

AGRICULTURAL SECTOR DEVELOPMENT PROGRAMME

Appraisal Mission February 14 – March 1, 2006 DRAFT Aide Memoire

1. Introduction

1. A joint Government-Development Partner Team appraised the Government's Agricultural Sector Development Programme (ASDP) document which defines interventions to be supported through a development partner basket fund. The appraisal was undertaken from February 14 to March 1, 2006.

2. The Government appraisal team comprised of Janet Bitegeko (Team Leader, Ministry of Agriculture, Food Security, and Co-operatives [MAFC]), Dr. Turuka (Director of Marketing, Ministry of Industries, Trade and Marketing), George Sempheo (Agricultural Research, MAFC), Michael Otaru (Livestock Research, Ministry of Livestock Development), Engineer G. Kallinga (Irrigation, MAFC), Emmanuel Achayo (Policy/public expenditure, MAFC), Mr. Salum Mwinjaka (Monitoring and Evaluation, MLD), H. Gondwe and I. Mwenda (Local Government, Prime Ministers Office – Regional Administration and Local Government), Mr. D.S. Mwashu (Livestock Extension, Ministry of Livestock Development), Mr. Rwenyagira (Agricultural Extension, MAFC), Mr. Mbogela (Institutional Arrangements, MAFC), Mrs. Kasuam (Procurement, MAFC), Mr. Biswalo (Environment and Social Framework, MAFC), M. Ndimbo (Water Resources Management, Ministry of Water), and J. Kami (Land Use and Management, Ministry of Lands, Housing and Human Settlement Development).

3. The Development Partner appraisal team comprised of Robert Townsend (Team Leader, World Bank), Ellen Buch-Hansen (Danida), Sizya Lugeye (Irish Aid), Henry Gordon (World Bank), Hoshi Hirofumi (Japanese International Corporation Agency), Kevin Quinlan (Department for International Development), Johann Hesse (European Union), Mwatima Juma (International Fund for Agricultural Development), IJsbrand de Jong (Water Resources Specialist, World Bank), Phil Riddell (Irrigation Specialist, FAO/CP), Malcolm Blackie (Agricultural Research, FAO/CP), Junior Davis (Private Sector Development, Danida consultant), Jim Phelan (Agricultural Extension/Empowerment, ASDP consultant), Hans Olsen (Local Government, Danida consultant), Torben Linquist (Institutional Arrangements, Danida consultant), Perpetua Katepa-Kalala (FAO Senior Policy Officer, participation funded through EU), Melissa Brown (Economic/costings, FAO/CP), Ippe Itakura (Local Government, Japanese International Corporation Agency-RADAG), Donald Mneney (Procurement Specialist, World Bank), Mercy Sabai (Financial Management Specialist, World Bank), Catherine Murphy (Japan International Corporation Agency), and Kevin Gallagher (Food Security, FAO/CP) with back-up support on the environmental aspects provided by James Monday (World Bank).

4. The Development Partner team expresses its gratitude to the Government for support during the appraisal including the leadership and officials in MAFC, MLD, MITM, MW, MLHSD, and PMO-RALG, and the Local Government Authorities of Morogoro Rural and Kongwa District.

5. Consistent with the mission terms of reference, the main focus and objectives of the appraisal were on:

- **Technical aspects of design:** Finalize technical design, component costs and monitoring indicators, with emphasis on irrigation and private sector and market development.
- **Institutional arrangements:** Agree on the institutional arrangements for implementation at national and zonal levels, following recent changes in the Government structure.
- **Financial management and procurement:** Finalize the financial management and procurement arrangements including a review of the flow of funds, procurement plans and identification of remaining capacity gaps.
- **Integration with Government systems:** Assess the degree of integration with government systems and compliance with the Government's decentralization policy.
- **Costs and Economic Analysis:** Update the costs and economic analysis.
- **Environmental and social:** Review the implementation plans for safeguarding environmental and social outcomes of the programme.
- **Letter of Sectoral Policy:** Review
- and agree on the letter of sectoral policy.

6. The next sections summarize the overall appraisal findings and the key changes and follow-up actions needed. The annexes provide more detail on each of the objectives listed above.

2. General Statement of the Appraisal

7. Overall the team positively appraised the proposed programme. The design reflects lessons learned and good practice from other projects both in Tanzania and the region and has been guided by several general themes: (i) decentralization with increasing control of resources by local government and beneficiaries; (ii) pluralism in service provision with a greater role for the private sector; (iii) results-based resource transfers aligned to the capital development grant system; (iv) integration with general government systems; and (v) national in scope. The programme, through improved planning for agricultural development; improved quality on investments in infrastructure; progress on research and extension services reform and provision; and input and output market development can contribute significantly to achievement of the agricultural sector growth objectives. The number of beneficiaries and per capita income improvements required to justify the expenditures seem reachable based on past experiences. An adequate environmental and social framework is also in place. The programme document contains both sub-components which are ready for implementation (including the support through the block grant transfer to district level and agricultural research), and sub-components which require further technical work (including market and private sector development and aspects of technical services).

8. A number of risks remain including on the institutional arrangements and the realism of the Government irrigation targets. A positive aspect of the programme is mainstreaming into Government systems. However, the needed for integrated effort across Ministries and departments on administration of the basket modality and the technical support to zonal and district level, particularly during the early phase of programme implementation should not be under-estimated. Without integrated implementation, including joint implementation teams the programme targets will not be achieved. The institutional arrangements for programme implementation at district level are clear while those at national level need to be more clearly defined, particularly the continued need for the ASDP Secretariat. In addition, capacity to

implement should guide realism in some of the implementation targets, particularly irrigation. Much work will be needed over the next several months to prepare local government authorities for the annual assessments to be undertaken in March 2006 and for the programme to start in July 2006. Several implementation plans and guidelines will need to be revised and disseminated, the workplans and budgets need to be integrated into the final budget guideline submission by the ASLMs to the Ministry of Finance. A clear delineation of national level responsibilities for implementation is needed.

3. Summary of Key Changes to the January 2006 Draft Government Document and Follow-up Action

Technical design

- *Programme Components:* While the programme objectives remain unchanged, there have been some changes to the national level components with inclusion of an irrigation component and an expansion of the market development component. The programme components are: (i) Local level support with three sub-components namely (a) local agricultural investments; (b) local agricultural services; and (c) local agricultural capacity building and reform; and (ii) National level component with four sub-components on: (a) agricultural services; (b) market and private sector development; (c) irrigation; and (d) planning, co-ordination and monitoring and evaluation.
- *Results framework:* The team reviewed and revised the result framework presented in Annex 1 of the Government Programme Document and increased the allocation of funds to improve the associated statistics in the planning & co-ordination component which remain critically important for monitoring and evaluating implementation.
- *Food Security:* The activities supported by the programme to reduce food insecurity have been enhanced, together with adding more detail to proposed activities and additional expenditures on co-ordination and advisory support. Activities to reduce food security have been integrated into all components rather than adding a separate component.
- *Irrigation:* The irrigation aspects were revised and expanded. The following summarizes all the irrigation aspects of the programme: Design: Irrigation will be financed through both the local and national components covering: (i) capital investments in infrastructure, (ii) studies and design, and (iii) capacity strengthening. Capital investments will be financed at local level through the Local Government Capital Development Grant (LGCDG), the District Agricultural Development Grant (DADG) based on LGAs meeting the agreed action to access these funds. Irrigation priorities will be determined by ranking proposals according to pre-established criteria that reflect economic, environmental and social feasibility. Where District funds are insufficient, additional finance will be available to qualifying Districts from the nationally managed, discretionary District Irrigation Development Fund (DIDF). Allocations under the DIDF will be done on the basis of an annual national competition that will give preference to feasibility and local government and beneficiary ownership. Capital investments at the National level will be financed through the National Irrigation Development Fund (NIDF). The NIDF will be managed at the central level by MAFC and will prioritize larger and more complicated irrigation schemes of a strategic nature. Investments will be used to leverage private investments in irrigation development. *Studies and design* includes the preparatory work associated with investments in infrastructure, including technical, economic, environmental and social feasibility studies, detailed design studies, the preparation of bidding documents, and the costs associated with bid evaluation and contract award. *Capacity strengthening* addresses a number of target groups, including WUAs, Districts, Zonal Office and District Irrigation Technical Staff. Training will be provided on the basis of capacity needs assessments, in accordance with the mandate of the particular stakeholder. The appraisal mission is satisfied with the overall quality of the programme concept as it refers to irrigation. Conditions and criteria for access to the various funds

have been spelled out in the documents, and the Appraisal Mission is satisfied that these adequately capture the critical issues, in particular the demand-driven aspects and issues related to beneficiary and LGA ownership. Funding arrangements: 75 percent of irrigation funding is to be spent at local levels with 25 percent at national level. The bulk of the financing is to go through the DIDF. Every US dollar spent through the NIDF is intended to leverage US\$3 of private sector investment. Realism of targets: In view of limited capacity and past implementation rates of 18,000 hectares per year, critical elements of the program will need to be outsourced to the private sector. The mission is also not certain if there will be sufficient development partner basket funding. Significant private equity, in particular at the national level, will be critical to achieve the irrigation targets, which will depend to a large extent on the incentive package that the Government is willing to provide to investors. The mission recommends that the contents of such package be clarified and agreed, and that a sense of private sector willingness to invest in irrigation development be acquired prior to effectiveness of the NIDF. In addition the mission stressed the need to retain a demand driven approach to integrate investment at local and national level.

- *Agricultural research:* Financing flows of Zonal Agricultural Research and Development Funds (ZARDEFs) need to be further clarified. Separate financing sources (eg. Vost 43 and 54) may undermine the integrated approach to research at Zonal level. ZARDEF funds could be used for both crop and livestock research priorities identified in each of the zones. The mission suggests further exploring the creating of sub-votes for each of the seven zones (see institutional arrangements section).
- *Market and private sector development:* The sub-component was further developed and includes interventions to support further technical work, on agricultural marketing policies, regulatory activities, and private market development.
- *LGA performance assessments:* Agreed actions and performance assessment criteria were tested in Dodoma and Morogoro districts, discussed with PMO-RALG/LGRP and subsequently revised. Both the number of agreed actions and performance criteria were reduced and simplified. The agreed action requiring a council resolution on the proposed extension reform was retained as a secondary qualification meaning that councils will be given about two months after the assessment to pass the resolution. More districts will likely qualify under the revised conditions which increases the challenge of the ASLMs to provide integrated support to LGAs for implementation.

Institutional arrangements

- *National level:* The national level implementation arrangements have been integrated more into the Government structures. The National Steering Committee has been replaced by an expanded Inter-ministerial Co-ordination Committee. Implementation of the programme will be the direct responsibility of the respective Directors within the ASLMs. The ASDP Secretariat has been streamlined to focus on monitoring and evaluation and information sharing. Administrative support to the Basket Fund will be provided by the Department of Policy and Planning. Technical support to implementation at zonal and district level will be provided through integrated teams, reporting to a Committee of Directors. The Agricultural Services Facilitation Team will continue to provide integrated support to implementation, although its composition and mandate will be reviewed as implementation progresses. The Agricultural Services Facilitation Team will report to the Committee of Directors.

Financial management and procurement:

- *Financial management:* A financial management capacity assessment to the Ministry of Agriculture, Food Security and Cooperatives (MAFC) and Ministry of Livestock Development and PMO-RALG to determine adequacy of the financial management, particularly on accounting and internal control, reporting and auditing in terms of number of staff and qualification required for effectively implementation of the ASDP. There is

currently inadequate capacity for accounting and internal control for the Ministry of Livestock Development in terms of number of staff and their qualifications. MLD is a newly formed Ministry. As at the time of the mission, the Internal Audit section is yet to be established and there is no internal audit staff. The number of accountants is also inadequate. In order to mitigate financial management risks for programme implementation the account and internal audit sections need to be strengthened. Recruitment is underway and staff are expected to be in place by March 2006.

- *Procurement*: Procurement functions will be mainstreamed within the existing structures of Government. A procurement capacity assessment of the ASLMs was undertaken identifying the associated risks that may negatively affect their ability to adequately carry out their procurement functions. MAFC is taking the lead in preparing procurement plans for the initial period of at least 18 months. Procurement methods, procurement thresholds, and review thresholds will be addressed in the Financial Mechanism Document after finalization of the Memorandum of Understanding for the Basket Fund.

Integration with Government systems

- There has been further integration of the implementation arrangements into Government systems, particularly on the institutional arrangements as noted above. Remaining requirements include international competitive bidding procurement thresholds and the possible need for additional audits for LGAs (as with the local Government Capital Development Grant).

Costs and Economic Analysis

- Cost estimates are significantly larger than current available funding. The programme document developed after the pre-appraisal mission was fully funded for the first two years. Since then the cost has increased by about a factor of 4 with the addition of significant irrigation expenditures and a greater number of districts expected to qualify for the district agricultural grants. The Government budget request has doubled and development partner commitments have remained at about the same level resulting in a funding gap of about US\$65 million in 2006/07. The budget guidelines are expected to be circulated by Ministry of Finance in early March 2006 when a clearer alignment of targets, against available funding, particularly for irrigation, will be needed.

Environmental and Social

- The environmental and social framework and resettlement policy framework were reviewed and updated. The screening of investment to be supported through the district agricultural block grants and through irrigation funds will need to abide by these frameworks, particularly in the screening of local level screening proposals. Additional support has been provided for addressing food insecurity through greater inclusion of food insecure households and vulnerable groups.

Letter of Sectoral Policy

- The letter of sectoral policy is being updated to provide more detail on the commitments to the research and extension reforms, mainstreaming of development partner support, strengthening agricultural statistics, and the 25:75 allocation of resource between national and district level.

4. Key Actions Need Prior to Formal Agreement of Commitments (Negotiations)

Action	By Whom	By When
1. Expand information sharing/sensitization of LGAs on the programme	DPP MAFC	March 7
2. Agree on a timetable for revision and testing of the DADP guidelines	DPP MAFC	March 7
3. Finalize the Government Programme Document	DPP MAFC	March 15
4. Revise the Memorandum of Understanding (particularly the institutional arrangements and including the quarterly financial monitoring reports)	ASDP Secretariat/JICA	March 17
5. Revise the Financial Mechanism Document	ASDP Secretariat	March 17
6. Letter of Sectoral Policy	DPP MAFC	March 20
7. Revise the Implementation Plans and Guidelines (at least for the first 18 months, including a procurement plan)	ASDP Secretariat DPP	March 31
8. Signing of Memorandum of Understanding	DPP MAFC	April 27
9. Open the ASDP Basket holding account & create Basket Fund GFS codes	ASDP Secretariat Accountant General	April 30

ANNEX 1

1. TECHNICAL DESIGN

1.1 Program Objectives and Components

Objectives and Key Performance Indicators

The overall objectives of the programme are:

- (i) To enable farmers to have better access to and use of agricultural knowledge, technologies, 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 key performance indicators are:

- (i) Percent of farmers accessing improved agricultural services and infrastructure (baseline = 35%¹; end of first phase = 50%, end of second phase 75%).
- (ii) Percent of farmers that show sustained use of one or more relevant technologies and the sustainable use of productive infrastructure (baseline=², end of first phase of programme =25%, end of second phase=50%)
- (iii) Percent of private sector investment growth into agricultural (5% per year).

In addition, several irrigation specific indicators have been proposed including the annual hectare increase in irrigated area, the proportion of total agricultural output derived from irrigated production, the increase in incomes of irrigating households; and annual private sector investment in irrigation infrastructure or service delivery.

Component 1: Local Level

Grant Access Conditions and Performance Criteria

(i) Adequacy of Design: The annual performance criteria for the agricultural block grants currently being agreed are in the appraisal team's view the minimum set needed. They do not fully capture all the quality requirements required for successful performance monitoring of the ASDP or the agricultural sector, but were viewed by the Local Government Reform Programme as the maximum number that could be accommodated. The current criteria relate to the quality of the planning process, progress on extension reform, the quality of investments, and the legal and regulatory environment.

(ii) Qualifying LGAs: Based on the latest discussions with the PMO-RALG/LGRP Team regarding Agreed Actions and Performance Measures the appraisal team assesses that nearly almost all districts that qualify for the Capital Development Grant will meet the four further minimum conditions specified for agriculture. At present 66 councils have qualified for the LGCDG. The revised costing for the enhanced DADG is therefore based on the premise that in 2006/07 50 councils will qualify, in 2007/08 60 councils will qualify and in 2008/09 70 councils. The total enhanced DADG is set at TSH 5 billion for 06/07 and this would mean

¹ 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).

² see above footnote.

that qualifying councils get TSH 100 million the first year. With a 20% increment per year for improved performance this would mean that by 2008/09 these councils would be receiving an enhanced DADG of TSH 144 million.

(iii) Implementation Readiness: While the agriculture criteria are being integrated with the Local Government Capital Development Grant assessment process to be undertaken in March 2006, further work is needed on information sharing with LGAs on the programme, particularly on agricultural extension reform. This should be undertaken in early March 2006.

Sub-component 1: Local Agricultural Services

(i) Adequacy of Design: The programme will provide a framework that allows demand driven service provision to emerge. Farmers will be empowered to articulate their needs through farmer fora and networks. Mechanisms will be put in place that allow farmers access private service provision through a range of different contracting mechanisms. Synergies will be developed between public and private service provision, allowing service delivery to be carried out by those who are best positioned to do so. A key element of the new structure will be greater articulation of farmer needs in district programmes and an incentive system of planning and service delivery, where districts who meet specified criteria can access additional funds. The service delivery system adopted is not from any one country, but combines best practice from several countries designed to suit the Tanzanian situation and implements this in a phased way. The target at the end of the programme is that there will be pluralistic delivery system including a more streamlined public extension system that will support private agricultural services providers (ASPs).

(ii) Phasing/Geographic Coverage: As the ASDP will be implemented in accordance with LGA reform programme procedures it is expected that the same councils that qualify for LGCDG/DADG will also qualify for the enhanced A-EBG which includes support to reform of extension services.

(iii) Implementation readiness: The new system requires a change in mind set of leadership, management, technical staff and stakeholders at the local level. This will be achieved through sensitization, training and consultations. While private ASPs are already in place in some districts, the programme will produce a conducive framework and nurturing system for private ASP emergence and growth. The ASDP services Implementation plan and guidelines are in place. The followings tasks should be undertaken between now and July 2006:

- The sensitization process should begin in March with the preparation of a letter from the Government informing all districts about the programme and the requirements and process for participation.
- Information on the ASDP should be prepared in May and presented at high level meetings (e.g Regional Commissioners, Parliamentary Meetings, Cabinet Meetings etc.);
- Information on the programme should be relayed to the general public through the mass media in June following the high level meetings;
- An inventory of existing /potential public/private ASPs and approval of same to carry out identified tasks should begin (March - July) so that the programme proper can effectively take place in July.
- Harmonisation of the current ASDP Government Programme Document with the Implementation plans and guidelines prepared earlier should be undertaken to avoid confusion at the implementation stage;
- An inventory of farmer groups and networks and their type of activities and capacities should be undertaken (March – July).

Sub-component 2: Local Agricultural Capacity Building & Reform

(i) Adequacy of Design: Capacity building support will be provided to LGAs to improve on the quality of the planning process, the quality of investments, and the legal and regulatory environment similar to the mechanism used for the local government capital development grant. In addition, the programme provides for capacity building activities for both private and public ASPs in order to implement local activities of the ASDP. It also provides for a reformed public agricultural extension service. It is fully integrated into Local Government restructuring. Farmer knowledge, organizational and financial empowerment, consistent with greater farmer involvement in service delivery and control constitute a major element of the programme. Support for local government extension reorientation will be provided directly to LGAs against an extension reform plan, while support for farmer empowerment and strengthening private service providers will be managed from national level.

(ii) Phasing/Geographic Coverage: The programme is a nationwide programme covering all 121 LGAs. Entry to the programme is based on meeting a set of minimum criteria, which will determine entry rate each year. (Consideration will need to be given to the size of the basket to access its potential to deal with this scenario). Capacity of the central ministries may also need to be enhanced to cover this scenario.

(iii) Implementation Readiness: Further work is needed on developing guidelines for LGAs on the preparation of extension reform plans. Guidelines have been developed for farmer empowerment although these could be further simplified.

Sub-component 3: Local Agricultural Investments

(i) Adequacy of Design: In general this component has been well designed and the table of matching grant percentages as included in the January 2006 version of the Guidelines for District Development Planning and Implementation is full and complete. This table does not however figure in the latest revised versions of the Planning Guideline from February 2006 but should be included for overview purposes.

The capacity of councils to prepare DADPs remains weak. Many DADPs have not been comprehensive and strategic as envisaged. Stakeholder participation in many cases does not include representatives from farmers, private sector and NGOs. District Agricultural Strategic Plans are not yet in place in most LGAs. DADPs tend to have “wish lists” without addressing important elements of ASDS components e.g. policy, regulatory and institutional framework, research and extension.

There are also limitations of the agricultural technical capacity and access to information at district level. Even if the needs for agricultural development are identified in planning, extension staff are often not sufficiently knowledgeable of technical options, resulting in the missed opportunities to promoting appropriate interventions.

Districts need technical backstopping, particularly for irrigation feasibility studies, design, preparation of bidding documents, bid launching and evaluation, and award of contract. The role of the Zonal Irrigation Office, as well as the central Ministry needs to be defined and agreed with the Districts. The process for design and construction also needs to clarify the kind of incentives that stakeholders will be provided to reduce per hectare investment costs.

(ii) Phasing/Geographic Coverage: The coverage will be the same as mentioned above so it is expected that 50 qualifying councils will need assistance in training for developing the DADPs. This will be a massive undertaking on the part of the ASDP and the ASLMs.

(iii) Implementation Readiness: The training on the DADP planning should be conducted in the early stage of the ASDP implementation and should cover as many of the qualifying

districts as possible during the coming 6 months. By the end of March 2006, the ASLMs should revise the DADP guidelines with a view to making it a very slim and practical guideline that is as user friendly as possible.

In April and May 2006, the training manuals should then accordingly be modified through trial-based training in several districts based on the revised DADP guidelines making training a simple and easy task of no more than 1-2 days per council. A training team should be established between the ASLMs and relevant external resources should be accessed to assist in the training as well as to assess the results of the training.

In June 2006, the findings and recommendations from the first set of trained councils should feed-back into a wider stakeholders meeting. Based on the discussion, the DADP guidelines and the training manuals, if necessary, are to be further refined. The action plan of the nationwide support is to be formulated.

By July 2006 prepare a technical irrigation manual providing detailed information related to the technical design; and prepare an irrigation manual providing detailed operational information

Component 2: National Level

Sub-component 2.1 Agricultural Services

(i) Adequacy of Design: ASDP involves changing the way in which researchers access funds. A decentralised client-controlled research funding mechanism (i.e. Zonal Agricultural Research and Development Funds or ZARDEFs) will be established. These funds are open to all, are designed to encourage support to the highest quality applicants, and have a requirement that evidence of client demand and viable uptake pathways are included in the design. The focus of the research institutional reform is to provide the tools that research institutions (both public and private) require to undertake the 'business unusual' approach implicit in ASDP in order to meet the new goals of the inclusive Tanzania NARS.

The research component serves to link past investment in human and capital resources to farmer empowerment activities at district level, to facilitate updating and improvement of information on agroecologies, farming systems, and socioeconomic factors within zone, and to ensure that research funding for zonal priorities determined by key zonal and district stakeholders. The zonal focus enables extrapolation of research data from the local to zonal, and in cases, national levels, facilitates research/extension/private sector linkages through the zonal based stakeholder research funding system and adoption of new methodologies (eg 'mother-baby' trials etc), and support farmer empowerment research approaches such as Farmer Field School directly. The outcome will be to create a research system that is open to all and with good quality control systems in place. Research funding will be provided to the best problem-based teams drawn from centres of expertise in the zone and linked to regional and international science.

ASDP requires technical inputs from all ASLMs in a coordinated manner across research, extension, and farmer empowerment activities. Without strong coordination and leadership, combined with sound technical backstopping, a critical gap in implementation may develop, preventing the expeditious delivery of essential improved services to poor farmers. As an integral part of the institutional reform, the existing ASFT should continue to provide implementation support to zones and LGAs to ensure a coordinated research, extension and farmer empowerment effort throughout the country for the first phase of ASDP. External (local and international) can be provided as necessary. The ASFT will report to the

Committee of Directors. The implementation arrangement will be reviewed and adjusted accordingly during implementation.

Additional detail has been added to the ASDP document to build additional depth into formal research and extension linkages, and to emphasise the ‘open to all’ focus of the ASDP research component (including explicit recognition that livestock activities are important components of many rural livelihoods in Tanzania). Provision has been made for capacity development in areas such as livestock, irrigation, and socio-economics (both human and infrastructure) so that research priorities developed by stakeholders based around these important disciplines can be properly addressed.

Finally, the document includes a proposal to develop a national research fund devoted to issues of national priority and ‘over the horizon’ research needs which will not be adequately captured through the demand-led ZARDEF system. This fund needs to be adequately resourced and consideration given to the proposal to turn it into an endowment fund within the first two years of implementation of ASDP.

(ii) Phasing/coverage: the programme has two major elements – the launching of ZARDEFs in each of the seven zones of Tanzania, and the implementation of a comprehensive training programme to facilitate reform and improved performance at insituational level of the new structures developed under ASDP. In the first year of implementation of ASDP, ZARDEFs will be established in the Lake, Central, and Southern Zones, together with implementation of required CORDEMA training and institutional reform in those zones. In the second year, this will occur in the Southern Highlands, Lake, and Northern Zones. The remaining zone will be implemented in year three. By the end of year 5, 75% of research funds flowing from the ASLMs to the zones will go through the ZARDEFs.

(iii) Key Performance Indicators; ASDP requires a fully functional team at zonal level devoted to a coordinated research and extension programme. By year 3, one researcher per ZARDI and one at each ARI will be working in the ZIELO’s office on a part-time basis in accordance with his or her formal job description. One researcher will 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. 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

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 the first phase³ of ASDP (3 years), CORDEMA training should be completed, the recommended CORDEMA structures and practices implemented, and ZARDEFs established in all zones.

³ There is significant training and preparation provided for under ASDP, which has to be provided in a phased manner. Thus it will not be until year 3 that all ZARDIs have completed the needed CORDEMA training and that ZARDEFs are established in all zones. The indicators, therefore, need to reflect this phasing. CORDEMA and ZARDEFs are phased in over 3 years – the indicators below refer to those ZARDIs that complete their training and have their ZARDEFs established in year 1. Those in year 2 will need to achieve these indicators by year 4, and those in year 3 by year 5.

ZARDEFs should account for at least 30% of all ZARDI supported research (to be 75% by year 5), and 50% of all ZARDI scientists have a ZARDEF approved grant by year 3 (and 80% by year 5). 50% of all ZARDEF should grants have a non-public sector collaborator or principal investigator and ZARDEFs should be disbursing funds within 4 weeks of receipt of approved quarterly reports and requests for next quarter's funds. Each ZARDEF needs to show a transparent and efficient review process in place as evidenced by speed of approval (or non approval) of proposals and records of review comments.

(iv) Implementation Readiness (including adequacy of implementation plans & guidelines, next steps to July 2006); An inception workshop needs to be held in each zone ahead of ZARDEF establishment. ZARDEFs are launched in conjunction with starting implementation of CORDEMA at the ZARDIs. A major issue is the capacity of the ZARDIs to handle the critically important financial management of the ZARDEFs. Provision for training and retooling of the ZARDI accounts staff is a central and essential component of the CORDEMA implementation. Preparations in the three 'launch' zones for these workshops needs to be put in place without delay. The CORDEMA training will require significant short term technical assistance to implement and arrangements for contracting with a suitably experienced institution need to be made in the immediate future. Two of the three 'launch' zones have already been active partners in the preceding CORMA programme and have many of the skills necessary to proceed swiftly to implementation, and to contribute substantially to the scaling out on a national basis. The continuing role of the ASFT is essential to ensure that these complex activities are coordinated with the complementary extension and farmer empowerment activities throughout phase 1 of ASDP.

The implementation guidelines for both ZARDEFs and CORDEMA are comprehensive, build on the field experience of the preceding CORMA programme, and have been fully reviewed and discussed.

Sub-component 2.2 Irrigation

(i) Adequacy of design: The National Irrigation Development Fund (NIDF) will be used to attract private financing on a 25:75 public:private basis. Support from the NIDF will be discretionary and assessed both on the basis of access conditions and scheme specific criteria. Success of this component (and achieving the ambitious irrigation development targets) will critically depend on the incentive package that the Government of Tanzania will provide to investors. The content of this package has not yet been defined, and this needs to be developed urgently. This should be combined with a study into potential interest from national and international private investors.

(ii) Phasing/geographic Coverage: Coverage of the capacity building and institutional establishment sub-components is national. This includes all aspects of potential private sector participation in Tanzania's irrigation sector including equipment supply, advisory services, service delivery, design and construction, commercial irrigation and possibility public private partnership funding arrangements.

(iii) Performance Assessment Criteria: Performance indicators include the extent to which private sector operators are co-sharing investment costs in irrigation.

(iv) Implementation Readiness: Implementation readiness requires preparation of (i) an implementation manual, (ii) a clear idea about the nature and importance of potential private investments, and (iii) specific incentive packages that would help private operators invest sufficiently to achieve the irrigation development targets.

Sub-component 2.3 Market and Private Sector Development

(i) Design: The programme document appropriately identifies the three areas of activity that are essential for development of private markets and firms. These include policy and public expenditure analysis; regulatory and institutional assessment and reform; and support to private marketing associations and agribusiness firms. The team has identified specific activities in each area and costed them, resulting in budgetary allocations for national level activities. New areas of attention include linkages between marketing and food security, and a proposed provision for a private marketing advisor, housed in a private association, that allow private sector input to policy formulation and of private market capacity building activities. This proposal needs further review.

Concerning *agricultural marketing policies*, the team has identified specific sectoral, marketing and food security analyses that are essential to its formulation (e.g. on 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. Both of these activities feed into ASDP monitoring. Both rely heavily on contracting of private sector analysts to carry out the analysis, under the guidance of policy and budget specialists in the ASLMs.

Regulatory activity 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 input 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. This component includes a line item for crop boards restructuring strategies and implementation. It is proposed that the other regulatory activities (and most policy activities) focus on domestic and regionally marketed food crops, which have been the main source of growth in agriculture over the past ten years.

Finally, the *private market development* activities direct capacity building support to individual firms, and farmer marketing associations, based on local demand, and delivered via private service providers. It is anticipated that the services delivered will improve business skills, loan application capabilities, and marketing strategies and options for firms and associations. Some attention will need to be given to verification of the quality of services delivered. The component will also allow input of associations into district and national level policies. Here the facilitating role of the private marketing advisor is crucial. The advisor will draw up a yearly schedule of regulatory and policy initiatives, and plan 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 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.

This sub-component is proposed to initially support (i) Policy and regulatory framework in the areas of: reforms in crop boards to make them more representative of stakeholder associations in terms of common interests of the stakeholders; strengthening legal and regulatory framework for an efficient, effective and equitable agricultural marketing services; strengthening marketing information system to enhance coordination among the market actors; and strengthening public-private sector dialogue in agri-business development; (ii) Trade standards which will address: strengthening institutional and legal framework governing quality of agro-products in terms of standards, grades and facilities to comply with international food safety and agricultural health requirements in export markets; and promoting primary agro-processing and value-addition; and (iii) support to development of

market infrastructures and rural financial institutions, market research and intelligence, and risk management.

(ii) Phasing: The activity is national in scope, but will provide focused support to districts qualifying for the district agricultural grants, for example helping farmers marketing groups in these districts form into apex organizations, or improving business and marketing skills for firms and marketing groups. This effort will link closely with the empowerment activities. The first three years of implementation will be the most active, as policy analysis capability is built, and mechanisms are established for regulatory review and development of private markets.

Support could include capacity building, institutional reform, and regulatory enhancement, promote and strengthen groups of producers and traders, as well as developing a broader framework for addressing agricultural finance. In addition, domestic markets and linkages in the agricultural marketing chain will be strengthened and participatory agricultural marketing research and intelligence will be promoted.

(ii) Key performance indicators: Share of producer price in final price (measured at consumer market or border); implementation of crop board reforms; increased small farmer marketed surplus; increase use of input and output marketing services by small farmers; more stable and food prices for those purchasing in the market; and improved sector and public expenditure analysis and measures of impact

(iii) Implementation readiness: Some areas have action plans and ready for implementation; a number of others require study. There is an explicit focus on learning from projects that are phasing out (section being completed).

Sub-component 2.4 Co-ordination and M&E

(i) Adequacy of Design: This section focuses mainly on monitoring and evaluation (M&E). The M&E system, as specified in Appendix 2 of the Government Document, appears strong in collecting and tracking funds and activities, however weaker on outcomes and impacts, particularly the latter. The appraisal team reviewed the current proposals for survey work on impact evaluation and suggested additional resources and surveys to undertaken on a smaller more targeted scale. The statistics unit in the MAFC will need to be strengthened. The Household Budget Survey and Agricultural Census provide useful baselines for this work. The M&E system will also be strengthened as the Government Planrep becomes operational at local levels and aligned to the DADP agricultural-related indicators. Regional Secretariats can play a useful role in strengthening local M&E. Opportunities for integration into the existing data collection instruments should also be reviewed. Client Satisfaction Surveys are proposed as instruments to collect more frequent data (every second year) which require additional effort and resources. As these surveys seem to be addressing important data gaps, especially with regard to assessing outcomes and impacts, due diligence should be given to their implemented. Monitoring private sector participation is an area which requires strengthening, particularly as the private sector is deemed the engine of growth of ASDP development. Continued attention needs to be given to how lessons learned from M&E of the market and private sector development components would feed back into the subsequent implementation of the programme, as well as into strengthening overall policies and programmes for strengthening private sector.

The ASDP Secretariat now has a much more defined role in M&E and information and communication and will be responsible for aggregation of sector M&E indicators. There needs to be further clarify the roles and linkages among DPPs, ASLMs M&E officers and ASDP Secretariat and with the regional and district level M&E, as well as PMO-RALG.

Capacity building of M&E officers at various levels (national, region, districts, ward and village) is included in the programme. This will be important to address already identified gaps in capacity. What may also be needed, however, is a more intensive assessment of current capacities (public and private) against required deliverables for M&E, thus allowing for the identification of gaps, an assessment of what could realistically be supplied from public resources, what could be outsourced to the private sector, and what assistance could be required from development partners.

2. INSTITUTIONAL AND IMPLEMENTATION ARRANGEMENTS

Adequacy of Institutional Arrangements: The basic institutional consideration is the principle of integration of programme funds and implementation into the Government of Tanzania expenditure management system and avoidance as far as possible of the creation of new, specific ASDP structures and procedures. This principle is taken to levels far beyond the modalities that have up to now been used in the agricultural sector. In addition, agriculture is the first sector to integrate with the local government capital development grant mechanism. The appraisal team fully endorses this and considers the degree to which it is reflected in the ASDP proposal a major step forward. The ASDP design well serves the transition to budget support, combining the integration of the funds flow into the Exchequer system as well as the integration of all implementation into the existing Government of Tanzania institutions with the necessary fiduciary safeguards and reporting mechanisms to ensure sufficient confidence on the part of the development partners. However the appraisal team recommends a consolidation of progress to date to ensure effective performance of the instrument and integration of other development partner projects over time. The gain to the sector would probably be far greater in terms of transaction cost reductions, comprehensiveness and consistency of planning and implementation, and of impact, than the move to budget support by a few development partners, leaving the rest in the traditional project mode.

A greater shift to the basket fund modality and budget support requires reducing the fiduciary risk and increasing the implementing capacity and effectiveness both at central and lower levels, which will be monitored closely. The appraisal team also requests that the approach to mainstreaming of other projects and programmes into the ASDP basket arrangement be clarified.

Administrative support: The Basket Fund Steering Committee is essential and the terms of reference proposed for the committee are consistent with its needed functions, although there should be further clarification on areas where the committee takes decisions and where it can only recommend actions. Experience from the operation of other basket funds illustrates the considerable administrative work needed to ensure effective operationalization, particularly during the initial period of operations. The appraisal team raised concerns about the administrative capacity of the Department of Policy and Planning to undertake these functions and recommended that the Department be strengthened with staff dedicated to basket fund related activities at least for the first one or two years (to reduce the risks) [the list of tasks is being refined and agreed]. The dedicated staff, or focal point would also signal the importance given to ASDP as the new mainstream support modality. The initial effort required should not be underestimated with the need to ensure the smooth functioning of the funding arrangement to ensure both the stability of the flow of funds to the implementing entities and for the possibility to attract other development partners to join the basket fund.

Technical support: The need for integrated support across both crops and livestock, and research and extension, to zones and LGAs was re-emphasized by the appraisal team and reiterated by the field visits. Programme implementation will require significant national level support to (i) establishment of CORDEMA and the ZARDEFs, (ii) re-orientation of LGA extension, including sensitization on the programme and providing guidance on developing

and implementing LGA extension reform plans; (iii) farmer empowerment; and (iv) private service providers. The intensity of support needed will be high for at least several years of the programme and will more effectively be provided by an integrated team focused on these issues on a full time basis. The membership of the Interministerial Coordinating Committee (ICC) has been expanded and the Committee of ASLM Directors has been established to improve collaboration and co-ordination among ASLMs and ensure a genuine sector-wide approach which is a useful step, although an integrated team will be needed. A similar approach is needed at the operational technical staff level. The agricultural services facilitation team, comprising staff from all ASLMs has provided the needed integrated support to development of guidelines and implementation plans for zones and LGAs, the same or similar arrangements should be used for implementation of ASDP with teams reporting to the Committee of Directors.

Functional analysis: The mission proposed that a functional analysis of the ASLMs will be carried out to ensure alignment of the national level structure to zonal and LGAs needs. This exercise could greatly benefit the efforts to shift to a genuine sector-wide approach in the ASLMs in both their day-to-day and their longer-term assignments. The analysis could also guide greater alignment of national level structures to zonal and district level needs. The appraisal team suggested a number of process indicators to verify progress towards improved ASLM cooperation and coordination. All stakeholders of ASDP will need to remain open to adaptation of the initial institutional set-up in response to changes in the programme environment and to practical experience as implementation progresses.

3. FINANCIAL MANAGEMENT AND PROCUREMENT

Financial Management: The *Financial Management team* reviewed the draft *ASDP Basket Fund Financial Mechanism document* developed by PricewaterhouseCoopers (PwC) and found satisfactory. Financial Management arrangements stipulated in the document conforms to the *Public Finance Act of 2001*. The document elaborates on: institutional arrangement (Financial aspects); accounting policies and systems; planning and budgeting; fund transfer mechanisms; procurement arrangements; accounting for expenditures and reporting requirement and auditing for the ASDP.

The Format for Financial Management reporting and Audit for the ASDP implementation as stipulated into the draft *ASDP Basket Fund Financial Mechanism document* was jointly reviewed by the Government (including the Ministry of Finance – Accountant General) and the Development Partners and found satisfactory as it conforms to *Public Finance Act of 2001*. The reporting format is in consistence with the Integrated Financial Management System (IFMS). However, comments were provided for inclusion into the final draft document. The final draft document will be finalized by PricewaterhouseCoopers (PwC) by end of March 2006.

Capacity need for internal audit and accounting: The team carried out financial management capacity assessment to the ASLM (Ministry of Agriculture, Food Security and Cooperatives (MAFC) and The Ministry of Livestock Development) and PMO RALG to determine adequacy of the financial managements, particularly on accounting and internal control, reporting and auditing in terms of number of staff and qualification required for effective implementation of the ASDP. The team revealed that there is inadequate capacity for accounting and internal control for the Ministry of Livestock Development (MLD) in terms of number of staff and their qualifications. MLD is a newly formed Ministry. The internal Audit section was yet to be established during the period of the mission and there is no internal audit staff. The number of accountant staff is also inadequate. In order to mitigate financial management risks for the programme implementation the account and internal audit section need to be strengthened.

Procurement: A review was carried out on the proposed procurement arrangements with the agencies (Ministry of Agriculture, Food and Cooperatives (MAFC); Prime Minister's Office Regional Administration and Local Government (PMO-RALG); and Ministry of Livestock Development (MLD)) that will be responsible for implementation of the proposed programme. It was confirmed that procurement functions will be mainstreamed within the existing structures of Government. A procurement capacity assessment was carried out for the implementing agencies (MAFC, PMO-RALG including one Local Government Authority (LGA) -Temeke Municipal as a representative of the LGAs, and MLD) in terms their existing capacity and the associated risks that may negatively affect their ability to adequately carry out their procurement functions.

At the Local Government Authority Level, procurement will be carried out by the Finance Departments within their establishments. Procurement is carried out in accordance with new Local Government Regulations on selection and employment of consultants, and procurement of goods and works issued in 2003. These Regulations were issued together with a Procurement Manual. One of the most remarkable changes in the new Regulations is a change of composition of the local government authority tender board of which the councillors have been entirely removed from the procurement process. Generally, most of LGAs have no adequate experience in procurement planning, preparation of bidding documents, bid evaluation, contract management and administration. In addition to efforts already, proposed mitigation measures include carrying out workshops on procurement process using the Public Procurement Act, local government authorities procurement regulations and procurement manual to the heads of departments, supplies officers and members of tender boards.

At the Central Level, procurement falls under the Departments of Personnel and Administration and is carried out in accordance with the new Public Procurement Act (PPA) no. 21 of 2004 which became effective May 2005. Respective Procurement Management Units (PMUs), and Tender Boards (TBs) have already been established in accordance with the provisions the PPA. As with the LGAs, there is a need of strengthening procurement capacity at this level in terms of carrying out workshops on procurement process using the PPA; regulations; and World Bank Guidelines for selection and employment of consultants, and procurement of goods and works to the heads of departments, supplies officers and members of PMUs and TBs. Since the MAFC will be responsible to provide overall coordination, it is recommended to recruit a Procurement Specialist for at least 18 months to assist members of the PMU in management of procurement activities and carry out on job training.

A draft procurement plan for at least the first eighteen (18) months of the program is under preparation and the first will be submitted prior to the end of the appraisal. The procurement will cover goods, works, consultancy services, non-consultancy services, workshops and training. The procurement plans will consist of basic information including contract description, procurement or selection method, cost estimates, prior review thresholds, proposed start date, completion date, and implementing agency. More information procurement methods, procurement thresholds, and review thresholds will be addressed in Financial Mechanism Document which contains a chapter on procurement.

4. INTEGRATION WITH GOVERNMENT SYSTEMS

There has been further integration of the implementation arrangements into Government systems, particularly on the institutional arrangements as noted above. Remaining requirements include international competitive bidding procurement thresholds and the possible need for additional audits for LGAs (as with the local Government Capital Development Grant).

5. COSTS AND ECONOMIC ANALYSIS

Tanzania's Medium Term Expenditure Framework (MTEF) has established a sound basis for public resource allocation and alignment to the NSGRP (MKUKUTA). The aim of the Agriculture sector MTEF is to allocate resources to achieve targeted sector growth of 20 percent by 2010. Overall spending on the agriculture sector, which comprises the budget allocations of the five ASLMs, is estimated at around Tsh 152 billion in the current 05/06 budget year⁴. MTEF ceilings for the forthcoming year have not been released but are expected to exceed previous projections for the sector due to new Government priorities, particularly the renewed focus on expanding Tanzania's irrigation infrastructure.

In absence of approved budget guidelines from the Ministry of Finance, the assessment of the ASDP basket fund's consistency with the sector MTEF ceiling has been based on the 06/07 budget requests submitted by the ASLMs. Based on these requests, the 06/07 sectoral ceiling is estimated at Tsh 291 billion (see Table 1), which represents an increase of 91% over last year's ceiling. Significant increases in 07/08 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.

ASLM	05/06	06/07	07/08	08/09
MAFC	112.9	228.4	238.5	272.0
MLD ²	13	34.89	33.94	35.36
MTI ²	7.7	9.35	9.7	12.1
PMO-RALG ³	18.4	18.4	45.1	46.8
Total	152.0	291.0	327.2	366.3

¹ Based on approved budgets for 05/06 and budget requests for 06/07-08/09, OC and development expenditures only except within PMO-RALG.

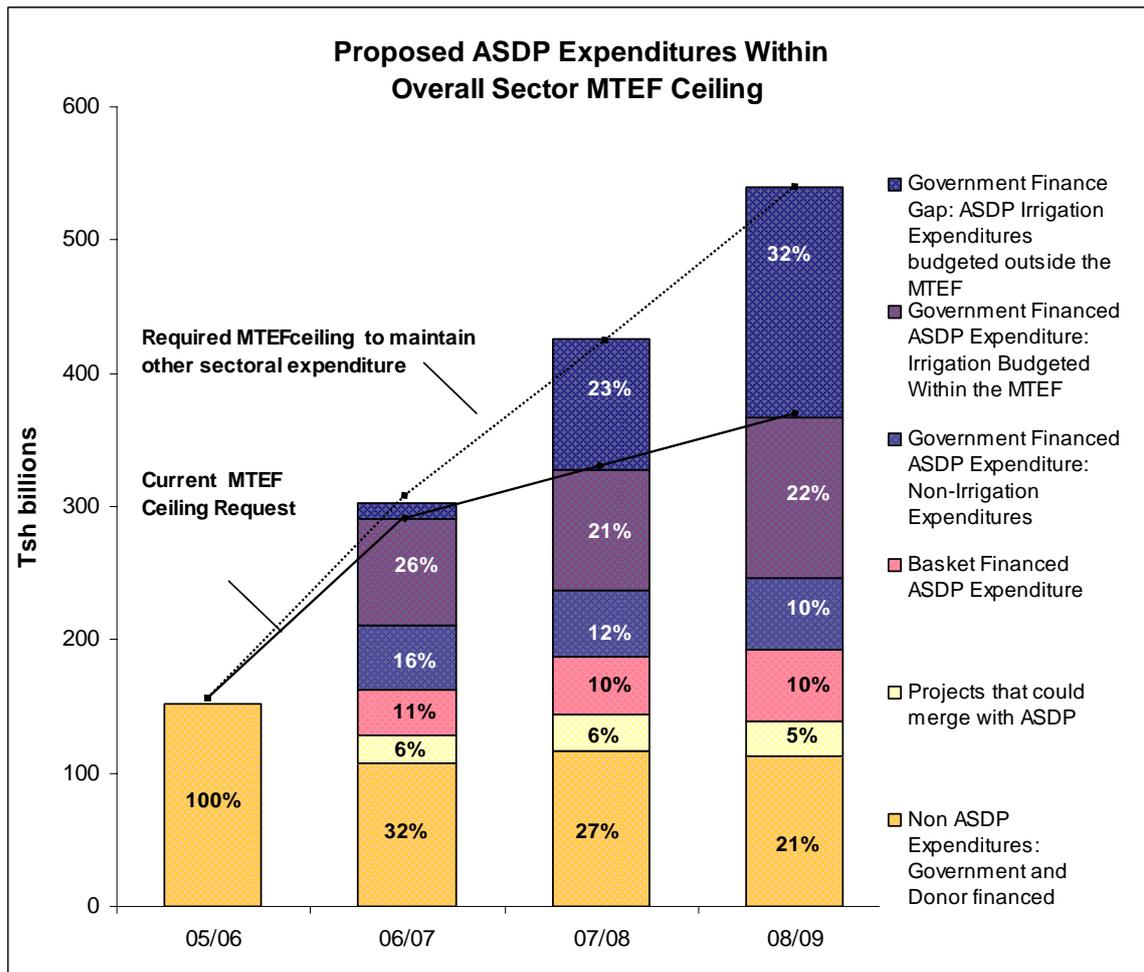
² ASLM 05/06 expenditures include MCM and Livestock sub-votes of MWLD, ASLM 06/07-08/09 expenditures include MTI sub-vote 4002: Marketing Development and the newly established MLD.

³ 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 basket 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. (See figure 1)

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 Ts 168 billion and Tsh 297 billion in 06/07 and 07/08. 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.

⁴ Based on estimates of agriculture related expenditures in the 05/06 approved budget allocations of MAFS, the Livestock Department of MWLD, MCM and PO-RALG.



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.

Estimated Total ASDP Costs by Component and Financier (including contingencies)

(TSH Million)

	The Government		Development Partner Basket		Farmers		Total	
	Amount	%	Amount	%	Amount	%	Amount	%
A. Local Programme	339,489	27.8	700,869	57.5	178,805	14.7	1,219,163	75.2
1. Investment	219,852	22.9	565,190	58.9	175,119	18.2	960,161	59.2
Base District Agricultural Development Grant /a	31,500	80.0	-	-	7,875	20.0	39,375	2.4
Enhanced District Agricultural Development Grant /b	26,214	23.8	62,421	56.7	21,458	19.5	110,093	6.8
DIDF /c	162,139	20.0	502,769	62.0	145,786	18.0	810,693	50.0
2. Services	119,638	60.8	73,513	37.3	3,686	1.9	196,837	12.1
Base Extension Block Grant	117,590	100.0	-	-	-	-	117,590	7.3
Enhanced Extension Block Grant	2,048	2.6	73,513	92.8	3,686	4.7	79,247	4.9
3. Capacity Building	0	-	62,166	100.0	-	-	62,166	3.8
a. Base Capacity Building Grant /d	0	-	25,200	100.0	-	-	25,200	1.6
b. Top up Capacity Building Grant /e	0	-	7,077	100.0	-	-	7,077	0.4
c. District Capacity Building Facilitated at the National Scale	0	-	29,890	100.0	-	-	29,890	1.8
Farmers Empowerment /f	0	-	16,546	100.0	-	-	16,546	1.0
Support to Private Service Delivery	0	-	13,343	100.0	-	-	13,343	0.8
B. National Programme	303,458	75.4	97,625	24.2	1,619	0.4	402,703	24.8
1. Agricultural Services	33,209	30.6	73,552	67.9	1,619	1.5	108,381	6.7
Agricultural Services: Research and Training	31,679	32.3	64,739	66.0	1,619	1.7	98,037	6.0
Agricultural Services: Extension	1,531	14.8	8,813	85.2	-	-	10,344	0.6
2. Private Sector and Market Development	0	-	9,889	100.0	-	-	9,889	0.6
3. Irrigation Services	269,678	100.0	67	-	-	-	269,745	16.6
4. Policy, Planning and Coordination	571	3.9	14,116	96.1	-	-	14,687	0.9
a. Policy Analysis	0	-	654	100.0	-	-	654	-
b. Programme Coordination and Monitoring	571	4.1	13,462	95.9	-	-	14,033	0.9
Total PROJECT COSTS	642,948	39.6	798,494	49.2	180,424	11.1	1,621,866	100.0

\a All LGAs receive a basic level of investment funding for agriculture, currently averaging around Tsh 38 million per district.

\b LGAs would receive additional agricultural investment funds based on development of a DADP and willingness to reform. The additional grant funds would average Tsh 100 million rise or decline according to annual performance assessments.

\c District Irrigation Development Fund for complex or inter-district schemes, managed by a national steering committee

\d Each LGA would receive a fixed discretionary capacity building grant of 18 mill Tsh

\e Districts qualifying for the DADG would receive an additional capacity building grant to support DADP implementation and reform measures.

\f District Capacity Building at national level represents specialized farmer training and private sector development activities districts may not be able to undertake themselves and one-off bulk equipment purchases handled for multiple districts.

6. ENVIRONMENTAL AND SOCIAL

Social: The successful achievement of the ASDP's project development objectives will lead to positive social development outcomes for the agriculture sector in Tanzania as a whole, and particularly for the community of farmers who are the main beneficiaries of this program. For instance, the ASDP has a strong component with a specific objective to empower farmer and community groups through greater participation in local planning and control over resource allocation decisions for services and investments, focusing on increased participation of poorer farmers and women groups. To ensure greater participation and thus benefit for the rural community, the program was prepared with, and informed by, broad stakeholder consultations and involvement, including farmer and community groups, LGAs, private service providers, zonal research institutes, national level ministries and staff from local universities. Several multi-stakeholder task forces were established to oversee preparation of various elements of the program. Throughout the life cycle of the ASDP, consultations will be an on-going process.

Notwithstanding, some risk to achieving these outcomes for all program stakeholders and or program affected persons does remain. Clearly, as DADP's and other investments roll out, land acquisition may occur (eg. for trial plots or irrigation). To mitigate the risk from this activity to people and communities who might become affected by land use needs of this program, the Government of Tanzania has prepared a Resettlement Policy Framework (RPF). The demand driven nature of the program does not allow ex-ante knowledge of the exact localities of future project investments. The RPF is designed to ensure land acquisition that leads to resettlement is avoided altogether, when feasible, or minimized. Given the sheer geographic size of Tanzania and the types of investments proposed under the ASDP, land acquisition that leads to resettlement is only likely to occur in a few cases, if at all.

Under the RPF, the required actions are screening of the sub-projects/DADPs need for land acquisition or use to determine if people/communities will be affected by loss of land, physical relocation or loss of access to land and/or other economic resources. For land affected in this way, the preparation of resettlement action plans (RAPs) are required which are to be reviewed and approved by Zonal Land Officials. Approved RAPs are also to be attached to the DADP's before they are submitted to the District Councils for approval. The RPF has been reviewed and cleared by the Ministry of Land and Human Settlement Development. A post review of the initial RAPs, is recommended to assess their quality.

Environment: The positive environmental issues associated with this program range from alleviating some of the root causes of land degradation and loss of soil fertility in Tanzania in those areas where the ASDP is implemented. This will be achieved through the use of improved land management methodologies for cropping and grazing and the introduction of sustainable and integrated pest management systems, to begin to address long standing systematic and strategic environmental planning issues in the prevailing situation where national environmental policy and regulatory frameworks are weakly enforced. In February 2005, the Government of Tanzania passed a new law, the Environment Management Act 2004, EMA 2004, in part to address some of these weaknesses.

Many of the adverse impacts associated with the DADPs would be low intensity, minor, site specific impacts, and relatively straightforward to manage by the beneficiaries, assisted by their local institutions. The anticipated impacts are likely to be associated with point and non-point pollution of water sources, soil erosion, increased loss of soil fertility, cultivation of marginal lands, other land use conflicts, and other issues associated with increased agricultural inputs use.

With regards to adverse impacts associated with larger scale irrigation schemes (i.e greater than 300ha), these impacts could be potentially more severe, such as public health issues, increase in water stress of the renewable water sources, and loss of land. However, past experience in Tanzania with irrigation development shows that a total of 6,000-7,000ha annually has been developed. This is taken as a low case scenario for this program. Greater annual coverage could be achieved but this would require significant support to strengthen capacities at the District and Zonal levels.

Since districts that would qualify for DADG investments will become known only during implementation of the program, the Government of Tanzania has prepared a stand alone Environmental and Social Management Framework (ESMF) to ensure the environmental and social issues associated with this program are adequately analyzed and understood, and that all associated adverse impacts are captured through screening, effectively mitigated and monitored and that the institutional capacity to ensure this happens is maintained and supported financially through the program. The ESMF discusses the mechanism through which all investments when they become known will be managed.

With regards large scale irrigation, the ESMF sets out a screening procedure that would ensure these types of sub projects require the preparation of a full sub-project EIA that will be reviewed by the NEMC and the Development Partners. Once the EIA has been approved by the Minister responsible for Environment in the Vice President's Office, the said sub-projects can then be funded. The Government of Tanzania has integrated the dam safety and the integrated pest management requirements into the ESMF for situations where they may apply.

9. LETTER OF SECTORAL POLICY

The letter of sectoral policy is being updated to provide more detail on the commitments to the research and extension reforms, mainstreaming of development partner support, strengthening agricultural statistics, and the 25:75 allocation of resource between national and district level.