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This action is funded by the European Union

ANNEX 3

of the Commission Decision on the Annual Action Programme 2017 for Tanzania to be financed from the 11th European Development Fund

Action Document for Agri-Connect: Supporting value chains for shared prosperity

| 1. Title/basic act/CRIS number | Agri-Connect: Supporting value chains for shared prosperity
|                              | CRIS number: TZ/FED/039-797
|                              | Financed under the 11th European Development Fund (EDF) |
| 2. Zone benefiting from the action | Tanzania |
| 4. Sector of concentration | Sustainable Agriculture | DEV. Aid: YES |
| 5. Amounts concerned | Total estimated cost: EUR 103 500 000
|                          | (plus additional financing from Lead Financial Institutions)
|                          | Total amount of EDF contribution: EUR 100 000 000
|                          | of which:
|                          | EUR 46 000 000 for Budget Support
|                          | EUR 2 000 000 for Budget Support complementary support
|                          | EUR 12 000 000 for Blending Facility
|                          | This action is co-financed by potential grant beneficiaries for an indicative amount of EUR 3 500 000. Blending Facility is co-financed by entities and for amounts specified in the indicative project pipeline which is an appendix of this Action Document |
| 6. Aid modalities and implementation modalities | Budget Support and Project modality
|                                           | Direct Management: Budget Support : Sector Reform Contract
|                                           | Indirect Management with the United Republic of Tanzania
|                                           | Contribution to the Africa Investment Facility (AfIF) shall be implemented in indirect management by entities to be indicated in complementary financing decisions to be adopted at the end of the Regional Blending Facility award procedure. |
| 7. a) DAC code(s) | 31120 Agricultural Development; 31161 Food Crop Production; 12240 Basic Nutrition; 43040 Rural Development; 21020 Road Infrastructure. |
| b) Main Delivery Channel | 200000 – Non-Governmental Organisations (NGOs) and civil society
|                                           | 120000 – Recipient Government |
| 8. Markers (from CRIS DAC form) | Participation development / good governance
|                                      | ☐ | X | ☐ |
|                                      | Aid to environment
|                                      | ☐ | X | ☐ |
|                                      | Gender equality (including Women in Development)
|                                      | ☐ | X | ☐ |
| Trade Development | ☐ | ☐ | X |
| Reproductive, maternal, newborn and child health | ☐ | X | ☐ |

**RIO Convention markers**

| Biological diversity | Not targeted | X | ☐ | ☐ |
| Combat desertification | X | ☐ | ☐ | ☐ |
| Climate change mitigation | X | ☐ | ☐ | ☐ |
| Climate change adaptation | ☐ | X | ☐ | ☐ |

9. Global Public Goods and Challenges (GPGC) thematic flagships

| N/A |

10. Sustainable Development Goals (SDGs)

| SDG 1 "End poverty in all its forms everywhere"; SDG 2 "End hunger, achieve food security and improved nutrition and sustainable agriculture"; SDG 5 "Achieve gender equality and empower all women and girls"; SDG 8 "Promote sustained, inclusive and sustainable economic growth, full and productive employment and decent work for all"; SDG 9 "Build resilient infrastructure, promote inclusive and sustainable industrialisation and foster innovation"; SDG 13 "Take urgent action to combat climate change and its impacts". |

**SUMMARY**

The Action "Agri-Connect: Supporting value chains for shared prosperity" contributes to two NIP objectives within Sustainable Agriculture: i) to generate agricultural wealth, through linking farmers to markets and value chains; and ii) to improve food and nutrition security, through improved access, availability, and use of food. The Programme contributes to SDGs 1, 2, 5, 8, 9 and 13 and is the Prosperity component of the new European Consensus on Development\(^1\), which promotes sustainable agriculture as a key driver for poverty eradication and sustainable development. An envelope of EUR 100 million has been earmarked for the programme under the 11\(^{th}\) EDF. Agri-Connect will be implemented with both national and geographically targeted components [i.e. selected Southern Highlands and Southern regions (Iringa, Njombe, Mbeya, Songwe, Katavi, Ruvuma, potentially Mtwarra Region and Lindi Town), and Zanzibar].

The Overall Objective is to contribute to inclusive economic growth, promote private sector development and job creation in the agricultural sector and to increase food and nutrition security in Tanzania. This objective will be attained through achievement of the following results:

Result 1: Sector enablers and business environment are improved
Result 2: Tea, Coffee and Horticulture value chains are developed
Result 3: The conditions of rural roads are improved
Result 4: Levels of knowledge and adoption of good nutrition practices are increased

Result 1 will focus on: i) improving policy, regulatory, and legislative frameworks governing the target value chains; ii) strengthening trade related services; iii) facilitating dialogue and coordination among value chain stakeholders; and iv) increasing Local Government's capacity to tackle malnutrition and foster growth of target value chains.

Result 2 targets private sector value chain actors and smallholder farmers. Private sector development will be facilitated through a blending mechanism that will encourage increased availability of financial products and services to small and medium enterprises operating within

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\(^1\) OJ C 210 of 30.6.2017.
the target value chains. Smallholder initiatives will focus on increasing farmer's productivity, resource efficiency, diversity and profitability through targeted actions for capacity development (Good Agricultural Practices in nutrition-sensitive and Climate Smart Agriculture, green technologies), market linkages, and aggregation of farmers. Result 3 will address transport bottlenecks in the target value chains by improving rural roads conditions and transport infrastructure in selected areas. This component will be implemented in coordination with District Authorities and value chain stakeholders. Result 4 will focus on tackling malnutrition through a national awareness raising campaign. In addition, nutrition will be mainstreamed in the other results areas.

The four results will target youth and women as key actors in the value chains.

1 CONTEXT

1.1 Sector overview

While the relative share of the agriculture sector over Gross Domestic Product (GDP) is decreasing, it remains the mainstay of the Tanzanian economy employing almost 66% of the population (2014). It contributes about 30% of the country's GDP and 20% of export earnings. As such, the agriculture sector remains a key driver for poverty eradication and sustainable development. Despite the availability of abundant productive land and rich soils well suited for agriculture, the average agricultural growth rate was nevertheless only 3.9% per annum 2006-2014 and substantial investment in the sector is required in order to develop its potential. An estimated 55% of the land could be used for agriculture, while today only about 6% is cultivated. In addition, climate change is expected to increasingly have a negative impact on agricultural productivity unless appropriate action is taken to promote climate resilient farming practices and integrate them into production. As the security of agriculturally based livelihoods becomes more precarious, an additional challenge is the growing rate of rural–urban migration, adding to the already significant urbanisation trend in the country. Tanzania is struggling with large cohorts of young people entering the labour market every year as demonstrated by the fact that youth unemployment rates in mainland Tanzania stood at 13.7% in 2014, while in Zanzibar it is estimated to be higher.

1.1.1 Public Policy Assessment and the EU Policy Framework

The Programme Agri-Connect aligns well with Tanzania’s clearly articulated medium- and long-term policy framework for the agricultural sector. Through its Development Vision 2025 and Vision 2020 for Zanzibar, the United Republic of Tanzania has the ambition to become a middle income country by 2025. The Five Year Development Plan (FYDP 2016/2017 - 2020/2021) "Nurturing Industrialisation for Economic Transformation and Human Development") is the cornerstone of this process and builds the foundation for structural changes and socially inclusive development. Agriculture remains central to Tanzania’s industrialisation as it provides markets for industrial products and raw materials for industries. The performance of the agricultural sector, though improved, remains far short of Vision 2025 targets. The FYDP II will direct efforts at consolidating and further scaling up the achievements so far recorded, including strengthening agricultural marketing to ensure profitability.

Agri-connect is consistent with the 2011-21 Tanzania Agriculture and Food Security Investment Plan (TAFSIP), a comprehensive road map identifying priority areas for public and

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2 Tanzania's Five Year Development Plan II.
private investments to promote growth, rural development, food security and nutrition\(^3\). TAFSIP reflects the African Union Comprehensive Africa Agriculture Development Programme (CAADP) targets, namely to raise the annual agricultural productivity to a minimum of 6\% and increase government investments in agriculture to at least 10\% of the annual national budgets; TAFSIP also integrates the multi-sectoral commitments of the 2014 Malabo Declaration on Accelerated Agricultural Growth and Transformation for Shared Prosperity and Improved Livelihoods\(^4\). The Tanzania Agricultural Sector Development Strategies (ASDS I and II) both provide for sector-wide frameworks. They are to be implemented through the Agricultural Sector Development Programme (ASDP).

The second phase of the ASDP is expected to cover the period 2017-2022 and is focused on four pillars: 1) sustainable water and land use management; 2) enhanced agricultural productivity and profitability; 3) rural commercialisation and value addition, and 4) strengthening sector enablers and coordination, in reverse order of prioritisation. Agri-Connect is fully aligned to the ASDP II objectives and priorities, its clustering approach prioritised commodities.

Additionally, Agri-Connect is also consistent with the Government’s 2016 Food and Nutrition Policy, and contributes to the objectives of the National Multi-sectoral Nutrition Action Plan (NMNAP) 2016–2021, coordinated by the Prime Minister’s Office, which aims to reduce stunting from 34\% in 2015 to 28\% by 2021 and improve nutritional status, especially for women and children.

Agri-Connect reflects principles of gender equality embedded in Tanzanian laws and policy frameworks. Inspired by the Constitution of the United Republic of Tanzania, the Women and Gender Development Policy (2000, currently under review) and the Strategy for Gender Development (2005), offer a comprehensive framework to mainstream gender in sectoral policies and programmes. Moreover, Tanzania has in place institutional mechanism for enhancing gender mainstreaming in the national planning and budgeting processes in Government Ministries and public institutions. The country pioneered Gender-Responsive budgeting.

The National Agricultural Policy (NAP) (2013) commits the Government to promote gender equitable land tenure governance and complements provisions of the Land Act of 1999 and the Village Land Act of 1999, which stipulate women’s rights to own and dispose of land; the enforcement of such laws is not applied evenly across the country. Specific policies and provisions\(^5\) aimed at improving women’s rights (reform of property laws to establish equal rights to acquire, own and use land, National Strategy for Gender Development) and deliberate affirmative actions were undertaken to include women in decision-making positions. Despite efforts, participation and representation of women in leadership positions and decision making organs remains low and, in practice, gender equality remains unaccomplished\(^6\). Tanzania ranks 129 (out of 159 countries) in the 2015 UNDP Gender Inequality Index. Tanzania has ratified main international and regional women’s rights protection instruments. In addition, Tanzania is inspired by the East African Community Treaty and the EAC Gender and Community Development Strategic Plan, recognising the participation of women in business, trade and

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3 The Government launched several initiatives to foster private-sector led growth in agriculture, such as the 2009 Kilimo Kwanza (“Agriculture First”), the Southern Agriculture Growth Corridor of Tanzania (SAGCOT) and Big Results Now.


5 The National Labour Policy, the Sexual offence Act, the 2014 Education, Science and Technology policy, etc.

6 Challenges remain at various levels: institutional mandates are unfocused and poorly resources; Gender Responsive Budgeting initiatives are not fully implemented. Gaps exist between gender-sensitive policies and laws and their implementation; also, gender-based violence is a critical problem starting at the household level (TDHS 2010 reports).
investment as a priority for equitable socio economic development\textsuperscript{7}. The SADC policy and the Protocol on Gender and Development also aim at empowerment of women and gender equality through development and implementation of gender responsive legislation, policies, programmes and projects\textsuperscript{8}.

The Government has a wide range of policies designed to promote private sector development, including the Small and Medium Enterprise Development Policy of 2002, the Sustainable Industrial Development Policy (1996-2020), the Strategic Trade Policy (2002–2007) which is due to be revised, the 2000 National Micro-Finance Policy, and the National Employment Policy. Other government-led reform measures designed to improve the country’s business and investment prospects include the Agricultural Sector Reform Programme, the Legal Sector Reform Programme and the revised Gas policy of 2015.

When it comes to rural roads, the President’s Office Regional Administration and Local Government (PO-RALG), Directorate of Infrastructure Development (DID) oversee the management of 108,946 km of district, urban and feeder roads of which 52,241 km are gazetted. A newly established (since 1 July 2017) Tanzania Rural and Urban Roads Agency (TARURA) is now responsible for implementation of development and maintenance programmes for the urban and rural roads. DID will remain responsible for monitoring all the infrastructure works from identification, prioritisation and approving the projects to be implemented by TARURA. Chief Executive for TARURA will sign performance agreements with PS PO-RALG for implementation of development projects. Currently the local government system employs about 1,000 Municipal, Town and District engineers and technicians, an average of about 6 per Local Government Authority (LGA) to manage a typical road network of up to 300-400 km of gazetted roads. Despite improvement in recent years, the LGAs remain heavily understaffed. Besides roads, LGA engineers and technicians are also responsible for other civil engineering works in their administrative jurisdictions. With effect from 1 July 2017, all District Engineers (DEs) from all 186 LGAs and all Regional Secretariat (RS) Engineers from all 26 regions have been transferred to TARURA and are now known as Council Engineers and Regional Coordinators respectively. The DID which used to be a unit of 15-20 engineers now remains with about 7 engineers, with the rest also transferred to TARURA headquarters. Concerning rural road financing, all funding for rural roads maintenance and development is sourced from the Road Fund (RF). The Road Fund Board (RFB) is responsible for collection, distribution and monitoring the appropriate use of Road Fund revenues for the purpose of road maintenance: fuel levies, transit fees and vehicle overloading fines. RF budgets are allocated to Ministry of Works, Transport and Communications (MWTC) (TANROADS) and PO-RALG (LGAs). A maximum of 10% of the total RF budget is earmarked for road development works.

Agri-Connect integrates key elements of the 2011 EU Agenda for Change\textsuperscript{9}, the 2030 Agenda for Sustainable Development, and the New European Consensus on Development, including a focus on: i) inclusive and sustainable economic growth (Prosperity); ii) women’s empowerment and youth engagement (People); iii) technology transfer for climate adaptation and mitigating strategies (Planet); iv) focus on smallholder farmers, producer groups, marketing and supply chains, and government initiatives to promote private sector environment; v) innovative finance mechanisms; and vi), improved food and nutrition security. In addition, it clearly reflects policy orientations of the 2014 Communication on “A Stronger Role of the Private Sector in Achieving Inclusive and Sustainable Growth in Developing

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\textsuperscript{7} http://www.eac.int/sectors/gender-community-development-and-civil-society/gender-and-women
\textsuperscript{8} http://www.sadc.int/issues/gender/
Countries including on empowering women as entrepreneurs and workers. It is in line with the EU Plan of Action on gender equality and women’s empowerment in development and the EU Gender Action Plan II (2016-2020); it also reflects principles of the 2013 Communication “Enhancing Maternal and Child Nutrition in External Assistance”.

1.1.2 Stakeholder Analysis

During the formulation of Agri-Connect, commodity reviews and value chain analysis (VCA) were carried out. This section details issues commonly identified among stakeholders of the three prioritised value chains. In addition, section 1.1.3 provides specific analysis on value chain actors detailed by crop/value chain.

a) **The primary target group is composed of smallholder farmers, including women and youth.** Although Agri-Connect will catalyse increased income and employment throughout the targeted value chains, it will focus especially on improved livelihoods and nutrition of small-scale farmers. Small-scale farmers represent 80% of agricultural producers in Tanzania, of whom 75% are women. Women have limited and unequal access to education and production factors as finance and land, constraining their role in value chain development and entrepreneurship. Youth are less active in agriculture, with over 64% of farmers being above the age of 40, although horticulture increasingly attracts young generations as it offers on-farm and off-farm jobs and income opportunities, and quicker returns over investments. Agri-Connect specifically targets women and the youth as agents of change and key actors for business development.

b) **Private sector value chain actors** have the potential to significantly increase smallholder agricultural productivity, sales volumes, and incomes. These include input suppliers, service providers, aggregators and warehouse operators, processors and exporters. Unfavorable tax policies, limited access to affordable capital, and an uncertain macro-economic environment are key constraints to increased investment in agriculture by the Tanzanian private sector.

c) **Tanzanian banks and other financial institutions** can address critical access to finance constraints faced by smallholder farmers and processors. There is limited availability of financial products for private sector investments in the three value chains. Women are particularly affected by limited access to credit, also due to insecurity of land tenure affecting loan collaterals; Savings and Credit Co-operative Societies (SACCOs) supervised under the Co-operative Societies Act, and Village Cooperative Banks (VICOBA) are considered effective micro-finance formulas. Improved risk assessment capacity, access to lower cost capital, expanded loan guarantee schemes, and innovative insurance products have the potential to greatly increase the flow of finance to target value chain stakeholders.

d) **Tanzanian public sector institutions** such as the Ministry of Agriculture, Livestock and Fisheries (MALF) and the national sector Institutions, the Ministry of Finance and Planning (MoFP), the Ministry of Industry, Trade and Investment, and their equivalent in Zanzibar, are key partners. The programme partners will work closely with public institutions such as:

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✓ Prime Minister's Office (Scaling-Up Nutrition Focal Point) and Tanzania Food and Nutrition Centre, on the National Multi-sectoral Nutrition Action Plan implementation;
✓ Ministry of Industry, Trade and Investment (MITI), responsible for providing a conducive environment for growth and trade through private sector development;
✓ Vice President's Office Division on Environment;
✓ Local government authorities (LGAs) responsible for the design and implementation of economic development initiatives (DADPs). They were also managing rural roads network before the establishment of Tanzania Rural and Urban Roads Agency (TARURA). LGA's are the key implementers of both the activities at local level with regards to agriculture results 1, 2 and 4 and the "rural roads" component result 3;
✓ Ministry of Works, Transport and Communication (MWTC), responsible for development of policies, strategies, plans and budgets of the road transport sector;
✓ Road Fund Board: main financial partner, receiving and managing the funds of the "rural roads" project's component 3. Their institutional and financial management capacity is high thus ensuring a smooth implementation of financial flows;
✓ The President's Office – Regional Administration and Local Government (PO-RALG): the main interlocutor of the "rural roads" component (DID) and of activities related to agriculture at local level, ensuring definition of project priorities and identification of priority areas of intervention, as well as coordination with central level;
✓ TANROADS: agency in charge of national roads management, including weighbridges stations; it is key to provide data on agricultural products quantities transported along the national trunk roads;
✓ TARURA: newly established agency (since 1st July 2017) in charge of urban and rural roads management.

e) Academia: education institutions play a key role in the agricultural sector. In particular, the University of Sokoine has well-established outreach programmes to train farmers and agricultural extension officers, particularly in horticulture. Few other centres (Tengeru centre and the Asian Vegetable Research and Development Centre) are specialised on trainings in horticulture production, processing and marketing. Limited research is developed on horticultural crops as seeds and planting materials are usually imported; no specific university level courses exist on coffee and tea value chains. There are well established Research Centres for tea (TRIT) and coffee (TaCRI). Operating also as service providers, they support farmers and rural communities with research products, extension and training, adapted technology and planting materials.

f) Civil Society Organisations play essential roles in supporting small-scale farmers, both through advocacy and service provision. They are leading grass-root approaches to nutrition-sensitive agriculture, financial inclusion and women empowerment in rural Tanzania. National CSOs and Community Based Organisations are active but poorly resourced to unleash their potential, both their policy role for improved accountability and to support small holder farmers' development, women empowerment and tackling malnutrition. International NGOs (AKF, Helvetas, VSO, World Vision, CEFA, FarmAfrica, CARE International, Neumann Foundation, SNV among others) have tested successful innovative approaches with great potential for replication and scaling-up14.

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14 The formulation mission assessed positively the capacities of large INGOs, and pointed to their potential role as implementing partners for Agri-connect.
**Stakeholder Consultations:** in November 2016, the EU Delegation launched the identification and formulation process for the design of Agri-Connect. A team of independent experts\(^\text{15}\) was recruited to conduct sector reviews based on value chain analysis, studies on access to agricultural credit, and field visits in selected regions in mainland and Zanzibar, corresponding to different agro-ecological zones of the country. During eight months, multiple consultations and validation workshops were held with Government counterparts from mainland Tanzania and Zanzibar\(^\text{16}\). EU Member States, Development Partners, international organisations and UN have been closely associated in the formulation process, also through the Nutrition and Agriculture Working Groups. CSOs, farmers and women farmer groups, cooperatives and private sector companies were interviewed during field visits. Value Chain organisations (including TAHA, the Coffee and Tea Boards) and the University of Sokoine among others, were also consulted.

### 1.1.3 Priority Areas for Support/Problem Analysis

Agriculture remains the mainstay of the Tanzanian economy, employing almost 66% of the population (2014). The sector contributes with roughly 30% of the country's GDP and 20% of export earnings.

Two key factors have been driving the design of this Action: 1) agriculture is characterised by low levels of production, productivity and access to local, regional and international markets, which constrain competitiveness and limit income opportunities for smallholder farmers, and 2) persistent levels of stunting, wasting and micronutrient deficiencies in Tanzania constitute a silent emergency.

Despite the availability of abundant productive land and rich soils well suited for agriculture, low adoption of good agronomic practices and under-investment in inputs and technologies constrains agricultural productivity and farmer incomes. Weak market linkages and inefficient processing technologies constrain demand for agricultural outputs, and limits value addition that could increase incomes throughout the sector. Climate change and unsustainable cultivation practices also cause deforestation and land degradation, affecting the environment and increasing vulnerability, particularly since livelihoods opportunities depend on rain-fed agricultural systems. Last but not least, low income and limited diversification of production, combined with poor nutritional behavior results in high rates of malnutrition throughout the country. Stunting rates of children reach on average 34% and in some regions is above 40%.

Against this background, the EU Delegation has identified priority areas of intervention based on technical recommendations of the Government of Tanzania, commodity reviews, Value Chain Analysis, and broader stakeholders’ consultations (as described in section 1.1.2).

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\(^{15}\) Two teams of experts specialised in agronomy (including on specific crops), nutrition, gender, private sector development, agricultural finance and EU blending operations.

\(^{16}\) Several consultation and validation workshops took place in Dar es Salaam between December 2016 and June 2017 with NAO/ Ministry of Finance and Planning, Alternate NAO from Zanzibar, Ministry of Agriculture from mainland and Zanzibar, Ministerial Gender Working Group, Prime Minister's Office and PO RALG; LGAs were consulted during field visits.
Priority is given to the development of the **coffee, tea and horticulture value-chains**, offering the highest potential for smallholders' increased income and nutrition based on, inter alia:

- Agro-ecological conditions for potential increased productivity, production and quality;
- Potential for local value addition, local industrial development and opportunities for commercialisation (domestically, regionally and on international markets);
- Opportunities for reaching premium markets and prices (ex. certified organic);
- Trade impact (in 2012-2016 coffee, tea and horticulture represented the highest share of agricultural food export to the EU\(^ {17}\));
- Opportunities for on-farm and off-farm job creation, income opportunities and entrepreneurship (and specifically for women and youth, particularly in the expanding horticulture sector) and multiplier effect on value chain actors;
- Production characteristics, potential for diversification and intercropping, and impact on household income;
- Direct impact on nutrition of horticulture products (for micro-nutrients, vitamins, minerals in vegetables and fruits); opportunity to improve high stunting rates in tea and coffee regions through promotion of diversified production and consumption;
- Opportunity to capitalise on the decade-long support to Agricultural Research (24 new pest and drought resistant coffee varieties and tea clonal varieties developed through EU support\(^ {18}\) and available on the market for multiplication and adoption);
- Complementarities with the 11\(^ {th} \) EDF EAC Regional Programme MARK-UP, targeting the same value chains. MARK-UP Tanzania focuses on market research and incentives for adoption of voluntary certifications (such as Fair Trade, Rainforest Alliance, Organic certifications, etc.).

**Coffee** is Tanzania’s third largest export crop contributing 14.1% of total export value. The country is the fourth largest coffee producer in Africa, for both Arabica and Robusta. Tanzania is endowed with abundant land with appropriate altitude, temperature, rainfall and soil suitable for high quality coffee production. More than 450,000 farm families and 110 estates derive their livelihoods from growing coffee with 2,000,000 additional people employed directly or indirectly in the industry\(^ {19}\). Women are traditionally active in weeding, harvesting and processing. Youth are less interest in farming but are increasingly active in coffee processing. Coffee is semi-processed locally (it is not roasted for minimising aroma contamination); domestic consumption is on the rise; this niche is captured by an increasing number of local brands adopting small coffee processing units.

Coffee growers associations and cooperatives are structured and well represented in the established Tanzania Coffee Board along with processors and coffee traders; for inputs, the supply scheme is similar to the tea sector; the well-established Tanzania Coffee Research Institute (previously supported by the EU under the Stabex Funds, the 9\(^ {th} \) and 10\(^ {th} \) EDF) provides for drought and pest resistant varieties (for both Arabica and Robusta qualities), multiplied in nurseries. Despite the Coffee Industry Development Strategy goal of reaching 100,000 metric tons (MT) by 2021, production in 2016 totalled 59,502 MT, worth USD 173.6 million (55% Arabica and 45% Robusta).

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\(^ {17}\) Semi-processed unroasted coffee, tea in bulk and tropical fruit and vegetables (along with tobacco). Data is available online at: [https://ec.europa.eu/agriculture/sites/agriculture/files/trade-analysis/statistics/outside-eu/countries/agrifood-tanzania_en.pdf](https://ec.europa.eu/agriculture/sites/agriculture/files/trade-analysis/statistics/outside-eu/countries/agrifood-tanzania_en.pdf)

\(^ {18}\) See section on lessons learnt (TASP I and TASP II Programmes).

\(^ {19}\) Tanzania Coffee Research Institute (TaCRI).
The Tanzanian coffee sector faces several challenges, including extremely low productivity due to aging trees and inadequate access to inputs, including improved-variety planting material; poor adoption of good agricultural and climate-smart practices (ex. Arabica production is likely to be impacted significantly by climate change, especially under 1500 masl; therefore, climate resilient practices need to be promoted and integrated into production); lack of on-farm and community level processing and value addition; low profits and profitability for coffee farmers; lack of competitive marketing channels due to auctions system and export licensing requirements; limited sector integration and shared-value business models between large exporters and farmers; high prevalence of cross-border smuggling (20% of total production) especially for Robusta coffee; aging producers; high producer taxation; limited adoption of voluntary certifications.

**Tea** is the fifth largest Tanzanian export crop, and Tanzania is the fourth major tea producer in Africa after Kenya, Uganda and Malawi. Tea contributes 1% of the country’s GDP while accounting for 3.8% of the annual revenue in the agricultural sector. The tea industry is an important employer with a direct labour force of around 30,000 farmers of which women represent about 50%, with important roles in crop management and harvesting. Youth in the sector are particularly interested in mechanised picking (vs hand picking) through innovative technologies now available on the market. Tea employment is year-round, unlike other crops. The sector is equally divided between large estates and smallholders, whereby large estates operate through out-grower schemes and are usually also processors. The Tanzania Smallholder Tea Development Agency is mandated to support smallholder tea growers. Associations of tea growers exist and are represented within the Tea Board of Tanzania. Inputs are usually provided for on a commercial basis. Input credit is not always available, and when available is usually provided through factory-sponsored input contracts (repaid in ‘green leaf’ production). The Tea Research Institute (also previously supported by the EU under the Stabex Funds, the 9th and 10th EDF) is equipped to provide tea planting material (drought and pest resistant clonal varieties), propagated in nurseries. Also private nurseries exist. Tea from Tanzania fetches low average prices compared to tea from other East African Countries.

The low profitability of smallholder tea farmers can be attributed to (i) low quality of the tea produced (ii) low productivity – due to limited investment in planting materials (i.e. seedling vs. clonal varieties), research, extension, limited access to inputs (iii) high production and processing costs – caused by high input costs, tax structure, poor infrastructure, use of poor processing technology and high labour costs and (iv) market failures caused by the asymmetric market information and low bargaining power of smallholder farmers.

The tea value chain is highly taxed (VAT, turnover tax, land rent, property Tax on Plantation, Produce cess), in addition to costs incurred to comply with standards, health and safety requirements, weight and measurement inspections and verifications, etc. Processing, packaging, storage, distribution and marketing costs are incurred by the processing firms and/or tea buyers. Triggering inclusive development of the sector will require increasing smallholders’ share of the processed tea price, also through smallholder-owned processing facilities. Marketing of processed tea is mainly done by the tea processing factories through the auction market in Kenya (Mombasa), domestic sales to domestic blenders and direct sales to foreign blending companies.

In the tea value chain, **transportation** forms a large part of the costs of production of made tea. Poor road infrastructure in tea growing areas leads to substantial physical and quality loss due to green leaves not reaching the processing factory on time: green leaves have to be processed within 4-6 hours from picking.
The **horticulture** industry is the fastest growing sub-sector (8-10% per annum), encompassing the production, processing and marketing of fruits, vegetables, seeds, spices and herbs in general. Opportunities to be gained from expansion of the horticultural sector include i) employment (the fruit and vegetable industry employs a significant number of young people and women) and ii) the potential of fresh fruits and vegetables to combat the chronic under-nutrition of children under-five prevalent in most regions in Tanzania. It is estimated that the sector employs 450,000 small scale farmers. Most production, at least of fruit and vegetables, is carried out by farmers with plot sizes of 0.1-2.0 hectares; 65 to 70% are women and progressively also youth. The majority of jobs are in production since it is more labour intensive than staple crops and generates considerable employment for planting, weeding and harvesting. Although production is countrywide, expansion flourishes particularly in semi-urban areas with favouring access to markets. Farmers are mainly individuals (hardly federated in production groups) but associations such as the Tanzania Horticultural Association (TAHA) which is articulated nationwide, including in Zanzibar; Mtandao wa Vikundi vya Wakulima Tanzania (MVIWATA), a national farmers advocacy network; also crop-based associations (such as the Mango Growers AMAGRO, etc), or geographically-based associations (e.g. FAIDA Market Link Company, etc) are functioning. Existing private agro dealers companies are i) seed and fertilisers providers; ii) producers of vegetables, seeds and fruits, mainly with out-grower schemes; iii) agro processors (producing juices, canned products, etc); iv) distributors and packaging companies; v) exporters. Many off-farm jobs are created, as well as skilled high-paying jobs in processing, in addition to low-paying and casual daily work such as carriers at wholesale and retail markets and handcart drivers at the markets. The growth of the horticulture sector is hampered by: lack of appropriate technologies in production, small scale production, highly vulnerability to climate change, with large proportion of farming relying on rain-fed agriculture, poor harvesting and postharvest handling, poor adherence to good agricultural practices, weak agro-processing capacity, and poor access to finance and markets.

Major challenges associated with export markets are sanitary and phytosanitary measures, health, safety and environmental requirements, quality requirements, insufficient large-scale exporters to drive the sector forward, lack of professional export and packing operations capable of meeting international market standards, low and inconsistent supply of agricultural produce, foreign exchange factors and competition. There is also a disconnect between supply and demand due to asymmetric access to information, which, combined with constraints at each stage of the value chain, continue to undermine the potential for the horticulture sector.

Against this background, major challenges to be addressed by Agri-Connect are those that directly hinder the development of the selected value chains, and in particular:

1. A **weak enabling environment** constrains development and growth, particularly hampering private sector investments in the three value chains. This includes excessive and complex tax policies and their uneven application, burdensome licensing and export procedures, inefficient and market-distorting pricing mechanisms, constrained access to finance also due to a lack of de-risking mechanisms, and opaque land titling policies. Furthermore, it includes poor dialogue and coordination among and between public and private stakeholders, weak governance of producer groups, and limited local government capacity to contribute to agricultural development.

2. **Low productivity and production** are constraining smallholder incomes. Low production volumes in tea are driving low capacity utilisation rates and higher unit costs of processing which in turn are driving down green leaf prices to farmers. Key factors contributing to low productivity include: limited access to finance, limited access to inputs such as fertilizer, planting material, and crop-protection products, low knowledge and adoption
of climate-smart, good agricultural practices, limited reach and effectiveness of public and private extension services, poor harvesting and post-harvest handling techniques and technologies and limited use of water-conserving small-scale irrigation schemes and greenhouse technologies.

3. **Inefficient and inadequate processing capacity** limits value addition and demand for agricultural outputs. Processing of horticulture is greatly underdeveloped and the quantity and quality of processing (jams, juices, etc) is low. Coffee farmers fail to capture value-addition opportunities presented by small-scale coffee processing units (e.g. wet milling for Arabica). Most tea processors are using outdated, inefficient equipment. Existing technologies for agricultural processing can be environmentally polluting and consume large amounts of (often scarce) water. Environmental sustainability of processing should be addressed (e.g. water cleaning/recycling technologies).

4. **Weak market linkages and marketing** constrain value-addition at several stages of the target value chains including weak aggregation networks and collective marketing, limited sorting and grading of product, weak out-grower networks including high-incidence of side selling, poor rural infrastructure, limited producer marketing skills, low rates of penetration of export markets, and poor knowledge and adoption of product quality standards, especially for export markets. Women enjoy lower mobility, less access to training and market information making it harder to maintain a profitable market niche thereby reducing their market effectiveness.

5. **Poor rural road and transportation networks** result in increased spoilage (horticulture and tea), increased time and cost to transport goods to market, and inconsistent and inadequate supply volumes for viable processing.

6. **Limited knowledge, availability, access to, and utilisation of nutritious food** are responsible for high rates of malnutrition, especially among women and children. Six Districts have stunting rates above 40% (four of which are targeted by Agri-Connect) and twelve Districts with stunting rates between 30-39%. Rates of stunting and wasting do not decrease markedly as household incomes increase, indicating either poor knowledge of optimal nutrition practices or poor adoption of optimal nutrition practices, or both.

7. **Limited access of women to production assets and business development opportunities.** Girls and women face limited access to specialised know-how. The application of multiple statutory, customary and religious laws constrains women even further in term of accessing their legal rights including land ownership. This has also repercussions on financial credit opportunities due to lack of collaterals. Women suffer from a marginal representation in management and decision-making positions in farmers associations and cooperatives.

1.2 **Other areas of assessment**

1.2.1 **Fundamental values**

The EU Delegation provided a full analysis of fundamental values in April 2014 which concluded that the political environment in Tanzania has not been a constraining factor to key universal Human Rights priorities. Since this assessment, the Risk Management Framework (RMF) has been regularly monitored and its last assessment was examined by the Budget Support Steering Committee in March 2017. It concluded at the time that the political risk (including dimensions on Human Rights, Democracy, and Rule of Law) remained moderate. The EU Delegation will continue to monitor the risks identified and reported through the Risk Management Framework.
It is concluded that while pre-conditions for a budget support operation continues to be considered as met, careful monitoring and close follow-up is required. In March 2017, the Risk Management Framework (RMF) was adopted by the Budget Support Steering Committee and developments on fundamental values will continue to be reported to this Committee as well as through the revision of the RMF.

1.2.2 Macroeconomic policy

Tanzania's macro-fiscal framework continues to be on course and economic growth is still strong: the GDP growth rate averaged 7% over the past 5 years. However the agriculture sector has underperformed, growing at less than 4%. The Government seeks to transform the macroeconomic structure from a low productivity agricultural sector into a semi-industrialised one by 2025, led by modernised and highly productive agriculture sector. The agriculture sector provides 30% of exports of goods, 65% of inputs to the industrial sector and employs 67% of the population. Women account for 75% of the agriculture labour force.

The macroeconomic risk is assessed as low in the Risk Management Framework (RMF). This assessment is supported by the IMF's positive appraisal under the sixth Policy Support Instrument (PSI) review, which was approved by the Board on 26 June 2017 based on a staff mission in April 2017. The IMF confirmed that the macro fiscal framework remains overall in line with the targets set in the PSI programme. A new PSI agreement is under preparation, due to start after January 2018.

The IMF reports "notable progress" in stepping up domestic revenue collection. According to MoFP figures, in fiscal year 2015/16, domestic revenue collection amounted to TZS 14.139 trillion against a budget target of TZS 13.998 trillion, a 101% domestic revenue mobilisation outturn. Revenue collections during the 2016/17 fiscal year have continued to surpass those of the previous year, although they are likely to have fallen short of the ambitious targets, according to Government and IMF figures (final data not yet available).

In terms of public expenditure, the 2015/16 budget saw significant overruns in recurrent spending and significant shortfalls in development spending. In 2016/17, the level of government spending is likely to fall well short of budgeted levels because of tightly controlled recurrent spending and delays in securing external financing.

Overall, the fiscal deficit in 2015/16 was lower than budgeted and largely financed by domestic borrowing. The fiscal deficit in 2015/16 stood at 3.5% of GDP, slightly higher than the figure of 3.3% recorded in 2014/15, but significantly lower than the budget target of 4.2%. The Government achieved this fiscal deficit through increased domestic revenue collection, postponing some development spending and controlling recurrent expenditure and corruption, especially during the second half of the fiscal year. Moderate over the past two years, the inflation rate has been in line with the authorities’ medium-term inflation plan. Data from Bank of Tanzania (BoT)20 shows that year-on-year headline inflation was 6.1% in May 2017; in the past year it has evolved moderately around the medium-term target of 5.0% - and below the EAC convergence criteria of not more than 8.0% - and has just risen in the recent months due to food price inflation. Good rains in Tanzania’s southern region should relieve pressures on food prices.

The current account deficit narrowed substantially to USD 1 508.9 million by May 201721, almost half of the deficit recorded in previous year. The value of exports of goods and services

20 BoT Monthly Economic Review (available online).
21 Ibid.
narrowed to USD 8 775 million in the year ending May 2017 compared with USD 9 357 million in the year ending May 2016. The decline was reportedly on account of lower export value of manufactured goods exports, which outweighed the improvement in earnings from exports of traditional goods, gold, and travel (which is mainly tourism). Over the same period, imports of goods and payment for services declined by about 6.6%, with much of the decrease being noted in oil and capital goods, due to lower oil prices and the completion of some major projects. Gross foreign official reserves stood at USD 4 388.3 million at the end of May 2017 from USD 3 894.1 million at end May 2016, sufficient to cover about 4.3 months of projected imports of goods and services, excluding those financed by foreign direct investment.

While central government debt has increased to about 37% of GDP, public debt vulnerabilities remain limited, according to regular Debt Sustainability Analysis. The IMF found that Tanzania has room to borrow externally on concessional and non-concessional terms to meet its financing needs, although it has expressed concern about the very considerable level of arrears. Nonetheless, the IMF reported that the verification exercise completed in early 2017 resulted in a substantial decline in the stock of arrears by 1.8% of GDP to 2.9% of GDP, and work on settling arrears to pension funds is ongoing.

The medium term outlook remains favourable, though the economy continues to adjust to Government policies including tighter fiscal controls. The current administration has embarked upon a policy direction of improving public administration and clamping down on corruption. **Government prioritisation of agriculture needs to be fully matched with increasing public investment in the sector, deepening private-sector led agro-industrial growth as a way of transforming the macroeconomic structure.**

Based on this assessment, it is concluded that Tanzania has a credible stability-oriented macro-economic policy.

### 1.2.3 Public Financial Management (PFM)

The PFM environment in Tanzania has continued to improve, although the pace of progress has been slower than expected. The fourth phase of the PFM reform strategy (PFMRP IV) is under closure (2012/2013 to 2016/2017), and the new five-year medium-term PFM Reform strategy (PFMRP V: 2017/18 to 2021/22) is just starting since July 2017, in line with the Five Year Development Plan (FYDP). The last PEFA (September 2013) concluded positively as to the improvements of the PFM systems, and the next PEFA is currently underway (expected September 2017), with good government engagement in the process.

A revision of the Public Procurement Act was undertaken in 2015/2016, with the adoption of amendments that will significantly reduce procurement duration and improve value-for-money purchases. A debt management policy was finalised and submitted to Cabinet Secretariat for approval, and the Government Loans, Guarantees and Grants Act (GLGGA) has been signed by the President. In addition, proposals for establishing a Debt Management Office were approved, though the operationalisation of the office is currently pending. The Ministry of Finance and Planning (MoFP) has developed internal capacity to undertake Debt Sustainability Analysis (DSA) on an on-going basis, with limited outside assistance; the latest analysis was carried out in November 2016 and it is published online. There has been also good progress in the consolidation process of recording and managing public assets, which is linked to the migration to IPSAS accruals accounting.
Budget Control and Oversight is also another PFM area that has experienced progress. The internal audit function has been institutionalised in the Internal Auditor General’s department (IAGD) Office and across Ministries, Departments, Agencies (MDA), and LGAs. A number of capacity building programmes by IAGD for internal auditors and Audit committees from all MDAs, Regional Secretariats (RSs) and LGAs, were conducted to enhance quality of internal audit functions. In external audit area, the National Audit Office of Tanzania (NAOT) has continued prioritising the implementation of AFROSAl-E recommendations, in order to advance to level four. To enhance public access to information the Annual General Audit Reports were simplified and translated into Swahili, with 7 500 copies shared among the public. The Treasury Registrar (TR) office has continued to strengthen its oversight of parastatals, which has led to a significant increase in non-tax revenue collection from parastatals in FY 2015/16. The average compliance to the Public Procurement Act has also improved with overall compliance up from 69% in 2014/15 to 71% in 2015/16, according to the PPRA annual performance evaluation report.

With regard to transport sector, violation of PFM principles resulted in accumulation of outstanding payments (arrears) to contractors and consultants in the road development sub-sector. Tanzania National Roads Agency (TANROADS) has been experiencing severe financial constraints to settle these outstanding payments because the amount of long-term financial obligations (contractual commitments) exceeded significantly the approved budget managed by the agency. By the end of the FY 2015/16 the outstanding payments to contractors and consultants was TZS 929.57 billion. Since it came into power in October 2015, the 5th phase government has put clearance of arrears as one of its top agenda. The Government has put in place short and medium term strategies for clearance of arrears in the roads sub-sector. Among the elements of the strategy include first, the Government to verify all the outstanding payments for development projects in roads sub-sector and submit to Ministry of Finance and Planning (MoFP) for payment. The Government has also decided not to sign new roads development contracts which are 100% financed by the Government. During the FY 2015/16 the Government has paid TZS 730.38 billion to contractors and consultants as part of the outstanding payments. It has to be noted that the approved development budget (government-consolidated budget) for FY 2015/16 was only TZS 191.62 billion. The road subsector consolidated development budget approved for the FY 2016/2017 was TZS 1 220.72 billion and TZS 503.31 billion were paid by March 2017. The outstanding payments (arrears) by end of March 2017 were TZS 881.19 billion, which is slightly less than TZS 929.57 reported in June 2016.

EU through the on-going transport SBS is making a close follow up of this issue. Revised FA of the on-going Transport SBS has included performance indicator with a specific target that assesses the amount expended by TANROADS from the consolidated budget to pay for roads development works (without including new contracts). There was already good progress registered in FY 2015/16 as the target set of TZS 500 billion was exceeded as TANROADS managed to expend TZS 730.38 billion for outstanding payments only.

At the local level, two years after the sub-programme for Strengthening PFM at the Local Government was started, the overall implementation performance has been deemed satisfactory. The rollout of a revenue management system (LGRCIS) has been completed and is operational for all LGAs. Quality of oversight and technical support to LGAs has been significantly strengthened in various PFM areas: monitoring of fund flows, financial benchmarking, preparation of financial statements, monitoring of audit compliance and follow-up, training on fraud prevention etc. The template for tracking funds from central government to LGAs and LLG has been developed and is operational. The new PFM reform phase, PFMRP V, will focus more heavily on local government finances.
Taking into account the critical role of local government authorities (LGAs) in the design and implementation of economic development initiatives, including in the agriculture sector, and the management of rural roads network, those positive developments in the PFM area will improve the allocation of funds to the sector and their execution at local level. However, there are still important challenges remaining for the PFM systems to reach the intended impacts of strategic allocation of resources and efficient service delivery. Within the Agri-Connect programme, the policy dialogue with Ministries of Finance, Agriculture and Transport will seek to improve the allocation of funds, efficient service delivery and the investment in rural infrastructures.

Given the commitment of the government in the PFM reform and the progress observed in recent years evidenced by the PEFA exercise and several assessments on the reform programme, it can be concluded that the PFM reform programme is relevant and credible.

### 1.2.4 Transparency and oversight of the budget

The Budget process has been steadily improving in recent years in Tanzania and is fairly well established at present. Budget Guidelines are published each year around November, and budget discussions take place in Parliament between April and June. The Budget Speech is usually the second Thursday of the month of June, followed by the publication of the draft Finance Bill (including on the Parliament website), which usually allows for appropriation of the Budget through the Finance Act (also published on the Parliament website) before the start of the financial year on 1 July. The more detailed Budget Books are subsequently published in four volumes on the Ministry of Finance website, and although the first book (Volume I: Revenue) is often published very late in the year, the planned expenditure Volumes II-IV are published quite rapidly. The Budget Act of 2015 lays out the most recent rules for the process. There is also usually a Citizen's Guide to the Budget published by the Ministry of Finance together with The Policy Forum. Budget Execution Reports are supposed to be published quarterly on the Ministry of Finance website, and though this has been variable in the past two fiscal years (with no reports being published in the 2015/16 election year and serious delays in publishing the 2016/17 quarterly reports), the Ministry of Finance has committed to improving the situation again. The Minister of Finance gives two major updates on budget execution to Parliament: one during the end December "State of the Economy" speech and one during the June economic update speech which just precedes the Budget Speech. The Parliamentary Budget Committee is supported in its work by a recently-created Parliamentary Budget Office, and the Public Accounts Committee and Local Authorities Accounts Committee analyse expenditure based on external audit reports from the Controller Auditor General at the National Audit Office of Tanzania.

At least since 2009-2010, the audit reports performed by the National Audit Office of Tanzania (NAOT) have been submitted on time to the National Assembly and are considered to be of high quality. Four regular audit reports are generally produced for: i) Central Government (MDAs, Regional Secretariats and Embassies), ii) Local Government Authorities, iii) Public Authorities & Other Bodies (PA&OB), iv) Donor-funded projects. Overall, the audit reports are making gains every year in terms of credibility and maturity. The NAOT Audits are compliant with International Standards on Auditing (ISA) and INTOSAI (International Standards on National Auditing and Assurance). 22 However, in 2016/17 the publication came very late (December online and January in hard copy) and it is not confirmed when publication is foreseen this year.

22 However, in 2016/17 the publication came very late (December online and January in hard copy) and it is not confirmed when publication is foreseen this year.

23 Note: new legislation changes from July 2017 mean that the Ministry of Finance will from now on be obliged to report on budget execution only every 6 months instead of 3 months; this is due to the administrative costs of reporting so frequently.
Organisation of Supreme Audit Institutions)/AFROSAI (African Organisation of Supreme Audit Institutions) standards, and the NAOT has received AFROSAI level-3 accreditation following the 2012 peer review.

According to the last Open Budget Survey (2015), Tanzania scores 46 (i.e. limited information provided to the public), which is a more or less similar score as in the two previous surveys and similar to global average. As of the International Budget Partnership's updated assessment on 31 December 2016, the Government of Tanzania makes five of the eight key budget documents available to the public in a timeframe consistent with international standards. Publication of essential macroeconomic data through the National Summary Data Page (NSDP) will provide national policy makers, and a broad range of national and international stakeholders, including investors and rating agencies, with access to information that the IMF has identified as critical for monitoring economic conditions and policies.

Based on the above, the EU Delegation concludes that the General Condition related to Budget Transparency is met. There were delays in the publication of 2015/16 budget execution reports but the Government of Tanzania has committed to address these and has already improved the transparency of budgetary information for FY 2016/17.

### 2 Risks and Mitigating Measures

<table>
<thead>
<tr>
<th>Risks</th>
<th>Risk level</th>
<th>Mitigating measures</th>
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</thead>
<tbody>
<tr>
<td>Lack of political will to implement institutional and policy reforms</td>
<td>M</td>
<td>A continued and, where possible, intensified policy dialogue at different levels of Government</td>
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<tr>
<td>to strengthen sector context</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Domestic barriers to internal and external trade stifle agriculture</td>
<td>M</td>
<td>- Identification of potential bottlenecks and engagement in policy dialogue</td>
</tr>
<tr>
<td>and agribusiness</td>
<td></td>
<td>- Capacity building of stakeholders and policy dialogue with responsible authorities</td>
</tr>
<tr>
<td>Unwillingness of farmers (including youth and women) and private</td>
<td>M</td>
<td>Demonstrations/training in quality enhancement and profitability cost/benefit appraisal</td>
</tr>
<tr>
<td>sector to meet additional risks and costs related to value chain</td>
<td></td>
<td>Trainings on youth-friendly and gender approaches</td>
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<tr>
<td>development, and to establish alliances</td>
<td></td>
<td>Facilitation of dialogue, trainings</td>
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<tr>
<td>Private sector investments do not materialise due to a non-conducive</td>
<td>M</td>
<td>A continued policy dialogue at different levels of Government (including public-private dialogue)</td>
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<tr>
<td>business environment and constrained access to finance</td>
<td></td>
<td>Technical Assistance to research on business environment</td>
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<tr>
<td>Low interest of financial intermediaries to develop banking products</td>
<td>L</td>
<td>Partnerships with financial sector stakeholders</td>
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<tr>
<td>for agriculture and mitigation measure</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Targeted families reluctant to change dietary behaviour within</td>
<td>M</td>
<td>Adequately funded multi-level sensitisation and promotional campaigns supported by high-level coordination among Ministries and local authorities</td>
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<tr>
<td>programme lifetime</td>
<td></td>
<td></td>
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<tr>
<td>Nutrition programmes lack support from community level structures and</td>
<td>L</td>
<td>Dialogue, demonstrations, capacity building and reinforced efforts for awareness raising</td>
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<tr>
<td>end-users due to cultural and socioeconomic causes</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Targeting women could affect their time for child care and</td>
<td>M</td>
<td>Careful planning and participatory approach with households, defining the appropriate balance for women involvement in agricultural value chain activities</td>
</tr>
<tr>
<td>breastfeeding resulting into nutritional imbalances</td>
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</table>
Lack of gender transformative approach, (which addresses unequal access to and control over resources, assets, land, water, finance, technological training, energy, marketing, decision making, etc) will lead to consolidation and increase of gender inequalities

Poor governance of farmer cooperatives lowers quality of service delivery to farmers

Road component: Budget support will not directly benefit the identified LGAs

Low implementation capacities of the LGAs to commit funds and ensure smooth implementation of local tenders and contracts

Lack of effective synergies and complementarities across different components/contracts/implementation modalities due to a compartmentalised approach

Lack of effective synergies and complementarities across different components/contracts/implementation modalities due to a compartmentalised approach

TARURA established and centralisation of “contracting authority powers”

- Implement a joint gender analysis with Government in the initial stage in line with GAP-II objective 4;
- Set gender equality targets aligned with GAP-II;
- Support Government in capacity building for implementing Gender Responsive Budgeting;
- Liaise with the national gender coordination mechanism, engage the National Women’s Machinery, and Tanzanian key partner organisations, active in promoting gender equality and women’s empowerment in the agro-sector;
- Include the "business case of investing in women" in the dialogue with the government and private sectors

Careful identification of capacity development needs

Precise definition of indicators; Formal agreement between the Ministry of Finance and PO-RALG; Close follow-up by Steering Committee and EU Delegation in the framework of its public finance sector dialogue

LGA capacity building and support to ownership (including through local development planning)

Technical Assistance deployed

Frequent monitoring missions

Technical Assistance will be responsible for reinforcing complementarities; EU Delegation and National Authorities will monitor interactions across components and internal coherence; Monitoring system will follow up interactions between action grants, blending and budget support

If created, the Agency will be an implementing agency for urban and rural roads. DID will remain with the responsibility of identification, prioritisation and monitoring of roads development programmes. Development Partners Group policy dialogue insists on the role of LGAs as contracting authority.

3 LESSONS LEARNT, COMPLEMENTARITY AND CROSS-CUTTING

3.1 Lessons learnt

<table>
<thead>
<tr>
<th>Programmes</th>
<th>Lessons and complementarities</th>
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</thead>
<tbody>
<tr>
<td>10th EDF Trade and Agriculture Support Programme —”TASP II” (EUR 15 million)</td>
<td>• Over ambitious targets and lack of well-defined focus may hinder significantly the capacity to achieve impacts; • Among the value chains targeted, tea, coffee and horticulture value chains offer best opportunities for development; • Tea and Coffee pest and drought resistant varieties developed and available on the market for adoption; • Complementary actions addressing enabling factors and finance could impact positively the selected value chains; • Fragmentation of actions hampered overall coherence (Programme Estimates, Supply, Works, Grants, Services); • Unaligned start of components hindered synergies among implementing partners (particularly for the cross-cutting); • Lack of overall coordination mechanism among the various components and M&amp;E system at programme level; • Visibility and communication strategy to be improved.</td>
</tr>
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</table>
| **10th EDF Southern Agriculture Growth Corridor Initiative (SAGCOT) (EUR 78.5 million)** | • Multi-sector approach to agriculture may improve impact opportunities (environment, energy, infrastructure and agriculture sectors supported under the EU contribution to the initiative);
  • Geographical clustering approach adopted by the SAGCOT Initiative proves effective and has potential to be replicated;
  • Tea and horticulture are commodity prioritised by SAGCOT thanks to comparative advantages in the southern corridor for value addition. |
| **Small scale farmers investments supported by Donors grants (several projects visited during the formulation phase)** | • Several large INGOs achieved effective results and impact through nutrition sensitive approaches, farmer aggregation, support to inclusive finance through savings and loans groups and linking farmers to markets. Diversified farming systems supported by education on nutrition techniques at household level have proven effective. Projects adopting innovative mobile technologies prove very successful;
  • GIZ/CARI matching grant schemes for rice had encouraging results when directly linking applicant consortia to markets;
  • Support to women's role in value chain development requires the design of specific actions to improve access to education, finance and land. |
| **10th EDF Improvement of Rural Roads programme (EUR 22 million)** | • Weaknesses of local contractors capacities;
  • Difficulties to recruit supervision in remote areas;
  • Limited monitoring capacities of NAO and EU Delegation;
  • Availability and quality of technical studies, in particular in case of upgrading works;
  • Technical assistance in support of local governments is essential. |
| **10th EDF on-going Road Sector Budget Support** | The on-going Road Sector Budget Support is providing encouraging results. An agreement between the Ministry of Finance and Ministry of Works ensures that funds released by the EU are actually transferred to the Road Fund. |
| **DFID supports the rural road sector through its GBP 35.4 million "Improving rural access in Tanzania (IRAT)" programme** | The example of DFID funding, fully aligned with the national procedures (Road Fund financing, LGAs implementing, DID coordinating) has proven effective. |
| **USAID programme supporting policy dialogue and reform** | • Technical Assistance programmes with technical staff embedded within MALF DPP is proving effective in supporting dialogue and reform processes;
  • Common policy positions and coordination across development partners is essential. |
| **JICA support to District Councils** | Positive experience in supporting local agricultural development through capacity building for District Development Plans. |
| **SWITCH Africa Green call for proposals** | Encourage submission of joint proposals from European and African entities. |
| **Mwanzo Bora (USAID), HANO (Irish Aid), World Vision, Care programmes supporting nutrition and nutrition sensitive agriculture** | Behavioural change is a key element for nutrition objectives; both men and women need to be involved, through a household approach. |
3.2 Complementarity, synergy and donor coordination

- Complementarities will be built with the 11th EDF Regional Indicative Programme for the East Africa Community (EAC), and specifically the newly identified MARK-UP project, which purposefully targets the same value chains (coffee, tea and horticulture), focusing on quality and standards compliance for sustainable trade, including support for voluntary certification such as Fair Trade, Organic, UTZ, etc, as well as market research.
- Coordination will be ensured with the 11th EDF SADC Trade Related Facility and other regional programmes.
- For the blending component, opportunities will be explored for synergies with Financial Institutions, including AFD, the European Investment Bank [ex. credit lines, Technical Assistance to local Financial Institutions (ex. financed under the ACP Smallholder Facility)], etc.
- The design of Agri-Connect supports an EU co-leading role in the Agricultural Sector and in the Nutrition Working Groups, including the policy dialogue; on agricultural finance, Agri-Connect will establish a sound coordination with other inclusive finance projects and programmes, promoting a harmonised development of specific financial products for the agricultural sector. Synergies will be ensured with 11th EDF support to the Rural Energy Agency (REA). EUR 50 million is expected to provide an important impetus for agriculture development such as for post-harvest storage facilities and processing plants.
- Result 1, and to some extent result 2, will build synergies with the upcoming Investing in Business Enabling Environment (iBEE) project financed under the 11th EDF NIP, which looks at tackling business climate constraints in key sectors of the economy.
- Results 1 and 2 will be closely coordinated with the Rural Micro, Small and Medium Enterprise Support Programme. Complementarities, including in terms of geographical targeting, will be sought with SAGCOT (Southern Agricultural Growth Corridor of Tanzania), whose goal is to expand investment in agribusiness in the Southern Corridor.
- The East Africa Agricultural Productivity Programme, supporting the regional centres of excellence to contribute to increased agricultural productivity and growth (interactions particularly with Result 2.2).
- Agri-Connect will ensure complementarities with USAID programmes such as Feed the Future programme (USD 70 million annual off-budget contribution, 80% in SAGCOT).
- Results 2.2 and 4 will be coordinated with a range of nutrition specific interventions, including the national nutrition plan, ongoing EU/WFP efforts, UNICEF, nutritional sensitive approaches by World Vison and Care International.
- TMEA is supporting long-term Technical Assistance to the Tanzania Bureau of Standards (TBS) to develop a training programme on standards for SMEs, a national quality policy and framework, and a standards harmonisation and accreditation programme. This programme will build on substantial support provided by the EU to TBS under the TASP II programme, which came to an end in 2017.
- For the rural roads component (Result 3) coordination will be established with:
  - The Marketing Infrastructure, Value Addition and Rural Finance Support Programme (MIVARF) implemented in 26 regions of Tanzania, and Zanzibar, supporting the rehabilitation of feeder roads connecting markets to production areas. Implementation, including design and supervision is done by the District Councils.

24 Funded by IFAD, Irish and the Government of Tanzania, it is implemented through the Ministry of Industry, Trade and Investment
25 Currently supported by DFID, the World Bank, USAID, and the EU.
26 Funded by DFID, Netherlands, Denmark, Canada, Sweden and USAID - USD 40 million.
27 Co-financed by IFAD and AfDB, coordinated by the Prime Minister’s Office.
For the road component, effective coordination has been established with DFID and USAID whom have similar on-going projects. DFID's GBP 35.4 million "Improving rural access in Tanzania (IRAT)" nation-wide programme is designed to remove road bottlenecks and allow year-round access. Technical assistance is provided to the PORAHL Division of Infrastructure Development. USAID's USD 40 million intervention assists the government institutions to upgrade 1 500 km of rural roads in similar target areas as this Action i.e. Mbeya, Iringa and Njombe regions. USAID is assisting the Districts in the selection of roads and preparation of technical studies. Funding is disbursed to the Road Fund Board which transfers funds to LGAs. USAID and EU will sign a MoU where USAID supports the districts in the preparation of the technical studies and supervision of works, while the EU, through this Action will fund the rehabilitation/upgrading works.

### 3.3 Cross-cutting issues

**Good governance** - Result 1 is addressing improved sector governance and the enabling business environment aligned to priority area 4 of ASDP II, through improved policy and regulatory framework, institutional capacity building and coordinated, participatory sector governance. Inter-institutional coordination will be supported, as will transparent procedures supporting increased production and business development, and coordination at local levels.

**Opportunities for women and gender equality** – Women represent around 75% of farmers in Tanzania. It is expected that the primary beneficiaries of the action will be youth and women (over 50%). Opportunities for empowerment though relevant training, market linkages, job creation and income generation for women are central to the action design. The focus on nutrition is a key driver for change, related to breast feeding, nutrition, care giving and health practices. While women and children will be main beneficiaries of awareness campaigns related to nutrition, men will, through the appropriate household approach, also be included in the nutrition awareness raising campaigns. Business development support (results 2.1 and 2.2) will specifically promote women entrepreneurship. Calls for proposals will support women groups’ initiatives with matching grants. The monitoring framework will capture disaggregated gender data, while ensuring baseline information is also provided.

**Environment and climate change adaptation** - In response to variable climatic conditions (drought and flooding) and heavy reliance on rain-fed production, Agri-connect will promote sustainable farming practices including climate smart agriculture, soil fertility, watershed management and climate-friendly techniques. For investment projects, environmental screenings and impact studies, as well as climate proofing analysis to examine options to incorporate climate change adaptation measures into road infrastructure projects, will be carried out when relevant, in compliance with legal requirements and best practices. Moreover, Agri-connect, will promote environmental standards and certification, to improve exports and access to EU markets, with focus on markets for green(er) products, in synergy with the regional MARKUP project.

### 4 DESCRIPTION OF THE ACTION

#### 4.1 Objectives and results

The **Overall Objective** is to contribute to inclusive economic growth, promote private sector development and job creation in the agricultural sector, and to increase food and nutrition security in Tanzania.
This programme is relevant for the United Nations 2030 Agenda for Sustainable Development. It contributes primarily to the progressive achievement of SDGs 2 "End hunger, achieve food security and improved nutrition and sustainable agriculture" and 8 "Promote sustained, inclusive and sustainable economic growth, full and productive employment and decent work for all", but also promotes progress towards Goals 1 "End poverty in all its forms everywhere", 5 "Achieve gender equality and empower all women and girls" and 13 "Take urgent action to combat climate change and its impacts". This does not imply a commitment by the United Republic of Tanzania benefiting from this programme.

This action is fully in line with the National Agricultural Strategy, the new Agriculture Sector Development Programme (ASDP II) and Tanzania Five Years Development Plan II. Agri-Connect reflects priorities set by the 11th EDF National Indicative Programme for the cooperation of the Government of Tanzania and the EU in the agricultural focal sector. The action will contribute to Sustainable Development Goals and supports the priorities set by the new EU Consensus for Development.

| The Action specific objective | is to promote the productivity, commercialisation and competitiveness of the tea, coffee and horticulture sectors. |

Agri-Connect focuses on the horticulture, coffee, and tea value chains as these commodities have significant potential to equitably increase smallholder incomes and nutrition through increased productivity and production, value addition, and improved market linkages. These commodities also present significant opportunities for increased export volumes and revenues, including premium markets. All three commodities offer entrepreneurship opportunities that will drive on-farm and off-farm job creation. Women producers and vendors stand to greatly benefit from Agri-Connect; this is also valid for youth who are particularly attracted by the dynamism and quick returns of the horticultural sector. The programme will contribute to strengthen sustainable farming practices and sustainable trade.

**Expected results**: Agri-Connect is articulated around four main results, in line with the ASDP II components prioritisation:

**Result 1**: Sector enablers and business environment are improved (indirect management with the Partner Country)

The first result addresses key enabling environment weaknesses currently constraining growth for the selected value chains. It will support improved coherence of relevant policy and regulatory frameworks to favour agricultural business development and investment and small scale farmers’ incentives to increase production and market orientation, while strengthening governance mechanisms and sector coordination, including at local level.

The Action will accomplish this by achieving four sub-results, including: i) improved policy, legislative and regulatory framework; ii) increased trade promotion services; iii) improved sector governance, coordination and dialogue; and iv) increased capacity of District Authorities to support sector growth and improved nutritional outcomes. Throughout this component, focus will be on youth and women as to enhance their roles as economic actors in value chain development.

Activities carried out under this result will feed policy dialogue between the EU Delegation and the national counterparts on such issues.
Result 2: Tea, Coffee and Horticulture Value Chains are developed

This result is articulated in two main sub results:

- Result 2.1(Blending Facility): a focus on private sector agro-businesses production, productivity, resource-efficiency, processing, marketing, quality control and environmental certification of coffee, tea and horticultural products increased through improved access to finance. The EU contribution will facilitate the leveraging of additional private sector investment and will be rolled out nationwide in Tanzania as part of the EU External Investment Plan (EIP). This component will specifically support small and medium enterprises along the selected value chains for sustainable agro-business investments (improved productivity and resource-efficiency, adherence to quality and environmental standards, bulking, processing and value addition28, working capital for services) with proven capacity to positively impact smallholder farmers (through out-grower schemes, contract farming, etc), and in particular youth and women. Such operations will generate jobs along the value chain and improve socio-economic conditions of farmers and rural population.

Financial resources will be provided by local finance institutions participating in the action, which will receive support (e.g. Technical Assistance and financial instruments) to develop their capacities for on-lending to the agriculture sector, develop new products, and manage the loan portfolio. The local finance institutions will receive support from financial institutions eligible under AfIF. The Lead Financial Institution(s) will submit an application form with the proposed financial scheme (including the details of financial instruments to be used) and the proposed use of the EU contribution (TA, Guarantees, Risk Capital, Investment Grants) to enable access to finance through the local finance institutions. Specific banking products will target women and young entrepreneurs.

- Result 2.2 (indirect management with the Partner Country): a focus on small-scale farmer production, resource-efficiency, productivity, diversity, value addition, marketing and quality/environmental certification increased through nutrition sensitive climate smart agriculture in selected areas. Targeted support will tackle issues of: low agricultural production and productivity; low uptake of sustainable farming practices; weak capacities of farmers and associations; limited access to inclusive financial services; limited market linkages and low capacity of small-scale farmers to respond to market requirements and ultimately transform into commercial farmers. Emphasis will also be given to diversification of production to boost availability and accessibility of nutritious food (particularly important for stunting prevention). It will identify opportunities for job creation and skills development, improved access to inputs and assets, including financial resources, particularly for youth and women. As an example, women will be empowered to lead small enterprises in value addition and marketing for coffee, tea and horticultural products. All activities will be implemented in close coordination with all relevant stakeholders, including local authorities.

This sub-result is expected to bring direct benefits (increased and sustainable climate resilient and environmentally friendly production and income, new jobs, improved socio-economic conditions in rural areas, improved access to nutritious food) to

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28 E.g. agro-processing to reduce post-harvest losses and for local value addition; improvement on packaging, handling, cold chain and transporting agricultural products; adoption of environmentally friendly technology and hygiene measures.
100,000 small-scale farmers and their households of which 30,000 for horticulture in mainland, 20,000 in Zanzibar, 30,000 coffee farmers and 10,000 tea farmers. It is expected that over 50% of beneficiaries will be youth and women.

**Result 3:** The conditions of rural roads are improved (Budget and Complementary Support)

This result will aim at improving rural roads and their connection to the main road network and economic corridors, as this is a significant bottleneck in the value chain. Effort will concentrate on ensuring development, maintenance, and climate proofing of the road network; supporting local government authorities to upgrade and rehabilitate critical rural roads. This component will be implemented in selected districts in mainland Tanzania within the geographic area targeted by R2.2.

**Result 4:** Levels of knowledge and adoption of good nutrition practices are increased (indirect management with the Partner Country)

The aim is to support behavioural changes in order to achieve better nutritional outcomes. A specific nutrition awareness raising campaign will be launched at national level. This will be complemented by activities mainstreamed in other components too. For instance, component 2.2 will integrate nutrition sensitive activities with a household approach. Women will be key drivers of change at household level; the activities will also target men in order to address imbalances of decision making (use of income and dietary decisions) in the family and overcome beliefs and norms preventing women’s access to nutritious food, particularly when pregnant and/or breast-feeding.

**Geographic location of the action:**

Agri-Connect will be implemented in Tanzania mainland and Zanzibar, with a national and geographically targeted approach.

The Action will have a nation-wide impact; Result 1, Result 2.1, and Result 4 will cover both mainland and Zanzibar. Following extensive consultations, lessons learnt and market research, in consideration of resource availability, it is recommended to geographically target Result 2.2 and Result 3, which look at specific field level operations to support small scale farmers. Such operations need a targeted approach for best results to avoid fragmentation and strengthen impact opportunities. Priority regions have been identified based on, inter alia, agro-ecological conditions and potentialities; estimated production patterns; presence and dynamism of value chains operators including for local value addition; market opportunities (ongoing expansion of the sector from family farming to small commercial scale); potential for diversification of production including for nutrition purposes and intercropping; stunting levels (in selected regions from 34 to 41% of children below age 5); availability of major infrastructure (connectors, trunk roads, airports facilities); synergies with government initiatives and prioritisation; and complementarity with other Development Partners initiatives. For Result 2.2 geographic targeting is recommended for selected southern regions (Iringa, Njombe, Mbeya, Songwe, Katavi, Ruvuma, potentially Mtwara Region and Lindi Town) and Zanzibar. Result 3 is going to be implemented in selected Districts in mainland Tanzania.

**4.2 Main activities**

**Result 1** is going to be implemented through Technical Assistance which will benefit primarily sector institutional partners (the Ministry of Agriculture, Livestock and Fisheries in mainland and the Ministry of Agriculture, Natural resources, Livestock and Fisheries in Zanzibar and
other relevant institutions) for enhanced policy dialogue, and actors along the value chain. This component will be complementary to the EAC Regional Programme MARKUP. Activities will include:

i) Policy, legislative and regulatory framework issues that affect the sector and the commodities, including agricultural finance; activities will include research and analysis for policy reforms options, including strategies, plans and legislation to enhance youth and women opportunities and Gender Responsive budgeting.

ii) Services for private sector and small scale farmer development; youth and women-headed value chain operators are to be prioritised. Activities along the value chain will include capacity building for increased competitiveness (local value addition, certification/adoption of quality and environmental standards, including for export towards the EU).

iii) Governance, coordination and dialogue; with activities such as sector coordination, institutional horizontal and vertical dialogue mechanisms, capacities of cooperatives and associations strengthened, nutrition coordination mechanisms supported and improved at National level. This component will ensure necessary linkages with the ASDP II coordination mechanism.

iv) Strengthening of District Authorities capacities; to support local level agriculture development and nutritional outcomes. Activities will involve capacity building and support to District Authorities for the preparation /strengthening of Agriculture Development Plans (DADP), support to development and coordination of district nutrition strategies and plans, strengthening the implementation of the NMNAP, local coordination and improved governance.

**Result 2** will promote value chain development for tea, coffee and horticulture. It will be implemented with two different modalities. On the one hand, it will support private sector to expand investments in agriculture; on the other hand, it will support small scale farmers to increase their production and meet market demands; both will positively impact small holders farmers' livelihood, income and business opportunities. The first will be implemented by a blending mechanism (through a contribution to the Regional Blending Facility AfIF) which is expected to leverage additional private resources (expected ratio 1:7); the latter will be implemented by action grants projects resulting from a call for proposals.

More specifically:

- **Result 2.1** will support private sector agro-businesses projects on the three value chains at national level. Projects will be selected according to business quality, environmental and socio-economic impacts. Activities will be carried out through blending arrangements with eligible financial institutions and national financial institutions and will comprise a selection of support services, including screening of business plans, award of loans, monitoring of business development with Technical Assistance support and service facilitation to new businesses. Women and youth will be amongst priority intended beneficiaries. Investments on green technologies will also be encouraged.

- **Result 2.2** will directly target small scale farmers in selected Southern Highland and Southern regions (Iringa, Njombe, Mbeya, Songwe, Katavi, Ruvuma, potentially Mtwara Region and Lindi Town) and Zanzibar. Projects will be selected as a result of a call for proposals articulated in specific lots for each commodity: i) tea ii) coffee iii) horticulture

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29 Local consultations pre-identified AFD, AFDB, KfW and EIB as potential eligible IFI candidates. Several national Financial Institutions have expressed interest in the mechanisms. A specific study has been carried out by independent financial experts to identify agricultural finance bottleneck for private sectors operators in the selected value chains.
iv) horticulture in Zanzibar. In order to achieve greater impact, only projects of a size between EUR 5 and 10 million will be considered. The maximum possible rate of co-financing for such grants will be 90%. The call for proposals will be open to CSOs’ and LGAs’ applicants (individually or in consortia) in partnership with local organisations. Partnerships with private sector will also be encouraged, particularly to ensure service provision for smallholder farmers and expand market opportunities. The essential selection criteria are financial, management and operational capacities of the applicants. These criteria will be further spelled out in the guidelines for applicants.

The projects will aim at improving small-scale farmers' income and nutrition through targeted interventions on productivity and production, resource-efficiency, diversity, small scale local value addition and marketing, and nutrition sensitive climate smart agriculture through:

- **Capacity development**: trainings in sustainable agriculture practices (Climate Smart Agriculture and GAP), in nutrition sensitive agriculture, postharvest, storage and handling, quality enhancements (including through input service provision).
- **Financial inclusion and literacy**: development and support of Savings and Loans schemes; financial assistance to third parties (matched by at least 50% farmers' own contributions); trainings on financial literacy and business development. Women business proposals will be privileged.
- **Establish market information systems and market linkages**: (partnerships with processors to meet demand for local sourcing of production, distribution, exporters).
- **Improve market knowledge** also through farmer field schools and other platforms, also to support diversification of production for income and nutrition purposes.
- **Facilitate dialogue among local actors** (LGAs, farmers associations, associations along the value chain) and encourage their aggregation.
- **Improve nutrition knowledge**:30 train households on home gardening, access to food rich in proteins, vitamins and minerals (including pulses, vegetables with high iron content, poultry, fruits and seeds with high nutritional value). Activities will also include support to breast-feeding programmes, infant and young child nutrition programmes, capacity building of local actors (institutional service delivery, nutrition M&E, hygiene and nutrition, training of District level staff) and the development of care groups.

Activities under result 2 will promote an active participation of youth in farming and value addition through grants, targeted capacity building and support to associations. Youth-friendly approaches and communication techniques will be used. A gender sensitive approach will support improved access to inputs, knowledge and financial resources for women and promote joint decision-making at household level by involving men. Women will be encouraged to lead enterprises, supporting value addition and marketing.

**Result 3 Budget Support** will ensure the improvement of rural roads in selected Districts within the targeted geographic in mainland area under Result 2.2, in order to improve market access for tea, coffee and horticulture products. In addition, it will consist of engaging in a problem-solving oriented policy dialogue with the Government of Tanzania around the financing and implementation of rural roads maintenance, development and climate proofing.

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30 In targeted areas combined efforts of health centers, schools, local authorities, community facilitators and farmers' field schools will aim to develop an increased awareness at household and community level as well as along the whole value chain. The nutrition component will be adapted in function of the commodity. The result will have a strong gender orientation in all its activities although both men and women will be involved in household level decision making for improved nutrition.
Each year, a few districts will be selected within the targeted geographic areas of the project. Selection will be done in consultation with the PO-RALG; priority will be given to those districts where technical assistance has been provided by USAID or DFID in prioritising the road intervention (on the basis of a market access analysis) and in preparing technical design. Complementary support and capacity building will be provided to the Road Fund in monitoring and evaluating the road maintenance programmes; to the PO-RALG DID Department and the newly established TARURA to oversee Districts road maintenance and development programming cycle; to the follow up of the implementation of over-load control measures.

Result 3 Complementary Support to Budget Support

A Technical Assistance is indicatively foreseen to:

- Support the RF in monitoring and evaluating the road maintenance programmes.
- Support the PO-RALG DID Department (or TARURA once created and operational) to oversee the Districts road maintenance and development programming cycle.
- Follow up the implementation of over-load control measures.

Result 4 aims to support behavioral changes in order to achieve better nutritional outcomes. It will be coordinated by Government entities mandated to oversee nutrition issues in the country with support of Technical Assistance specifically in developing a national communication strategy and campaign to foster behavioral change for improved nutrition in mainland and in Zanzibar. Such efforts will be complemented by mainstreaming nutrition in other components (ex. in 2.2).

4.3 Intervention logic

Agri-Connect aims to overcome key constraints that limit production, value addition and marketing and access to an export market for horticulture, coffee and tea farmers and their households. The logic underlying the Agri-Connect design intends to shift small scale-farmers’ focus from subsistence production to a market-oriented approach, converting farmers into entrepreneurs. The intervention will promote activities that would allow small-scale farmers to increase productivity and production, partly by enhancing their climate resilience. Moreover, by increasing financial literacy and access to financial services through Savings and Loans Groups and matching grants, business opportunities will be increased. In parallel, the Action will improve market information and link farmers to markets. In addition, the Action will offer incentives for private sector investments in agriculture (through the blending mechanisms) to expand markets for domestic consumption and local value addition (also for exports). Under the nutrition component, a nutrition awareness raising campaign will target a national audience, while activities embracing communities and households will be embedded in other results in the Action.

The cause-effect relationship builds on addressing constraints both at macro (result 1), meso (result 2.1, partially 4) and local (results 2, 3 and 4) levels. The action logic sees increased private sector investment as an effective way to achieve economic and social improvements for small-scale farmers. The success intervention logic builds on assumptions related to a) the market (demand of three commodities, offer of inputs, offer and demand of financial services), b) a favorable political and policy environment, c) effective, capable and client oriented institutions. The logic to work depends as well on the important assumption that changes promoted by Agri-Connect will be fully supported by intended beneficiaries and their social and cultural context. Support to enabling factors through Results 1 and 2 will i) stimulate and increase the supply and value addition related to the three commodities and ii) as an outcome of stimulation of supply, new jobs will be created and households' socio-economic conditions
will be improved. The targeting of all activities will accrue benefits to women and youth, and will promote the transition to an inclusive green economy.

5. IMPLEMENTATION

5.1 Financing Agreement

In order to implement this action, it will be necessary 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 78 months from signing the Financing Agreement.

Extensions of the implementation period may be agreed by the Commission’s authorizing officer responsible, by amending this decision and the relevant contracts and agreements 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

5.3.1 Rationale for the amounts allocated to budget support

The amount allocated for budget support for rural roads is EUR 46 000 000 and EUR 2 000 000 for complementary support. The choice of budget support modality is proposed to ensure the maximum alignment with the national road financing and management system. Dialogue with the Ministry of Finance and Planning, the PO-RALG, the Ministry of Works, Transport and Communication and the Road Fund will ensure that EU budget support will contribute to the Road Fund and principally used to rehabilitate/upgrade rural roads in selected districts within the area in mainland defined by Agri-Connect, in view of increasing access to the market for tea, coffee and horticulture products. The indicative amount of budget support is based on extensive dialogue with the authorities and the selection of priority districts and the specific roads to be rehabilitated/ upgraded is already ongoing by the Districts’ authorities, with the support of USAID and under the supervision of the PO-RALG DID. This system allows EU funds to be fully integrated with the national system (respect of the financial flow of funds through the Road Fund to the Districts and use of the Performance Agreement to measure the achievements of the Districts in the implementation of the road maintenance and development programmes) and ensure the full appropriation by the national authorities, Road Fund, PO-RALG and the Districts.

The complementary support part of the action will be implemented through partial decentralised management and will entail the signature of a service contract. The commission controls ex ante all the procurement and grant procedures. All payments are executed by the commission. The change of management mode constitutes a substantial change except where the commission "re-centralises" or reduces the level of tasks previously delegated to the beneficiary country, international organisation or delegate body under, respectively, decentralised, joint or indirect centralised management.
5.3.2 Criteria for disbursement of budget support

a) The general conditions for disbursement of all tranches are as follows:
- Satisfactory progress in the implementation of the rural roads sub-sector policy and strategies as specified in LGTP II and continued credibility and relevance thereof;
- Satisfactory implementation of a credible stability-oriented macroeconomic policy;
- Satisfactory progress in the implementation of Public Financial Management (PFM) reform programme;
- Satisfactory progress with regard to the public availability of timely; comprehensive and sound budgetary information.

b) The specific conditions for disbursement that may be used for variable tranches are:
- Percentage of funds\(^{31}\) collected by Tanzania Revenue Authority (under the Road and Fuels Tolls Act) that goes to the Road Fund for each FY (%);
- Annual average monthly delay\(^{32}\) (in days) for transfer of Road Fund revenues (fuel levy and transit charges) to Road Fund Board;
- Percentage\(^{33}\) of money committed for maintenance and development by selected LGAs (in the targeted geographic area) compared to annual Road Fund budget (%);
- Km of roads upgraded or rehabilitated in selected Districts (in the targeted geographic area); this indicator will evaluate the level of implementation of the Performance Agreements between the Road Fund and the concerned LGAs.

The chosen performance targets and indicators to be used for disbursements will apply for the duration of the action. However, in duly justified circumstances, the National Authorising Officer may submit a request to the Commission for the targets and indicators to be changed. The changes agreed to the targets and indicators may be authorised by exchange of letters between the two parties.

In case of a significant deterioration of fundamental values, budget support disbursements may be formally suspended, temporarily suspended, reduced or cancelled, in accordance with the relevant provisions of the financing agreement.

5.3.3 Budget support details

Budget support is provided as direct untargeted budget support to the national Treasury. The crediting of the euro transfers disbursed into Tanzanian Shillings will be undertaken at the appropriate exchange rates in line with the relevant provisions of the financing agreement.

5.4 Implementation modalities

5.4.1 Indirect management with the United Republic of Tanzania

A part of this action with the objective of contributing to inclusive economic growth, promoting private sector development and job creation in the agricultural sector, and increasing food and nutrition security in Tanzania, may be implemented in indirect management with the Government of the United Republic of Tanzania in accordance with Article 58(1)(c) of the

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31 Section 4(2) of the Roads and Fuels Tolls Act requires that all monies collected as roads and fuel tolls shall be deposited in the account of the fund. This indicator will assure that percentage of monies collected by Tanzania Revenue Administration and other institutions, and as indicated in the law, all goes to Road Fund.

32 Road Fund revenues collected by Tanzania Revenue Authority go to Road Fund budget through MoFP on monthly basis. This indicator will be calculated by averaging the annual monthly number of days the money collected for each month delays to reach Road Fund budget from MoFP. Timely disbursement will allow the proper implementation of the maintenance programmes.

33 Absorption of the allocated maintenance fund by implementing agencies is important. This indicator will be measured as a total volume of works contracts (TZS) committed by the selected Districts for maintenance and development activities, measured as % of annual maintenance budget for the concerned LGAs.
Regulation (EU, Euratom) No 966/2012 EDF, applicable in accordance with Article 2(1) and Article 17 of Regulation (EU) 2015/323 according to the following modalities:

The partner country will act as the contracting authority for the procurement and grant procedures. The Commission will control ex ante all the procurement and grant procedures. Payments are executed by the Commission.

In accordance with Article 190(2)(b) of Regulation (EU, Euratom) No 966/2012 and Article 262(3) of Delegated Regulation (EU) No 1268/2012, applicable in accordance with Article 36 of Regulation (EU) 2015/323 and Article 19c(1) of Annex IV to the ACP-EU Partnership Agreement, the partner country shall apply procurement rules of Chapter 3 of Title IV of Part Two of Regulation (EU, Euratom) No 966/2012. These rules, as well as rules on grant procedures in accordance with Article 193 of Regulation (EU, Euratom) No 966/2012, applicable in accordance with Article 17 of Regulation (EU) 2015/323, will be laid down in the financing agreement concluded with the partner country.

5.4.2 Contribution to the Africa Investment Facility (AfIF)

The contribution related to result 2.1 may be implemented under indirect management with the entities, called Lead Financial Institutions, and for amounts identified in the appendix of this action document, in accordance with Article 58(1)(c) of Regulation (EU, Euratom) No 966/2012 applicable by virtue of Article 17 of the Annex to Regulation (EU) No 323/2015. The entrusted budget-implementation tasks consist in the implementation of procurement, grants, financial instruments and payments. The entrusted Member State agency shall also monitor and evaluate the project and report on it. The Lead Financial Institutions are not definitively known at the moment of adoption of this Action Document but are indicatively listed in its appendix. A complementary financing decision will be adopted under Article 84 (3) of Regulation (EU, Euratom) No 966/2012 to determine the Lead Financial Institutions definitively.

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>Budget support - Sector Reform Contract - Result 3</th>
<th>EU contribution (EUR)</th>
<th>Indicative third party contribution (EUR)</th>
</tr>
</thead>
<tbody>
<tr>
<td>5.3 Budget support - Sector Reform Contract - Result 3</td>
<td>46 000 000</td>
<td></td>
</tr>
<tr>
<td>5.4.1 Indirect Management with Tanzania</td>
<td></td>
<td></td>
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<tr>
<td>Procurement of Service Contracts:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Result 1, Result 4, Result 3 (complementary support BS)</td>
<td>7 000 000</td>
<td>2 000 000</td>
</tr>
<tr>
<td>Grants (Call for Proposals) Result 2.2</td>
<td>32 000 000</td>
<td>3 500 000</td>
</tr>
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</table>
5.4.2 Contribution to the Africa Investment Facility (AfIF) - Result 2.1  12 000 000  *

5.9 Evaluation, 5.10 Audit  400 000

5.11 Communication and visibility  400 000

Contingency  200 000

Total  100 000 000  3 500 000

* Expected leverage of additional EUR 84 000 000.

5.7 Organisational set up and responsibilities

The implementation of the Action involves the following stakeholders/organisational set up:

- The National Authorising Officer is the Ministry of Finance and Planning (MoFP) and will act as the Contracting Authority for procurements and grant procedures.
- The Delegation of the European Union will control ex ante procurement and grant procedures; it will oversee and execute payments.
- The Ministry of Agriculture, Livestock and Fisheries (MALF) and the Ministry of Agriculture, Natural resources, Livestock and Fisheries (MANLF) in Zanzibar will be the main beneficiary Institutions and counterpart for Results 1, 2 and 4.
- The President’s Office – Regional Administration and Local Government (PO-RALG) will be the main beneficiary Institution and counterpart for Result 3 and also involved under Result 1, 2 and 4.

A Steering Committee shall be set up to oversee the overall direction and policy of the programme. It will meet every six months. It will be co-chaired by the EU, the Ministry of Agriculture, Livestock and Fisheries in mainland (MALF, Directorate of Policy and Planning and Directorate of Crop development) and the Ministry of Agriculture, Natural resources, Livestock and Fisheries (MANLF) in Zanzibar. The composition will also include:

- the Ministry of Finance and Planning (National Authorising Officer - NAO),
- the Ministry of Industry, Trade and Investment,
- the Prime Minister’s Office (Nutrition Coordination Unit),
- the President’s Office Regional Administration and Local Government (PO-RALG),
- Beneficiaries of the grant contracts signed.

The monitoring of the "rural roads" budget support component will be ensured by the already established (under the 10th EDF Road Budget Support programme) Technical Committee, composed by MoWTC, PO-RALG, RF, TANROADS, NAO and EU Delegation. This committee meets every month and will report to the Steering Committee about the progress on the achievements of the defined indicators.

The existing Coordination and Management Units within MALF and MANLF will be strengthened through support from Technical Assistance to i) ensure coordination and coherence of the different action components; ii) act as a secretariat of the Steering Committee; iii) establish an action level M&E system and draft reporting every 6 months; iv) consolidate dialogue mechanisms across institutions and other actors (private sector, farmers and civil society). For the case of Tanzania-Mainland, the Unit will ensure appropriate synergies with the ASDP II coordination structure and facilitate dialogue. The Unit will establish and maintain regular and continuous contact with the EU Delegation.

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Specific policy dialogue mechanisms will be established with relevant stakeholders for the three commodities, such as the Tanzania Coffee and Tea Boards, associations of the three selected commodities producers such as TAHA, Farmers Associations, Cooperatives and the private sector at large, national financial institutions, women associations, amongst others.

5.8 Performance monitoring and reporting

The day-to-day technical and financial monitoring of the implementation of this action will be a continuous process and part of the implementing partners' responsibilities. To this aim, the implementing partners shall establish a permanent internal, technical and financial monitoring system for the action and elaborate regular progress reports (every six months) 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 (for project modality) or the list of result indicators (for budget support). 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).

The Co-ordination and Management Unit mentioned in section 5.7 will be strengthened for the purpose. It will elaborate regular performance progress reports every six months 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 log frame matrix and the list of result indicators for budget support (see section 5.3). At the start of the action, relevant baseline data (which should be sex disaggregated) identified in the logframe should be collected through specific studies to be carried out by the Co-ordination and Management Unit; at the end of the action, and as needed during the implementation, a final survey study will be executed to gather data for monitoring purposes. Whenever possible, data collection will be disaggregated by gender and age.

The assessment of the indicators of the Rural Roads Budget Support will be based on the reports of the Road Fund, the reports of TANROADS, the reports of PO-RALG and in particular the reports on the Annual Performance Agreements signed between the RF and the implementing agencies.

5.9 Evaluation

Having regard to the nature of the action, mid-term and final evaluations will be carried out for this action via independent consultants contracted by the Commission.

The mid-term evaluation will be carried out for learning and management purposes, in particular with respect to improve performance, effectiveness, impact and sustainability. Performance results will be compared to a baseline study to be carried out during the first three-months of the programme.

The final evaluation will be carried out for accountability and learning purposes at various levels (including for policy revision), taking into account in particular the fact that a) the action
proposes an innovative approach in combining different implementation modalities, including service contracts, grants, blending and budget support operations; b) the potential for replication in different geographical areas.

The Commission shall inform the implementing partner at least 30 days in advance of the dates foreseen for the evaluation missions. The implementing partners 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 in 2020.

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 services shall be concluded under a framework contract in 2019.

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 Indicative Budget.

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.

The EU will ensure that adequate communication and visibility is given to EU funding overall (not only linked to this project) by the Government of Tanzania through specific events like inauguration of the Project, press conferences, media reports, etc. Furthermore, the implementing partner will establish and maintain a web-site containing all relevant programme documents and information for the public. It will produce other communication material such as brochures, press releases, and if feasible, TV and radio spots to secure outreach and proper communication of the Project to the respective target audiences.
## APPENDIX 1 - INDICATIVE LOG FRAME MATRIX

<table>
<thead>
<tr>
<th>Intervention logic</th>
<th>Indicators</th>
<th>Baseline 2017</th>
<th>Targets 2022</th>
<th>Sources and means of verification</th>
<th>Assumptions</th>
</tr>
</thead>
</table>
| **Overall objective: Impact** | - National budget allocations supporting horticulture, coffee and tea crops (in EUR)  
- Private investments in horticultural, coffee and tea sectors  
- % of GDP from horticulture, coffee and tea  
- Dietary diversity in children and women  
- National stunting levels (%) **  
- Stunting indicators in targeted areas** | | | - Macro-economic indicators  
- Central Statistics  
- Nutrition surveys. DHS | |

| Specific objective Outcome | - Level of production in the horticulture, tea and coffee crops sectors (volume)  
- Processed production as a percentage of overall production  
- Exports of selected crops as a percentage of total agricultural exports  
- Number of jobs / self-employment in selected crops  
- Income of small scale farmers working in the selected value chains  
- Agricultural area labelled organic, with EU support  
- Agricultural and pastoral ecosystems where sustainable land management practices have been introduced with EU support (number of hectares)**  
- Number of people receiving rural advisory services with EU support** | | | - Agricultural Census Survey expected to be implemented in 2017/2018  
- Agricultural Routine Data System (ARDS)  
- Mid Term and End of Programme independent evaluation  
- M&E system to be established within the programme (macro) by the Coordination and Management Unit and at projects level | Overall favorable macro-economic conditions support growth, employment and export  
Political commitment to improve export and business environment and incentives for small scale farmers  
Constructive political and policy dialogue between EU and Government of Tanzania |

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*Note: ** indicates indicators to be measured at project level for alignment with national reporting frameworks.*
| Outcome | **Result 1: Sector enablers and business environment are improved**  
- Policy and regulatory framework improved  
- Enabling environment for finance improved  
- Access to trade promotion services increased  
- Governance, dialogue and coordination improved  
- Local Authorities capacities strengthened  
- Status of policy, legislative and regulatory reforms (under revision, established, adopted)  
- Status of implementation and enforcement of individual reforms supported (ex. local taxation, board reforms, agricultural finance)  
- Status of implementation of national strategies and action plans for horticulture, tea and coffee  
- Number of District Agricultural and Nutrition Plans developed with support of this Action | **Ministry of Industry, Trade and Investments Annual Reports IMF reports WB Business Environment reports Bank of Tanzania business environment assessments** | Government is committed to implement the ASDP II with adequate financial and human resources |
|---|---|---|
| Outcome | **Result 2: Tea, coffee and horticulture Value Chains are developed**  
- Number of farmers supported by this Action (disaggregated by sex)  
- Number of investments financed through matching grant mechanisms  
- Number of business plans applications financed by local Financial Institutions under the blending mechanism (Indicators selected under the Blending Facility Application Form)  
- Percentage of the rural labour force employed in the selected value chains as a result of this Action  
- Number of new processing units for horticulture coffee and tea established with this Action  
- Prevalence of underweight children under five years of age in rural areas  
- Investments in green technologies, with EU support  
- Input consumption (Fertilizers grams per hectares, use of improved seedlings)  
- Percentage of farmers that have knowledge, and use advice disseminated by extension system  
- Percentage of farmers aware of key market information. | **Baseline survey (2018, 2022) Agri-connect monitoring Assessment of supported businesses (MTR and end of programme) IFI and banks data Beneficiaries assessment Reports on the implementation of the Blending project. Farmers income and nutrition surveys Agri-Connect monitoring systems TAHA, Coffee board and tea board data** | Effective logistics for inputs availability, adequate technical and business development services are available at commercial terms for the producers/processors |
<table>
<thead>
<tr>
<th>Outcome</th>
<th>Result 3 – The conditions of rural roads are improved</th>
<th></th>
<th></th>
<th>District Councils data</th>
<th>Ministry of Transport is monitoring the traffic flows in the region</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>• Number of districts that identified local priorities in rural roads&lt;br&gt;• Number of districts that have access to road funds&lt;br&gt;• Number of km of roads upgraded&lt;br&gt;• Number of km of roads rehabilitated&lt;br&gt;• Number of km of rural roads maintained (on an annual basis)&lt;br&gt;• Number of LGAs using DROMAS&lt;br&gt;Change (percentage) of unit cost for transportation of agricultural products (including vehicle operational cost and travel time)</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Outcome</td>
<td>Result 4: Levels of knowledge and adoption of good nutrition practices are increased</td>
<td></td>
<td></td>
<td>National and local survey beneficiary assessment</td>
<td>Ministry of health nutrition, stunting and breast feeding data</td>
</tr>
<tr>
<td></td>
<td>• % of population (national, local) reached by nutrition campaigns&lt;br&gt;• Level of nutrition knowledge&lt;br&gt;• Dietary diversity in children and women&lt;br&gt;• Number of women breast feeding and aware of infant nutrition practices&lt;br&gt;• Number of women of reproductive age and children under 5 benefiting from nutrition related programmes with EU support **</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

*** To be determined at inception phase; data to be sex disaggregated
**APPENDIX 2 - INDICATIVE LIST OF PROJECTS/PLAN FOR FUNDING**

<table>
<thead>
<tr>
<th>Sub-region</th>
<th>Country</th>
<th>Lead Finance Institution</th>
<th>Operation's Title</th>
<th>Sector</th>
<th>Estimated total investment cost (M€)</th>
<th>AfIF estimated Request (M€)</th>
</tr>
</thead>
<tbody>
<tr>
<td>East Africa</td>
<td>Tanzania</td>
<td>AFD</td>
<td>Agri-Connect: Supporting value chains for shared prosperity</td>
<td>Agriculture</td>
<td>84</td>
<td>12</td>
</tr>
</tbody>
</table>