45,559 | 95,510 | 138,587 | 209,529 | 267,555 | 305,893 | 361,434 |
| Cumulative | 45,559 | 141,069 | 279,655 | 489,184 | 756,740 | 1,062,633 | 1,424,068 |

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| | 06/07 | 07/08 | 08/09 | 09/10 | 10/11 | 11/12 | 12/13 |
|---|--------|---------|---------|---------|---------|-----------|-----------|
| Total indirect beneficiaries cumulative (corrected for overlap and lagged) | - | - | - | - | 425,065 | 938,556 | 1,286,877 |
| Total direct beneficiaries full irrigation financing (correcting for services overlap -25%) | 48,449 | 128,215 | 171,864 | 267,065 | 328,704 | 381,503 | 439,676 |
| Cumulative | 48,449 | 176,664 | 348,527 | 615,592 | 944,296 | 1,325,800 | 1,765,476 |

Minimum Incremental Output Required for ASDP Investments

The minimum required incremental output for the programme to generate an economic rate of return (ERR) of 12 per cent was assessed using estimates of programme coverage, full programme costs and growth in agricultural GDP. The analysis uses monetary and non-monetary GDP as a proxy for farm income and measures the required minimum incremental output or productivity increase to be generated by ASDP. Factors affecting GDP are held constant so the only assumed change is that related to ASDP investments. Net benefit streams are evaluated for a 15 year period starting in 2006/07 and the discount rate is assumed to be 12%.

Beneficiaries were divided between direct and indirect beneficiaries on the assumption that those participating more actively in project activities, such as those benefiting directly from training or services, would derive greater benefit. In the low case where there are limited irrigation investments, the minimum required increase in incremental income per beneficiary would be 14% for direct beneficiaries and 5% for indirect beneficiaries. In the case of substantial irrigation investments, which would account for nearly 45% of programme costs, the required productivity increase would have to be substantially higher, around 75% in the case of direct beneficiaries. Evidence from returns to adoption of improved technology discussed above show the required productivity increase for the low case is achievable. In the high case, evidence of yields and profits of paddy rice indicate increases of above 75%⁴⁰, however, it seems likely that more effort would have to be made to ensure benefits from irrigation were captured and sustained over time.

Table 6.8: Required Minimum productivity increase for 12% ERR *

| Required average annual increase in per capita ag. GDP** of Beneficiaries | | | | | |
|---|---------------------------------|--------------------------------|-------------------------------------|--------------------------------|---------------------------|
| | Basket Financed Irrigation Only | | | | Full Irrigation Financing |
| | Base Case | Beneficiaries decreased by 50% | Project benefits delayed by 2 years | Project costs increased by 20% | Base case |
| Direct beneficiaries | 15% | 30% | 22% | 18% | 100% |
| | Tsh 45,400 | Tsh 90,800 | Tsh 66,600 | Tsh 54,400 | 302,800 |
| Indirect beneficiaries | 11% | 21% | 15% | 13% | 80% |
| | Tsh 33,300 | Tsh 63,600 | Tsh 44,400 | Tsh 39,300 | 242,300 |

* Based on fully costed ASDP programme

**Monetary and non-monetary

⁴⁰ Crop budgets developed in the National Irrigation Master Plan show incremental returns of 214% for paddy rice, 118% for maize and 146% for beans.

Conclusion

Evidence from previous experience in agricultural research and technology dissemination, and capital investments demonstrate the underlying economic soundness of ASDP design. The economic analysis undertaken above indicates that ASDP expenditures in agricultural services and capital investments could be expected to yield a positive return and contribute to real agricultural growth; however, care will be required to ensure only economically viable investments are selected for support, particularly in the case of irrigation. Further follow up and analysis during implementation and at project end would be required to determine the exact level of benefits generated by the project and the benefits generated by different types of investments (services, district capital investments, and institutional support).

Annex 7: Institutional Arrangements

Composition and Responsibilities Related to the ASDP Basket Fund

Inter-ministerial Coordination Committee (ICC)

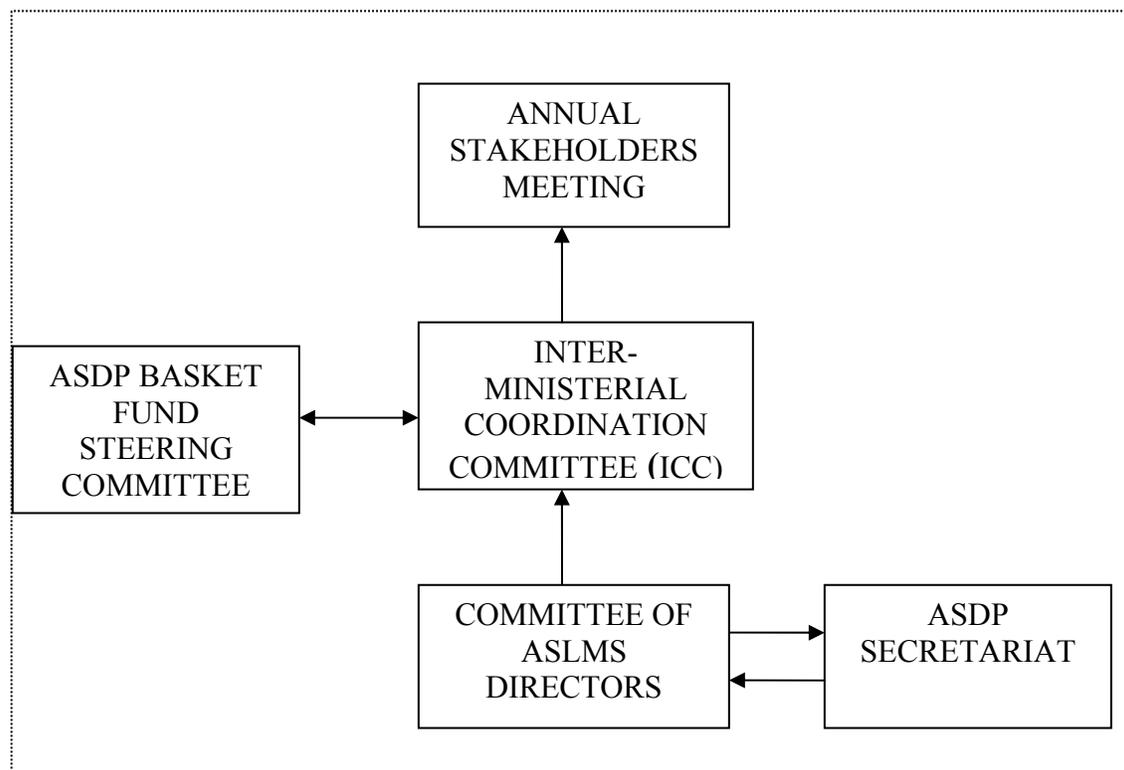
Composition: Permanent Secretaries (PSs) of the Ministry of Agriculture, Food and Cooperatives; Ministry of Livestock Development; Prime Minister's Office Regional Administration and Local Government; Ministry of Water; Ministry of Industry, Trade and Marketing; Ministry of Natural Resources and Tourism; Ministry of Lands, Housing and Human Settlements Development; and Vice President's Office.

The ICC is chaired by the Permanent Secretary of Ministry of Agriculture, Food and Cooperatives (MAFC) which is the agricultural sector coordinating ministry. ASDP Secretariat will be secretary to ICC. Its members meet quarterly.

The ICC is responsible for overall coordination of the ASDP in terms of providing strategic policy guidance, key institutional linkage and also monitoring overall performance to ensure that the goals and objectives of the ASDS are achieved. The specific functions of the ICC are to:-

- Oversee the development and implementation of policy decisions underlying ASDS and ASDP.
- Monitor ASDP implementation in terms of:
 - a) ensuring institutional linkage at all levels;
 - b) adherence to the implementation schedule;
 - c) fulfilment of set national standards;
 - d) consistency to national policies, strategies and related legislation;
 - e) stakeholders' performance in relation to fulfilling their mandate as defined in the ASDP;
- Provide high level Inter-Ministerial coordination.

ASDP Institutional Arrangement at National Level



ASDP Basket Fund Steering Committee (BF-SC)

Composition: Members of the ICC, Permanent Secretaries of the Ministry of Finance, Ministry of Planning and Economic Empowerment (MPEE) and representatives of all Development Partners contributing to the Basket Fund.

Functions of the BF-SC:

- Recommending on the Government and Development Partner contributions to the ASDP Basket Fund for the MTEF period prior to each budget year.
- Taking note of the budget frames decided by GoT and DPs and recommending on the cash flow from GoT and DPs to the BF within the ceilings given.
- Taking decisions on the quarterly resource transfers from the BF Holding Account to the implementing entities based on work plans, budgets, quarterly financial reports, and technical reports
- Monitoring the performance and progress of all aspects of ASDP implementation through financial and physical progress reports, performance and outcome monitoring reports, etc., take necessary decisions and make relevant recommendations.
- Discussing the audit reports and decide on possible implications for ASDP funding to implementing entities
- Giving policy directives governing the basket fund.
- Deciding on the mandate to be given to the ASLMS' representative on the LGCDG Technical Committee on: (i) changes in the agriculture formula for LGA allocations, (ii) changes in the

annual assessment criteria, (iii) identification of LGAs which qualify for the grants, and (iv) issues pertaining to rules on eligible investments and cost sharing arrangements.

- Deciding on the modalities (or changes to these) of accepting new programmes and projects and new funds as participants in the BF.

LGCDG Steering Committee

Composition: The LGCDG Steering Committee meets at least quarterly and is comprised of the following members: Permanent Secretaries of PMO, MPEE, MoF, MITM, MW, MH, MI, MAFC, MLD, MEVT, MLHHS, of any other Ministry if deemed necessary; and PMO-RALG (Secretariat). The committee is chaired by the PS of PMO.

Functions: The Steering Committee takes decisions following established GoT practice and is responsible for:

- Discussing and approving changes in allocation formulae and procedures;
- Approving assessment reports and identifying LGAs meeting grant access criteria;
- Making final administrative decisions on appeal;
- Approving LGA grant allocations; and
- Approving changes to the Assessment Manual

LGCDG Technical Committee

Composition: The LGCDG Technical Committee meets at least quarterly and is comprised of the following members: DPS - PMO-RALG; Director for Local Government (Secretariat) with initial support from LGRP if needed; Appropriate Heads of Departments from MoF, MPEE, the involved sector ministries (i.e. MW, MITM, MoH, MEVT, MI, MAFC, MLD) and MLHSD; Management team PMO-RALG, LGRP Programme Manager and relevant Outcome Managers; ALAT; NEMC; Selected LGA representatives; and Contributing DP representatives.

The committee is chaired by the DPS - PMO-RALG

Function: The Technical Committee will have meetings with broad representation of members and strive to reach consensus regarding the recommendations to be made to the PS, PMO-RALG. The Technical Committee will perform the following functions:

Share experiences on the LGCDG system design and make relevant recommendations on the Assessment Manual, the assessment process, allocation formulae etc. to the PS, PMO-RALG or through the PS, PMO-RALG to the Steering Committee as appropriate;

- Review work plans, budgets and progress reports for the LGCDG system (including the Capacity Building and Capital Development Grants) as well as annual assessment reports, and make recommendations on the basis of the benchmarks as defined for the system to the PS, PMO-RALG or through the PS - PMO-RALG to the SC and interested Development Partners as appropriate.

ASDP-related tasks in the DPP of the coordinating ASLM

Administrative support to the ASDP basket fund mechanism

The DPP will:

- Receive work plans and budgets, financial reports, progress reports, requests for funds, etc. from each of the implementing entities.
- Check the quality and consistency of the above documents consolidate them across ASDP, analyse them in terms of generalised constraints, challenges and other issues, and submit them with general and analytical comments to the BF-SC for discussion and approval.
- In the process of the above, work with relevant units in all ASLMs to have deadlines respected, improve documents, cross-check data where needed, and diagnose constraints. Identify related capacity development needs.
- Provide guidance on ASDP procedures and problem-solving services to all implementing units.
- Up-date and revise relevant guidelines, instructions, etc. and disseminate to all implementing entities.
- Participate in and facilitate the process of mainstreaming other programmes and projects into ASDP,

The DPP department will be strengthened in terms of personnel, skills and equipment to manage the additional responsibilities.

The Committee of ASLM Directors

The Committee of ASLM Directors is composed of all Directors in the ASLMs whose Divisions are involved in ASDP implementation.

The Committee is chaired by the Director of Policy and Planning, MAFC and the Secretary will be elected by the committee.

Its responsibilities are the following:

- Review all formulated interventions for compliance with policies, macro and sector strategies and technical soundness and submits to ICC for consideration.
- Review annual work plans and budgets, sector implementation reports and bi-annual reviews on programme implementation and submit to the ICC.
- Provide recommendations to the BF-SC on the required disbursement of funds from the Exchequer Account to implementing institutions.
- Provide advice to the ICC on the implementation of ASDP
- Drive, coordinate and supervise the process towards closer cooperation between ASLMs and encourage a sector-wide perspective in all aspects of the ministries' work. Develop mechanisms of collaboration and coordination.

To accomplish this, the Committee of Directors will assemble and supervise integrated technical task forces to undertake implementation of inter-sectoral activities as required.

The ASDP Secretariat

Core Functions: Coordination, Facilitation, Monitoring and Evaluation, Information and Communication

The Secretariat will:-

- Liaise with other cross-sector activities to learn and disseminate good practice and lessons learnt for ASDP implementation.
- Sensitization, communication and advocacy of ASDP

- Promote and coordinate the involvement of various stakeholders in the development of the sector
- Facilitate mainstreaming of ongoing projects within the sector into ASDP framework.
- Support the alignment of ASDP interventions with the NSGRP, LGRP, the Public Services Reform Programme and Public Finance Reform Programme.
- Liaise with the Independent Monitoring Group, responsible for assessing the Joint Assistance Strategy at mid-term, in assessing the progress of ASDP towards a SWAp as defined by the targets and milestone set by the Roadmap exercise.
- Serve as secretariat to the ICC and FASWOG
- Support ASLMs in the periodic review and revision of LGA performance criteria relating to the LGCDG.
- Support ASLMs in revising the DADP guidelines.

Due to the multiplicity of interventions and institutions, the programme requires coordination and facilitation in the start-up period, once ASDP activities are fully integrated into the ASLMs action programmes during implementation, the institutional arrangement will be reviewed accordingly.

Monitoring and Evaluation

The ASDP secretariat will link the Monitoring and Evaluation system of the ASLMs and thereby estimate the sector's performance at a national level, including its contributions to poverty reduction targets.

- Collect and collate data needed to monitor ASDP implementation by way of the indicators given in the ASDP Framework and Process Document, analyse and comment on the monitoring results, and submit regular monitoring reports for discussion in the ICC.
- In the process of the above, work with implementing entities to facilitate their monitoring processes and ensure alignment with the MKUKUTA monitoring framework. Identify related capacity development needs.
- Work out and monitor process indicators on ASLM cooperation and possible other areas of interest. Submit results to the ICC.

LGCDG Steering Committee

Composition: The LGCDG Steering Committee meets at least quarterly and is comprised of the following members: Permanent Secretaries of PMO (Chairperson), MPEE, MoF, MITM, MLD, MH, MW, MAFC, MEVT, MLHSD, MI of any other Ministry if deemed necessary; and PS - PMO-RALG (Secretariat)

Functions: The Steering Committee takes decisions following established GoT practice and is responsible for:

- Discussing and approving changes in allocation formulae and procedures;
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- Making final administrative decisions on appeal;
- Approving LGA grant allocations; and
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initial support from LGRP if needed; Appropriate Heads of Departments from MoF, MPEE the 5 sector ministries (i.e. MLD, MITM, MH, MEVT, MW, MAFC) and MLHSD; Management team PMO-RALG, LGRP Programme Manager and relevant Outcome managers; ALAT; NEMC; Selected LGA representatives; and Contributing DP representatives.

Function: The Technical Committee will have meetings with broad representation of members and strive to reach consensus regarding the recommendations to be made to the PS, PMO-RALG. The TC will perform the following functions:

- Share experiences on the LGCDG system design and make relevant recommendations on the Assessment Manual, the assessment process, allocation formulae etc. to the PS, PMO-RALG or through the PS, PMO-RALG to the Steering Committee as appropriate;
- Review work plans, budgets and progress reports for the LGCDG system (including the Capacity Building and Capital Development Grants) as well as annual assessment reports, and make recommendations on the basis of the benchmarks as defined for the system to the PS, PMO-RALG or through the PS- PMO-RALG to the SC and interested Development Partners as appropriate.

Annex 8: Key Reference Documents

The following documents provide important background and guidance for the ASDP implementation:

1. Agricultural Sector Development Strategy (ASDS), Government of Tanzania, 2001.
2. Agricultural Sector Development Programme (ASDP) Framework and Process Document, 2002.
3. DADP-SP Programme Document (Volumes 1 and 2) (May 2005).
4. ASSP Programme Document (July 04) and IFAD Appraisal Document (Sept 2004).
5. ASSP PIP and Implementation Guidelines (July 2005)
6. DADP guidelines (revised December 2004).
7. Tanzania Development Vision 2025.
8. ASDP Financial Mechanism Document: Basket Funding – Final Draft Report, April 2004.
9. ASDP Environmental and Social Management Framework document – Final Draft Report, August 2005.
10. ASDP Resettlement Policy Framework document (July 2005).