### ANNEX 3

Of the Commission Decision on the Annual Action Programme 2015 in favour of Tanzania to be financed from the 11th European Development Fund

**Action Document for Enhancing Access to Market and Value Addition in Tanzania**

<table>
<thead>
<tr>
<th>1. Title/basic act/ CRIS number</th>
<th>Enhancing Access to Market and Value Addition in Tanzania CRIS number: FED/2014/037-446 financed under the 11th European Development Fund</th>
</tr>
</thead>
</table>
| 2. Zone benefiting from the action/location | Tanzania, Mtwara and Lindi regions
The action shall be carried out at the following locations:
- 3 districts in Mtwara: Tandahimba, Masasi, and Nanyumbu
- 3 districts in Lindi: Lindi Rural, Ruangwa, and Nachingwea |
| 3. Programming document | National Indicative Programme (NIP) of the 11th European Development Fund |
| 4. Sector of concentration/ thematic area | Sustainable agriculture |
| 5. Amounts concerned | Total estimated cost: EUR 18 600 000
Total amount of EDF contribution: EUR 15 000 000
This action is co-financed in joint co-financing by:
- International Fund for Agricultural Development (IFAD) for an indicative amount of EUR 3 600 000 |
| 6. Aid modality(ies) and implementation modality(ies) | Project Modality
Indirect management with the International Fund for Agriculture Development (IFAD) |
| 7. DAC code(s) | 31120 - Agricultural Development |
| 8. Markers (from CRIS DAC form) | | | | |

<p>| Participation development/good governance | ☐ | ☐ | X |</p>
<table>
<thead>
<tr>
<th>Aid to environment</th>
<th>☑</th>
<th>☐</th>
<th>☐</th>
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<tr>
<td>Gender equality (including Women In Development)</td>
<td>☐</td>
<td>☑</td>
<td>☐</td>
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<tr>
<td>Trade Development</td>
<td>☐</td>
<td>☑</td>
<td>☐</td>
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<tr>
<td>Reproductive, Maternal, New born and child health</td>
<td>☑</td>
<td>☐</td>
<td>☐</td>
</tr>
<tr>
<td>RIO Convention markers</td>
<td>Not targeted</td>
<td>Significant objective</td>
<td>Main objective</td>
</tr>
<tr>
<td>Biological diversity</td>
<td>☑</td>
<td>☐</td>
<td>☐</td>
</tr>
<tr>
<td>Combat desertification</td>
<td>☑</td>
<td>☐</td>
<td>☐</td>
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<tr>
<td>Climate change mitigation</td>
<td>☑</td>
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<td>☐</td>
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<tr>
<td>Climate change adaptation</td>
<td>☑</td>
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</table>

| 9. Global Public Goods and Challenges (GPGC) thematic flagships | N/A. |

**Summary:**
EDF support will contribute to an existing on-going integrated country-wide intervention, the Market Infrastructure Value Addition and Rural Finance (MIVARF) programme, which combines hard and soft investments. This intervention is currently supported by the African Development Bank (AfDB), International Fund for Agriculture Development (IFAD) and the Government of Tanzania.

The overall objective of the MIVARF is to contribute to the development of viable value chains that involve the economically active rural poor. The specific objective of the EDF contribution is to improve market access for smallholder farmers through development of rural infrastructure and increased capacities.

The MIVARF is managed by a Project Coordination Unit (PCU) embedded into the Prime Minister’s Office, overseen and assisted by IFAD. The implementing partners are the Local Government Authorities (LGAs).

Support will target 6 districts in two regions, Mtwara and Lindi, focusing on key crops. It will focus on three components: 1) physical market infrastructure; 2) capacity building for improved management and value addition; and 3) support programme coordination and management.
Support is expected to contribute to smallholder farmers' food security and income increase through better access to markets, storage facilities and value addition for their commodities in the two selected regions. It is anticipated that infrastructure investments will have a direct positive impact on quality, postharvest loss, transport cost and ultimately farm-gate price. Additionally, together with infrastructure development, support will strengthen smallholder farmer associations with improved management and financial skills, increased agro-processing and value addition knowledge, increased access to finance, price information and markets. Finally, agriculture productivity and competitiveness will also increase, enhancing local and cross-border trade.

1 CONTEXT

1.1 Sector/Country/Regional context/Thematic area

The United Republic of Tanzania, comprising Mainland and Zanzibar, is an influential member of the East African Community (EAC), which also includes Burundi, Kenya, Rwanda and Uganda. In 2014, the EAC countries initialled an Economic Partnership Agreement (EPA) with the EU. In 2013 and 2014, the Tanzanian economy expanded at an annual rate of 7%. The main drivers of Tanzania’s rapid economic growth continue to be a small number of fast growing capital intensive sectors, particularly communications, financial services, construction, and mining. The service sector recorded the highest rate of annual growth in 2013, at 8.0%. By contrast, labour intensive sectors, particularly the agricultural sector, in which approximately 80% of households are primarily engaged, recorded an average annual growth rate of only 4.2%. 

Poverty - Tanzania’s ranking in the United National Development Programme’s (UNDP’s) Human Development Index improved marginally from rank 163 in 2010 to rank 159 in 2013. Still, poverty remains high suggesting that, despite impressive macroeconomic achievements and sustained economic growth over the past decade, there has been very little impact on the incomes and well-being of the rural poor. Available evidence points to the weak redistributive aspect of growth, especially for rural areas where the majority of the population lives. Poverty remains predominantly rural due largely to low agricultural growth caused by low productivity, low marketing power and poor agriculture infrastructure and equipment. These developments suggest that the millennium development goal (MDG) target of halving poverty by 2015 may not be achieved.

1.1.1 Public Policy Assessment and EU Policy Framework

While the country’s long term development agenda is defined in the Tanzania Development Vision 2025 aiming at eradicating poverty and attain sustainable development, the medium term development goals are outlined in the National Strategy for Growth and Reduction of Poverty -MKUKUTA II/MKUZA II (respectively for Mainland and Zanzibar) and the Five Year Development Plan (5YDP). Both give prominent role to agriculture as key driver of economic growth and poverty alleviation and call for increased agriculture productivity and profitability.

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3. 2010/11-2014/15
4. 2011/12-2015/16
In the context of the Comprehensive African Agriculture Development Program (CAADP), Tanzania adopted in 2011 an Agriculture and Food Security Investment Plan (TAFSIP) which articulates the required investments necessary to achieve a 6% growth in agriculture, consistent with the national objective of reducing rural poverty and improve household food and nutrition security.

In June 2013, in the context of the New Alliance for food Security and Nutrition, G8 members reaffirmed their intention to align their agricultural financial and technical support with the priorities of the CAADP TAFSIP, in conjunction with commitments by the Government of Tanzania to address critical enabling environment regulatory issues. The New Alliance is designed to increase responsible private sector investment in agriculture in line with the Tanzania’s overarching ‘Kilimo Kwanza’ (“Agriculture First”) vision.

Kilimo Kwanza highlights the importance of infrastructure as a cross-sectoral driver of growth and central element of a productive business climate, as well as an important factor for enhancing efficiency in agriculture, giving priority to primary infrastructure in rural areas, trunk and regional roads, transit traffic facilitation (port and maritime), and reliable supply of electricity. Under Kilimo Kwanza, the Southern Agriculture Growth Corridor initiative (SAGCOT) was launched in 2011 as a "public-private partnership" (PPP). The partnership brings together commercial and public sector actors, as well as local and international organisations working with agricultural value chains. The vision is to develop “clusters” of profitable farming and processing businesses, allowing small, medium and large farmers to share the benefits of scales and access to infrastructure”.

The Big Result Now (BRN) is Tanzania’s latest initiative to transform the country into a middle-income economy. BRN is an adaptation of the Malaysian Big Fast Results model and focuses on six priority sectors including agriculture. The targeted growth in agriculture gross domestic product (GDP) is to be driven by a combination of small scale farming models (in particular for rice and maize) and large scale commercial farming (for sugarcane). Increased smallholder income is to be achieved through smallholder aggregation with a strong emphasis on infrastructure development, notably warehouses (for maize) and professional small scale irrigation schemes (for rice). The BRN estimated financing needs for infrastructure development for agriculture over the period 2014-2016 are in the order of EUR 600 million. By comparison, the budget allocation for the Ministry of Agriculture, Food Security and Cooperatives was in the order of EUR 170 million in 2013/14 including some EUR 130 million for recurrent expenditure and some EUR 40 million for development expenditure.

Finally, the importance of rural infrastructure development is also outlined in the 2013 National Agriculture Policy which emphasises that passable roads, adequate energy, efficient communication and marketing infrastructure are critical for stimulating agriculture growth and vital determinants of sector competitiveness.

Despite the ambitious initiatives, progress in achieving the much needed production and productivity improvement has remained below expectations. From 2002 to 2014 annual agriculture growth has averaged 4.2%, which is below the average national growth of 6.7%. In addition to persisting low productivity, the sector continues to experience high costs of doing business due to a multiplicity of factors including high post-harvest losses and weak link to markets due to poor infrastructure. The sector budget accounted for 7.78% of the national budget in year 2013-14 (compared to 2.95% recorded in 2001-2002), which is still below the 10% target established under the CAADP.

The EU has been a long-standing partner of Tanzania in agricultural development. Under the National Indicative Programme of the 10th European Development Fund (2008-13) EUR 61
million were allocated under the focal sector “Trade and Regional Integration” with a clear focus on agriculture.

In line with Agenda for Change (2011) proposing to focus EU development efforts on inclusive and sustainable growth, strengthening sectors with strong multiplier effect in developing countries (notably agriculture and energy), under the 11th EDF NIP, sustainable agriculture features as focal area of intervention for 2014-2020 EU Tanzania Cooperation.

This intervention is part of the annual action programme 2015 and aims at implementing one of the three objectives of the sector: "generate agricultural wealth, through linking farmers to markets and value chains".

It is therefore anticipated that this support will contribute to the implementation of the Agenda for Change and country national development strategies including the BRN initiative.

1.1.2 Stakeholder analysis

Stakeholders are as follows: a) economically active smallholder farmers; b) processors ranging from individual entrepreneurs to producers’ cooperatives that add value to produce; d) traders; e) local government administrations; and d) central government.

At local level, smallholder farmers are organised and structured in farmer associations to enhance economies of scale for training, infrastructure investment and maintenance, as well as to strengthen and increase bargaining power as a group. These farmer associations are also composed by women as in Tanzania, women in rural areas provide 80% of labour force and 60% of food production.

Local Government Authorities (LGAs) are the primary level government and an important and integral part of public sector that provides basic services to people. LGAs are in charge of tax collection from traders to invest in and maintain market infrastructure such as roads and market places. Experience with the District Agriculture Development Programme under the Agriculture Sector Development Programme (ASDP) points at the significant capacity constraints faced by LGAs in the planning and execution of public works as well as the challenges in procurement, financial management and supervision. Efforts are underway to enhance participatory approaches in planning and implementation of development programmes at local level.

At central level, rural infrastructure development is under the responsibility of the Prime Minister’s Office for Regional and Local Government Authorities (PMO RALG) in charge for coordination, oversight and monitoring of local Authorities. The Ministry of Agriculture, Food Security and Cooperative (MAFSC) is responsible for the formulation of overall agriculture sector policies and for capacity building through the provision of extension services to farmer associations or smallholder farmers. Ministry of Industry and Trade (MIT) has a lead role in promoting private sector development and market access. The Ministries of Livestock and Fisheries and of Land also form part of the Agriculture Sector Line Ministries (ASLM).

Direct beneficiaries for the Action are expected to be: i) Smallholder farmers, including women; ii) Farmers Organisations/associations; and iii) Districts Local Government Administrations (LGAs) that will benefit from capacity building and additional resources for implementation of local development plans.

Key stakeholders will be the Prime Minister’s Office and line ministries involved in the Programme Steering Committee. Other stakeholders will be actors involved in the agricultural value chain including input suppliers, producer and market groups, crop processors, traders and financial service providers. During formulation of the EU support
extensive consultations were carried out with key stakeholders notably LGA, Farmer Based Organisations (FBOs) and Non-Governmental Organisations (NGOs), Prime Minister's Office, Ministry of Agriculture, IFAD and AfDB.

1.1.3 Priority areas for support/problem analysis

In Tanzania, over 70% of the population are farmers with an estimated 85% of the country’s poor living in rural areas and relying on agriculture for their livelihood and their primary source of income. The sector is predominantly composed of smallholder farmers whose activities are largely labour intensive, dependent on the natural environment and potentially affected by climate change. The sector plays an important social, political and economic role in terms of influencing food security, employment, resource allocation at household and national levels, and contributing to industrial development and foreign reserves generation. Although the sector is recognized as a significant driver for growth, its potential is yet to be exploited sufficiently to bring about a significant reduction in poverty.

Key constraints, already mentioned, relate to a variety of factors including insufficient access to extension and research. Despite efforts from MAFSC to roll out extension services in each district, quality of the services and outcome remain below expectations. Another important constraint to agriculture is limited access to seasonal credit for smallholder farmers and traders. This inhibits trade and processing of agricultural produce. It also means that farmers are under pressure to sell their crop at the earliest opportunity, rather than waiting for better prices, or processing them, or otherwise adding value. Addressing the credit needs of farmers and small and medium agro enterprises is seen as potentially providing an inclusive opportunity for larger impact on rural poverty. Additionally, high post-harvest losses are a persistent problem due to poor handling, inadequate processing and poor storage technology and facilities. High transport cost and unreliable accessibility during the rainy season render agricultural products uncompetitive in the market. Finally, where access is poor, farmers rarely, if ever, receive visits from agricultural extension staff or other advisers.

As a consequence, value addition at farm level remains low resulting in low farm gate as a proportion of end-market price. In some areas like Mtwara and Lindi, 95% of the key cash crops produced (cashew, sesame, and green grams) are exported raw directly to India mostly due to limited availability of small scale processing equipment (i.e. sorting, grading and bagging), as well as lack of secure storage in warehouses with quality monitoring control where smallholder farmers could bulk production awaiting high seasonal prices. Furthermore, many marketed commodities such as cashew, grain and pulse crops are not marketed in physical market places but collected directly from cooperative warehouses by traders with lorries and taken directly to ports or major urban centres. Hence, reduced accessibility to farm or warehouse also constitutes a major constraint impacting directly on transaction costs and reducing bargaining power for smallholder farmers. Nevertheless, growing market opportunities for processed crop and niche products (e.g. fair trade, organic) in, amongst other, Europe and the US tend to justify relevance and viability of investments. Other significant opportunities may arise with cross-border trade and the projected increase of domestic demand linked to the planned large scale investments in the nascent gas industry in the two target regions.

The Warehouse Receipt System (WRS) established in 2005 is a step forward in addressing supply side constraints and has potential to benefit farmers by allowing them to delay the sale of their produce to obtain a better price and to access finance through the use of receipts as collateral. However, the system is still faced with challenges such as insufficient understanding of the trade-offs between warehouse receipt and selling at farm gate,
insufficient storage facilities and price information as well as the strict requirements to obtain WRS licensing from the Tanzania Warehouse Licensing Board.

Building on the WRS, the Government of Tanzania plans to establish a Commodity Exchange Market to facilitate the meeting between multiple buyers and sellers in a centralised market place where contracts would be established according to rules and procedures laid down by the Exchange and covering quality, quantity, price, payment terms, packaging, delivery etc. This trading system is scheduled for introduction in 2015 for selected crops. Despite the potential, advantages farmers’ participation is likely to be hindered by a number of factors including contract sizes that may exceed the quantities that can be produced by smallholders and lack of knowledge, resources and capacities to comply with the requirements. Farmers may be able to break these barriers by participating through production marketing groups and associations.

1.2 Other areas of assessment

N/A.

2 RISKS AND ASSUMPTIONS

<table>
<thead>
<tr>
<th>Risks</th>
<th>Risk level (H/M/L)</th>
<th>Mitigating measures</th>
</tr>
</thead>
<tbody>
<tr>
<td>Rural infrastructure rehabilitation works do not result in significant impact in market access for small and isolated farmers and farmers’ groups</td>
<td>M</td>
<td>Rural infrastructure investments will draw from District Development Plans of LGAs, setting priority investments in the concerned areas. Furthermore, investments will focus on key value chain in the areas with high potential for value. Finally, as part of selection criteria by the project, investments will have to build on other initiatives, demonstrating complementarity and synergies with existing or future investments.</td>
</tr>
<tr>
<td>Limited capacity and skills at district level may lead to delays and poor quality work</td>
<td>H</td>
<td>Adequate support and capacity building will be provided through Technical Assistance and training of district engineers and procurement staff.</td>
</tr>
<tr>
<td>The District annual budget from the Road Fund may be inadequate for all routine and periodic maintenance needs of upgraded /rehabilitated roads, which would jeopardize their sustainability</td>
<td>H</td>
<td>Local Communities and community based organisations (CBOs) will be involved in the rehabilitation, acquiring skills for routine and periodic maintenance of the roads, ensuring capacity for timely routine maintenance and minor road repairs as well as building a sense of community ownership of the assets. Periodic maintenance and major repairs will remain the responsibility of the District as per Memorandum of Understanding with the project and will be included in annual district plans to be covered by Road Fund.</td>
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</tbody>
</table>
Assumptions

Government of Tanzania remains committed to establish a policy, regulatory, and institutional framework that is conducive to the development of agricultural value chains and greater involvement of small scale farmers into commercial agriculture.

Government of Tanzania remains committed to MIVARF through high-level steering from Prime Minister's Office and participation of all levels of government to ensure close coordination and monitoring;

Discontinuity in institutions’ representatives does not hinder programme implementation in the framework of the agreed governance system.

The Government of Tanzania continues its commitment to the fight against corruption, improving transparency and strengthening accountability through the media and civil society.

3 LESSONS LEARNT, COMPLEMENTARITY AND CROSS-CUTTING ISSUES

3.1 Lessons learnt

It is acknowledged that agriculture remains the dominant sector in Tanzania's economy; however agricultural programmes have had limited effects on smallholders due to the fact that Development Partners’ initiatives remained project based, highly geographically focussed and relatively disconnected. Increased institutional support for agriculture, particularly through strengthening Local Government Administrations (LGAs), is necessary and the institutional framework of agricultural development must be strengthened alongside rural infrastructure, market access, and rural credit. Improving income generation opportunities through the agricultural sector mainly lies in addressing the sector needs and constraints such as the competitiveness, production and marketing costs.

Rural infrastructure development is recognised as having a clear impact on food security and economic growth; this was underlined in the evaluation of the EU Food Facility initiative. At the same time, the final evaluation of the Sugar Accompanying Measures programme for the period 2007-2012, highlighted that the construction and rehabilitation of the outgrowers’ access roads has had a tangible impact on the reduction of transport costs and hence outgrowers’ productivity and incomes.

Additionally, the recent Marketing Infrastructure Value Addition and Rural Finance Programme (MIVARF) mid-term review confirms the relevance of warehouse owned by farmers’ organisations as priority investment in comparison to physical market, as it offers bulking and processing opportunities and attracts traders buying directly from the farmers’ organisations. The report also draws attention on the need for capacity building of targeted communities prior to infrastructure rehabilitation to ensure adequate planning and long-term sustainability of investments.

Rural infrastructure management and maintenance through public funding is a recurrent issue. The Agriculture Sector Development Programme (ASDP) impact assessment report for the infrastructure component acknowledges that in Tanzania LGAs face significant capacity constraints in the planning, implementation and maintenance of public works. The report recommends that in future, support should be more strategically targeted towards LGAs with potential and aligned with other development opportunities identified for these areas. The assessment further highlights that establishment of effective and efficient market
linkages are critical to reducing poverty and sustaining development outcomes. Support should therefore prioritize market linkages to help beneficiaries maximize their profits by selling their produce in organized and reliable markets.

To contribute to the ongoing effort to reduce fragmentation of the sector, EU funded interventions need to foster synergies and collaboration with other agencies and, where possible, build on existing successful programmes. EU support to the ongoing MIVARF is considered as an opportunity to contribute to an integrated country-wide programme that combines hard and soft investments. Intervention is targeted toward institutional capacity building for LGAs and local communities in order to strengthen capacity, ownership and long term sustainability of interventions.

3.2 Complementarity, synergy and donor coordination

A number of development partners (DPs) are engaged in the agriculture sector and participate in policy dialogue with Ministry of Agriculture Food Security and Cooperatives (MAFSC). These include the World Bank, USAID, African Development Bank, the Rome-based UN agencies (the Food and Agriculture Organisation (FAO), IFAD and the World Food Programme (WFP)), Japan International Cooperation Agency (JICA), Irish-Aid, Belgium and the EU. Other EU players like the UK Department for International Development (DFID), and the Danish International Development Agency (DANIDA) are supporting private sector and value chain development in agriculture.

The WB, AfDB, IFAD, UK DFID, USAID and JICA together with the EU are the main contributors to rural infrastructure development. The Bill and Melinda Gates Foundation have recently engaged in support to the BRN initiative.

The EU is supporting, in partnership with others, the rehabilitation of road infrastructure and the development of energy infrastructure in key SAGCOT clusters. The 10th EDF Rural Roads Programme implemented in Iringa and Ruvuma regions will complement efforts to increase connectivity and access through feeder roads, rural roads and main trunk roads. This intervention will also complement on-going activities supporting smallholder horticulture value chain development in the regions of Mtwara and Lindi, under the 10th EDF Trade and Agriculture Support Programme. Finally, the action will complement efforts achieved under the EU Accompanying Measures for Sugar, which has contributed to the development of small-scale infrastructure (feeder roads) for out-grower schemes.

The agriculture sector is coordinated through Agriculture Working Group meetings, which are held on a quarterly basis. The group comprises DPs, line ministries, Non State Actors (NSAs) and academia's representatives. DPs meet separately on a monthly basis within the Agriculture Working Group to share information and agree on common positions for policy dialogue with government on implementation of the Agriculture Sector Development Strategy (ASDS), priorities and plans. The annual Agriculture Sector Review (ASR/PER) is normally carried out during the last and first quarters; in parallel the ASDS is being reviewed and updated for the next coming years 2014-2020. Coordination mechanisms in place are also being reviewed and streamlined to strengthen MAFSC's leadership role towards a sector wide approach. In that framework, it is expected that MIVARF will play an important role in the implementation of the rural infrastructure and value addition development.

3.3 Cross-cutting issues

The gender division of labour in the agricultural sector assigns the larger part of agricultural work to women who traditionally lack access to land and other production and marketing inputs. Women often lose control over agricultural produce when marketing is formalised or
value addition takes place to yield higher and more regular incomes. To that end, socio-economic empowerment of women and other disadvantaged groups will be enhanced through improving their access to markets, appropriate financial services, training and income earning opportunities such as work on roads.

To ensure that women and other vulnerable groups are not marginalised, support will promote gender balance and women's participation in wage earning opportunities. Support will ensure that the views and concerns of women and other vulnerable groups will be addressed in community meetings and proposals. Empowerment of vulnerable communities will be promoted through training in leadership, improved agricultural techniques and businesses skills, and assisted to link to credit facilities and markets. Possibilities for new high value niche products that women producers might control better will be explored. The programme has an established minimum quota of 40% for women membership of participating groups, committee positions, and training opportunities. Special consideration will be given to their needs by, for example, adjusting the timing of activities to fit in with childcare and other duties.

Principles of good governance will be promoted through improved capacities and accountability of LGAs and involvement of NSAs in planning activities. To minimise environmental impact, when possible, rehabilitation of infrastructure as opposed to construction will be given priority. The Programme will nevertheless conduct environmental impact assessment, including preparation of the associated environmental and social management plans (ESMPs) in line with national legislation during the infrastructure design process. In addition, promotion and adoption of improved and sustainable climate smart farming practices through an integrated (value chain) approach are expected to provide positive environmental outcomes. Possibilities for new, high value organic products could be explored. Finally, feeder roads will provide improved access to markets, health care, education and other social services for rural communities.

4 DESCRIPTION OF THE ACTION

4.1 Objectives/results

The overall objective is to generate wealth, increase income and improve livelihood of rural population in Tanzania.

The purpose is to improve access for smallholder farmers to input/output market through the development of rural infrastructures and increased capacities of Local Government Administrations (LGAs) and Farmer Based Organisations (FBOs).

Expected results are as follows:

R1- Smallholder farmers have access to improved rural market infrastructure (feeder roads, storage and agro-processing facilities).

R2 -Smallholders, Community Based Organisations (CBOs) and LGAs have the capacity for efficient infrastructure maintenance and market linkages.

The Action is expected to contribute to smallholder farmers' food security and income increase through better access to markets, storage facilities and value addition for their commodities in the two selected regions. Infrastructure investments are expected to have a direct positive impact on quality, postharvest loss, transport cost and ultimately farm-gate price. Furthermore, together with infrastructure development, it is anticipated that smallholder farmer associations will be strengthened with improved management and financial skills, increased agro-processing and value addition knowledge, increased access to
finance, price information and markets. Finally, agriculture productivity and competitiveness will also increase, enhancing local and cross-border trade.

4.2 Main activities

The expected activities:

**R1 - Smallholder farmers have access to improved rural marketing infrastructure (feeder roads, storage and agro-processing facilities).**

Act. 1.1. Procurement of civil works and upgrading to all-weather gravel surface of feeder or farm-to-market roads, connecting local communities to markets and essential social services. It is expected to rehabilitate at least 200 km of feeder roads, where practical using labour-based technology. Local Communities and CBOs will be involved in the rehabilitation, acquiring skills for routine and periodic maintenance of the roads, thus building a sense of community ownership of the assets. Major repairs will be financed by District Councils using the Road Fund budget.

Act. 1.2. Procurement of civil works for renovation or construction of storage facilities and Post-Harvest Training Centres (PHTCs), with provision of small-scale processing facilities (i.e. cleaning, sorting, grading, milling and packing machines) at district level. It is expected that at least 12 warehouse facilities, and 4 post-harvest training centres, identified as priorities in District Development Plans, will be rehabilitated or constructed. At each site, CBOs will be involved in the design preparation ensuring sustainable management and ownership of assets.

**R2 - Smallholders, Community-based Organisations and Local Government Administrations have capacity for efficient infrastructure maintenance and market linkages.**

Act. 2.1. Procurement of service providers to support and implement a management system for the sustainable maintenance and management of storage and processing facilities, developed through mobilisation of LGAs and FBOs. Farmers will be expected to pay membership fees to the FBO/CBO that will cover the operation and maintenance of the infrastructure. Linkages between infrastructure (to be supported by EU) and microfinance (to be supported by the International Fund for Agricultural Development (IFAD)) will be facilitated. As part of the micro-finance component, the 2005 Warehouse Receipt Act and the 2011 scaling-up strategy will promote the participation of smallholder producers in the trade of agricultural commodities, access to bank credit, and the reduction of post-harvest losses. The Act provides the legal foundation for farmers and traders to obtain credit from lenders through the use of warehouse receipts when they deposit their produce in a licensed warehouse. Support will be provided to facilitate the implementation of Warehouse Receipts Systems (WRS) to make the system more accessible and usable by farmers. This will include workshops at regional and district level to create awareness amongst government staff, farmers, Savings and Credit Cooperative Organisations (SACCOS), commercial banks and other actors on the benefits of WRS.

Act. 2.2. Local Government Administration training to support governance initiatives, such as District Development Plan preparation, development and monitoring with the aim to reinforce the link between LGA and local communities in terms of rural infrastructure management and value chain development funding. The LGA planning process is intended to be a bottom-up process with inputs from communities (village and ward committees) feeding into the District Agricultural Development Plans and District Development Plans. Finally,
specific training will be provided to LGA staff to upgrade the technical skill of, amongst others, engineers, procurement staff and environment officers at district and regional level.

Act. 2.3. Training to FBOs such as producer associations, warehouse cooperatives, and commodity processing groups will be provided to enhance producer empowerment and market linkage and will strengthen groups of rural men, women and youths with a common interest through existing FBOs to promote farming as a business and value chain development. Training topics will include group management skills, post-harvest technology and value addition, marketing skills and accessing market information, access to rural finance, environmentally sustainable and climate-smart agricultural practices, natural resource management and climate change adaptation measures. Post-Harvest Training Centres will be used as demonstration facilities to inform and train FBOs on agro-processing technologies and agricultural best practices.

4.3 Intervention logic

The Action will build on activities developed through the Market Infrastructure, Value Addition and Rural Finance Programme (MIVARF), an integrated country wide intervention implemented in partnership by IFAD, AfDB and the Government of Tanzania for a total amount of US$ 162.5 million covering a seven year period (2012-2019). MIVARF’s target group is low-income women and men in selected rural districts/LGAs of Mainland and Zanzibar who have potential to improve their productivity and incomes, as well as their household food security. Up to now it has covered 23 of Tanzania’s 29 rural regions, and 28 out of 73 districts of Tanzania Mainland and Zanzibar with three components: (1) Market infrastructure and value addition; (2) Rural finance; and (3) Programme management and coordination.

The EU contribution will focus on the first component of the programme, Market Infrastructure and Value Addition, in 6 districts of Mtwara and Lindi, regions that have not been included in MIVARF up to now. Intervention will target value addition of the key crops in the respective districts and regions. IFAD will provide complementary support in value chain development and rural finance activities.

MIVARF takes market demand as a starting point, focusing on existing agribusiness and products with a high national or regional demand and helping smallholder groups match supply to the buyers’ requirements through facilitating market information and improved policy environment. Participants in MIVARF are also assisted to link up with existing larger enterprises under contract farming and out-grower arrangements.

The programme supports packages of interventions proposed by Local Government Authorities (LGAs) in districts having: (i) high incidence of poverty and food insecurity, (ii) one major crop that produces (or has the potential to produce) a surplus for marketing; and (iii) organised smallholder farmers and small entrepreneurs willing to be facilitated to increase their livelihood incomes.

The entry point for programme intervention is the Region, through a Memorandum of Understanding (MoU) with the programme. A subsequent MoU between the Region and the district provides a basis for all activities being implemented at district level. With support from IFAD and the Programme Coordination Unit, LGAs: 1) Procure, through competitive bidding contractors and service providers for civil works and capacity building; 2) Supervise contracts and ensure that FBOs, including women’s groups, are actively involved in the design, implementation, operation and maintenance of the assets, to ensure sustainability. Districts are monitored on their adherence to what has been agreed upon in the MoU and
evaluated in terms of what support they provide to programme activities. Activities are mainly implemented by farmer groups (FBOs), warehouse managers, commercial banks, SACCOS, and service providers.

Support will aim at scaling up MIVARF potential impact in terms of addressing supply side constraints, facilitating market access and trade (including cross-border) through investment in rural infrastructure (feeder roads, post-harvest and storage facilities) and capacity building for LGAs and FBOs. The Action will be integrated into the ongoing MIVARF approach, focusing on areas with significant agriculture development potential where activities relating to value chain development and access to finance are being implemented but are short of financial assistance for small scale infrastructure development. The two target regions of Mtwara and Lindi (within those the EU contribution will support a total of at least six (6) districts), are among the poorest and most food insecure regions (with an estimated 15% - 20% of the population suffering poor or borderline food consumption). At the same time, there is potential for developing value chains for cassava, rice, cashew nuts, sesame, green grams, horticulture and others, as well as good market potential.

Final target regions and districts shall be confirmed upon effectiveness of EU contribution to MIVARF. Furthermore, subject to districts and regions performance, support could be directed or extended to other districts in the same region or to others districts in different regions, such as those in the Lakes Zone (Kigoma, Kagera, Mara), according to the same criteria already outlined.

The Action will build on the existing governance structure, planning systems and implementation arrangements to enhance sustainability and strengthen alignment with local and national priorities.

5 IMPLEMENTATION

5.1 Financing agreement

In order to implement this action, it is foreseen to conclude a financing agreement with the partner country, referred to in Article 17 of Annex IV to the ACP-EU Partnership Agreement.

5.2 Indicative implementation period

The indicative operational implementation period of this action, during which the activities described in section 4.2 will be carried out and the corresponding contracts and agreements implemented, is **48 months** from the date of the entry into force of the financing agreement.

Extensions of the implementation period may be agreed by the Commission’s authorising officer responsible by amending this decision and the relevant contracts and agreements; such amendments to this decision constitute non-substantial amendment in the sense of Article 9(4) of Regulation (EU) 2015/322.

5.3 Implementation of the budget support component

N/A.

5.4 Implementation modalities

5.4.1 Indirect management with an international organisation

This action may be implemented in indirect management with the International Fund for Agricultural Development (IFAD) in accordance with article 58 (1)(c) of regulation (EU Euratom) No/966/2012, applicable by virtue of Article 17 of Regulation (EU) 2015/323.

This implementation entails monitoring and supervision of the intervention as well as oversight of the Project Coordination Unit.
EU resources will be transferred to IFAD. Country systems will be used where possible for procurement and financial management under the supervision of IFAD. Technical assistance will be made available to assist LGAs and to strengthen their planning, implementation and reporting capacities. A central management structure has been put in place to ensure appropriate supervision and follow up of programme activities, which are implemented in a large number of districts of rural Tanzania. The entrusted entity would carry out the following budget-implementation tasks: ex-ante approval of tender procurements, carry out check and controls, accept or reject deliverables, direct execution of payments, and recover funds unduly paid.

Direct implementation of activities will be sub-delegated to local government authorities who will act as contracting authority.

This implementation is justified as the IFAD has developed a solid track record of interventions to support the transformation of agriculture from subsistence to commercial and to strengthen market links for small holder farmers in Tanzania. Building on previous actions and jointly with the AfDB, IFAD is currently implementing a 7 year programme in support of market infrastructure, value addition and rural finance that started in 2012 and is covering a significant number of rural districts of mainland Tanzania and Zanzibar.

IFAD will ensure sound management and implementation of the EU contribution to the MIVARF programme as well as performance monitoring, evaluation and reporting to the EU. IFAD implementing partners will be the district and regional government administrations in the concerned locations, assisted by the MIVARF Programme Coordination Unit of the Prime Minister’s Office based in Arusha.

The entrusted international organisation is currently undergoing the ex-ante assessment in accordance with Article 61(1) of Regulation (EU, Euratom) No 966/2012 applicable by virtue of Article 17 of Regulation (EU) 2015/323. The Commission’s authorising officer responsible deems that, based on the compliance with the ex-ante assessment based on Regulation (EU, Euratom) No 1605/2002 and long-lasting problem-free cooperation, the international organisation can be entrusted with budget-implementation tasks under indirect management.

The Commission authorises that the costs incurred by the entrusted entity may be recognised as eligible as of the date of adoption of this decision because the process of sensitization, capacity building, and training LGAs and FBOs is a long process (up to a year). The MIVARF Mid-term Review identifies that this preparatory year is critically important and an essential precursor of any physical works or the installation of processing equipment. This prior approval of retroactive eligibility of costs is therefore critical to ensure setting up of enabling environment for EU infrastructure investments and timely completion of activities in all six districts.

5.5 Scope of geographical eligibility for procurement and grants

The geographical eligibility in terms of place of establishment for participating in procurement and grant award procedures and in terms of origin of supplies purchased as established in the basic act and set out in the relevant contractual documents shall apply.

The Commission’s authorising officer responsible may extend the geographical eligibility in accordance with Article 22(1)(b) of Annex IV to the ACP-EU Partnership Agreement on the basis of urgency or of unavailability of products and services in the markets of the countries concerned, or in other duly substantiated cases where the eligibility rules would make the realisation of this action impossible or exceedingly difficult.
## 5.6 Indicative budget

<table>
<thead>
<tr>
<th></th>
<th>EU contribution (EUR)</th>
<th>Indicative IFAD contribution (EUR)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Improve access for smallholder farmers to input/output market through the development of rural infrastructures and increased capacities of Local Government Administrations and Farmer Based Organisations.</td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>5.4.1 Indirect Management with IFAD</strong></td>
<td>14 350 000</td>
<td>3 600 000</td>
</tr>
<tr>
<td>Marketing Infrastructure and Value Addition</td>
<td>13 200 000</td>
<td></td>
</tr>
<tr>
<td>R1 - Smallholder farmer have access to improved rural marketing infrastructure (Feeder road rehabilitation, warehouses, Postharvest Training Centres and market facilities) – indicative amount.</td>
<td>12 300 000</td>
<td></td>
</tr>
<tr>
<td>R2 - Smallholders, Community Based Organisations and Local Government Administrations have the capacity for efficient infrastructure maintenance and market linkages – indicative amount.</td>
<td>900 000</td>
<td></td>
</tr>
<tr>
<td>Management and Coordination</td>
<td>1 150 000</td>
<td></td>
</tr>
<tr>
<td>Programme management and coordination – indicative amount.</td>
<td>1 150 000</td>
<td></td>
</tr>
<tr>
<td>5.9 Evaluation, 5.10 Audit</td>
<td>250 000</td>
<td></td>
</tr>
<tr>
<td>5.11 Communication and visibility</td>
<td>100 000</td>
<td></td>
</tr>
<tr>
<td>Contingencies</td>
<td>300 000</td>
<td></td>
</tr>
<tr>
<td><strong>TOTAL</strong></td>
<td>15 000 000</td>
<td>3 600 000</td>
</tr>
</tbody>
</table>

## 5.7 Organisational set-up and responsibilities

The Action will build on MIVARF and its three components: (1) Market infrastructure and value addition; (2) Rural Finance; and (3) Programme management and coordination.

The EU contribution will focus on the first component of the programme targeting marketing infrastructure and value addition of key crops in 6 districts of Mtwara and Lindi regions. Support will aim at scaling up MIVARF potential impact in terms of addressing supply side constraints, facilitating market access and trade (including cross-border) through investment in rural infrastructure (feeder roads, post-harvest and storage facilities) and capacity building for LGAs and FBOs.

The second component: "rural finance", exclusively financed by IFAD, will complement the first component, providing training and technical assistance support to strengthen service capacity and develop efficient internal operational systems to increase national coverage of SACCOS and Micro-Finance Institutions (MFIs) notably for rural clients, especially women.
Access to loans will be facilitated ensuring that FBOs trained under Act 2.3 have the opportunity to acquire the agro-processing technology demonstrated to implement know-how for development of their business model.

The management and the coordination of the programme will be provided by the Programme Coordinating Unit (PCU), embedded into the Prime Minister's Office.

EU will contribute to the financing of the PCU and ensure adequate support from technical engineering and procurement officers in the areas targeted under the Action to ensure efficient and timely delivery of results.

A Programme Steering Committee chaired by the Permanent Secretary in the Prime Minister’s Office and composed of representatives of relevant line ministries and agencies including Ministry of Agriculture, Ministry of Industry and Trade, and the European Union ensures policy guidance, approve work plans, review activities, and ensure that all agencies represented on the Committee understand and fulfil their obligations.

The implementing partners will be the district and regional government administrations in the concerned locations. They will appoint Regional and District Focal Persons from their own staff, (i.e. Agriculture or Cooperative Officers), to be the main contact and liaison points for the programme implementation in the area. Service Providers will be procured by LGA to perform construction and rehabilitation of the physical works and capacity building of LGAs and communities for long-term sustainability of investment.

Direct oversight of LGA notably will be performed by the PCU, notably for procurement process and outputs and outcomes MIVARF programme.

IFAD will oversee the day-to-day operation of the PCU ensuring that MIVARF and the EU contribution are efficiently and effectively managed. IFAD will perform periodic supervision mission as well as ensure overall coordination complementarity of MIVARF both internally (among different components) and externally with the other on-going initiatives.

5.8 Performance monitoring and reporting

Monitoring will be performed by IFAD in collaboration with the PCU. For monitoring purposes the Action’s logframe matrix includes indicators disaggregated by gender. Adequate resources will be made available to ensure that gender-disaggregated data can be collected for monitoring/evaluation.

The day-to-day technical and financial monitoring of the implementation of this action will be a continuous process and part of the implementing partner’s responsibilities. To this aim, the implementing partner shall establish a permanent internal, technical and financial monitoring system for the action and elaborate regular progress reports (not less than annual) and final reports. Every report shall provide an accurate account of implementation of the action, difficulties encountered, changes introduced, as well as the degree of achievement of its results (outputs and direct outcomes) as measured by corresponding indicators, using as reference the logframe matrix. The report shall be laid out in such a way as to allow monitoring of the means envisaged and employed and of the budget details for the action. The final report, narrative and financial, will cover the entire period of the action implementation.

The Commission may undertake additional project monitoring visits both through its own staff and through independent consultants recruited directly by the Commission for independent monitoring reviews (or recruited by the responsible agent contracted by the Commission for implementing such reviews).
5.9 **Evaluation**

Having regard to the importance of the action, a final evaluation will be carried out for this action or its components via independent consultants contracted by the Commission.

It will be carried out for accountability and learning purposes at various levels (including for policy revision), taking into account in particular the fact that lessons learnt should feedback into policy dialogue towards sector wide approach of the sector.

The Commission shall inform the implementing partner at least 30 days in advance of the dates foreseen for the evaluation missions. The implementing partner shall collaborate efficiently and effectively with the evaluation experts, and inter alia provide them with all necessary information and documentation, as well as access to the project premises and activities.

The evaluation reports shall be shared with the partner country and other key stakeholders. The implementing partner and the Commission shall analyse the conclusions and recommendations of the evaluations and, where appropriate, in agreement with the partner country, jointly decide on the follow-up actions to be taken and any adjustments necessary, including, if indicated, the reorientation of the project.

Indicatively, one contract for evaluation services shall be concluded under a framework contract during the closure phase of the programme.

5.10 **Audit**

Without prejudice to the obligations applicable to contracts concluded for the implementation of this action, the Commission may, on the basis of a risk assessment, contract independent audits or expenditure verification assignments for one or several contracts or agreements.

Indicatively, one contract for audit service is included and will be implemented towards the end of implementation, if necessary.

5.11 **Communication and visibility**

Communication and visibility of the EU is a legal obligation for all external actions funded by the EU.

This action shall contain communication and visibility measures which shall be based on a specific Communication and Visibility Plan of the Action, to be elaborated at the start of implementation and supported with the budget indicated in section 5.6 above.

In terms of legal obligations on communication and visibility, the measures shall be implemented by the Commission, the partner country, contractors, grant beneficiaries and/or entrusted entities. Appropriate contractual obligations shall be included in, respectively, the financing agreement, procurement and grant contracts, and delegation agreements.

The Communication and Visibility Manual for European Union External Action shall be used to establish the Communication and Visibility Plan of the Action and the appropriate contractual obligations.

A service contract will be procured after one year of implementation to ensure the visibility of the intervention.

6 **Pre-conditions**

N/A.
**APPENDIX - INDICATIVE LOGFRAME MATRIX**

The activities, the expected outputs and all the indicators, targets and baselines included in the logframe matrix are indicative and may be updated during the implementation of the action without an amendment to the financing decision. The indicative logframe matrix will evolve during the lifetime of the action: new lines will be added for listing the activities as well as new columns for intermediary targets (milestones) when it is relevant and for reporting purpose on the achievement of results as measured by indicators.

<table>
<thead>
<tr>
<th>Overall objective</th>
<th>Intervention logic</th>
<th>Indicators</th>
<th>Baselines (incl. reference year)</th>
<th>Targets (incl. reference year)</th>
<th>Sources and means of verification</th>
<th>Assumptions</th>
</tr>
</thead>
<tbody>
<tr>
<td>Generate wealth, increase income and improve livelihoods of the rural population in Tanzania</td>
<td>Agriculture sector growth rate</td>
<td>2014: 4.2%</td>
<td>2018: 5% 2020: 7%</td>
<td>Agriculture Development Strategy review</td>
<td>No extreme weather events or crop disease</td>
<td></td>
</tr>
<tr>
<td>To improve access for smallholder farmers to input/output market through the development of rural infrastructure and increased capacities of Local Government Administration and Farmer Based Organisations.</td>
<td>Reduced transaction cost for market cash crop as percentage of end-market price on selected crop in selected area % value chain increase on selected crop in the selected area Volume and % of crops marketed through farmer organization</td>
<td>2014: 20% 2014: 5% of total production 20% to 50%</td>
<td>2018: 15% 2020: 10% 2018: + 2% 2020: +3% 40% to 70%</td>
<td>PCU regular reports</td>
<td></td>
<td></td>
</tr>
<tr>
<td>R1- Smallholder farmer have access to improved rural infrastructure (feeder roads, storage and agro-processing facilities).</td>
<td>At least 200 km of feeder roads upgraded.</td>
<td>2015: 0</td>
<td>2015:0 2015:0</td>
<td>PCU regular reports</td>
<td>No extreme weather events or crop disease</td>
<td></td>
</tr>
<tr>
<td>At least 5 Post-harvest Training Centres are</td>
<td></td>
<td>2015:0</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
R2 - Smallholders, Community Based Organisations and Local Government Administrations have the capacity for efficient infrastructure maintenance and market linkages.

- Renovated and equipped with agro-processing technology
  - At least 200 km of feeder roads are maintained in good conditions
  - At least 8 warehouse facilities are operational and maintained effectively
  - At least 6 Postharvest Training Centres efficiently and effectively operational
  - Number of people receiving rural advisory services with EU support in selected area (disaggregated by sex).
  - At least 40% of women benefiting from intervention.

<table>
<thead>
<tr>
<th>Year</th>
<th>Targets</th>
</tr>
</thead>
<tbody>
<tr>
<td>2015:0</td>
<td>At least 200 km of feeder roads are maintained in good conditions</td>
</tr>
<tr>
<td>2015:0</td>
<td>At least 8 warehouse facilities are operational and maintained effectively</td>
</tr>
<tr>
<td>2015:0</td>
<td>At least 6 Postharvest Training Centres efficiently and effectively operational</td>
</tr>
<tr>
<td>2015:0</td>
<td>Number of people receiving rural advisory services with EU support in selected area (disaggregated by sex).</td>
</tr>
<tr>
<td>2015:0</td>
<td>At least 40% of women benefiting from intervention.</td>
</tr>
<tr>
<td>2018:0</td>
<td>8,000</td>
</tr>
<tr>
<td>2020:0</td>
<td>20,500</td>
</tr>
<tr>
<td>2020:0</td>
<td>40%</td>
</tr>
</tbody>
</table>

5 Beneficiaries from EU support under TASP II in Mtwara and Lindi