



**Sustainable Agriculture Kigoma Regional Project**

**No-cost extension of the project period request**

Addendum to the Technical and Financial File

August 2020 – reviewed steering committee

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# 1 Acronyms

AAS	Assistant Administrative Secretary
AFM	Administration and Financial Manual
AFO	Administration and Financial Officer
AGRA	Association for Green Revolution in Africa
AIDS	Acquired Immunes Deficiency Development Syndrome
AMCOS	Agricultural Marketing Cooperative Society
ANO	Announcement of No Objection
ARDS	Agricultural Routine Data System Tz
ARI	Agricultural Research Institute
ASDP	Agricultural Sector Development Programme
ASDS	Agricultural Sector Development Strategy
BIO	Belgian Investment Organisation
BDSP	Business Development Service providers
CB	Capacity Building
CBO	Community Based Organisation
CBODP	Capacity Building & Organizational Development Plan
CBSV	Cassava Brown Streak Virus
CBTNA	Capacity Building Training Need Assessment
CMO	Implementation Agreement
CMV	Cassava Mosaic Virus
CPI	Capacity Performance Index
CRS	Catholic Relief Services
CRDB	Cooperative Rural Development Bank
CSE	Commercial seed entrepreneur
CSO	Civil Society Organisation
DADP	District Agricultural Development Plan
DAICO	District Agriculture, Irrigation and Cooperative Officer
DASIP	District Agricultural Sector Project
DED	District Executive Director
DFP	District Focal Person
DRC	Democratic Republic of Congo
EA	East Africa
ETR	End Term Review
FAAB	Farming as a business
FHHH	Female headed household
FEWSNET	Famine Early Warning Systems Network
FO	Farmers Organisation
FSP	Financial Service Provider
HH	Household
GAFCO	Good African Food Company
GAP	Good Agricultural Practices
GEWE	Gender Equality and Women Empowerment
GIS	Geographic Information System
GoTz	Government of Tanzania
IFAD	International Funds for Agriculture Development
IITA	International Institute for Tropical Agriculture
JGI	Jane Goodall Institute
JLPC	Joint Local Partner Committee
LF	Lead Farmer

LGA	Local Government Authority
LIC	Local investment climate
MATI	Ministry of Agriculture - Training Institute
MFI	Micro finance institution
MIS	Market Information System
MoCoU	Moshi Cooperative University
MoF	Ministry of Finance
MoU	Memorandum of Understanding
MTR	Mid Term Review
NMB	National Microfinance Bank
NRM	Natural Resources Management
NRM-LED	Natural Resources Management for Local Economic Development
NTA	National Technical Adviser
O&OD	Opportunities & Obstacles to Development
PASS	Private Agriculture Sector Support Trust
PIU	Project Implementation Unit
PO-RALG	President's Office – Regional Administration and Local Government
PPP	Public Private Partnership
PSC	Project Steering Committee
PSO	Private Sector Organisation
QDS	Quality Declared Seed
QFP	Quality Food Products Ltd
RAS	Regional Administrative Secretary
RFT	Regional Facilitation Team
RR	Resident Representative
RS	Regional Secretariat
RSM	Regional Stakeholder Meeting
SA	Specific Agreement
SACCOS	Saving and Credit Cooperative Organisation
SAKIRP	Sustainable Agriculture Kigoma Regional Project
SIDO	Small Industries Development Organization
SM	Structured marketing
SME	Small and medium enterprises
TAFSIP	Tanzanian Agriculture and Food Security Investment plan
TARURA	Tanzanian Rural & Urban Road Agency
TBS	Tanzania Bureau of Standards
TCCIA	Tanzania Chamber of Commerce Industry and Agriculture
TFF	Technical and Financial File
TOC	Theory of Change
TOR	Terms of Reference
TOSCI	Tanzania Official Seed Certification Institute
VC	Value Chain
VCF	Value Chain Finance
VICOBA	Village Community Bank
WAEO	Ward Agricultural Extension Officer
WEO	Ward Executive Officer

## 2 INTRODUCTION

In the technical and financial file of the Sustainable Agriculture Kigoma Regional Project (SAKIRP), the initial implementation period was a total of 60 months from June 2016 to May 2021. Due to several operational and contextual challenges, the technical and financial implementation is behind schedule. The extension of the project implementation until December 2022 (meaning 19 months extra implementation) and Specific Agreement until 24/06/2023 (allowing the standard 6 months closing time by the representation team) will avail enough time to consolidate and improve the quality of results whilst allowing enough time for a phased and sustainable exit. An additional period will allow to expand the project's successful activities: strengthening value chain linkages, capacity building of farmers' groups in aggregation and marketing, improved production including the promising sunflower value chain, sustaining digital data management in local government agricultural extension and scaling up the construction of bridges for better access to markets of agricultural commodities. The requested extension is budget neutral and will not alter the activity/ operational cost ratio. The SAKIRP extension has been advocated by the midterm review and was approved for further processing by the project steering committee in 2019. The formulation of the next bilateral cooperation programme between Tanzania and Belgium has been delayed. The SAKIRP extension would allow for a continued presence on the ground and an engagement with the Tanzanian partners while the bilateral programme is being finalised.

## 3 Context, justification, objectives and plans

### 3.1 Context and progress

The Sustainable Kigoma Regional Project was developed under the Development Cooperation Programme (2014 – 2015) between the Government of Tanzania and the Kingdom of Belgium. The specific agreement for the implementation of this project was signed on 25 November 2015 and will run until 24 November 2021.

The SAKIRP project is implemented by Enabel and is anchored within the Kigoma Regional Secretariat office. The project implementation started in June 2016 with an Inception phase which ended in May 2017. By May 2020, the project has spent 46% of the total budget of EUR 8.000.000. By the end of planned original end date of the project, May 2021, the project would be expected to have an estimated unutilised budget of EUR 2.1 million.

The SAKIRP project was planned to run for a period of 60 months starting from the 1st of June 2016. Nine of the 60 months were for an inception phase dedicated to the recruitment of staff, conducting additional studies and developing implementation strategies. Due to the remoteness and the attendant lack of services, the inception phase ended up taking total of 12 months; leaving an effective implementation period of 45 months. The implementation of project activities commenced in July 2017 after the approval of by strategic orientations and the inception report by the steering committee.

Since its commencement, SAKIRP has made significant progress towards the attainment of its results and the project specific objective. The project has a direct reach of 15,000 smallholder farmers and directly supports 16 small-scale traders and processors. It has improved the performance of the local government extension and introduced important innovations to the farming system. The project is well known for spearheading digitalisation in agricultural extension, promotion of disease tolerant cassava varieties, strengthening market linkages for bean producers and the extensive construction of stone arch bridges with community contribution to improve access to markets.

## 3.2 Justification for the extension

The mid-term review team recommended that an extension of the project should be considered for the following reasons:

- To consolidate existing positive results, reach economies of scale and improve the quality and depth of interventions.
- Scaling up of bean aggregation in collaboration with World Food Programme, deepen the agribusiness approach and allow for multiple market linkages.
- To strengthen further the organisational capacity of smallholder producer groups to deal with agricultural commodity marketing and internal resource mobilisation.
- To prepare and implement an exit and sustainability strategy.
- Limited progress has been made in assisting both farmers and private enterprises to access financing services to support value chain activities.

The overall remark for the mid-term evaluation team was that the initial project period of five years was too short for developing a value chain up to the required level of effectiveness and sustainability. In addition to the points raised above, an extension phase will create additional opportunities for scaling up successful activities and creating better conditions for sustainability:

- It will create 4 additional production and aggregation systems (2 for beans and 2 for sunflower) that will mainstream further good agronomic practices amongst smallholder farmers, strengthen local government agricultural extension systems and offer increased on the job training for AMCOS (Agricultural & Marketing Cooperative Societies) to handle the logistics, quality control and finance of bean and sunflower trading.
- Difficulties in partnering with banking institutions necessitated the need to use community-based microfinance approaches to resolve value chain financing. Microfinance approaches require more time to coach smallholder farming groups to develop the requisite management competencies and get them on a sustainable path.
- Since February 2020, Enabel has received the new mandate to support microfinance with guarantee funds. SAKIRP will partner with the nationwide agricultural finance trust fund PASS to support credits for agricultural input supply, processing and aggregation. This collaboration will offer new opportunities provided that sufficient time is available.
- Cassava production in East Africa has collapsed because of cassava mosaic virus CMV and the cassava brown streak virus CBSV. In 2020, the new variety Tz 130 with double tolerance was released. SAKIRP has started micro propagation units to multiply the cuttings. The reproduction rate of cassava is slow and 2 more agricultural seasons will make a big difference regarding the available germplasm in Kigoma Region and households' access
- The two selected value chains of cassava and beans have only limited scope to improve smallholders' income. The sunflower pilot in 2 districts has been encouraging given its climate change resilience, low production costs and strong domestic/ local demand. The extension phase will allow for a sustainable upscaling of the sunflower value chain and having a better impact on household income. The private sector has been proactive for seed supply and processing. The sunflower hybrid seed supply will be able to benefit from co-guarantee funds credits of the Tanzanian Agricultural Development Bank.
- Improvements in the production base and the collaboration with institutional buyers like WFP provide a case for extended hands-on coaching in collective marketing and farming as a business.
- The access to markets component of building bridges has become very successful in collaboration with village governments and the Tanzanian Rural and Urban Roads Agency (TARURA). There is a large demand for more bridges. The village governments have started mobilising their local contribution. The extension will allow to build 70 bridges in total making a clear impact on the economic infrastructure of Kigoma region and building the reputation of Belgian development cooperation. TARURA has sent a number of technical delegations to understudy the stone arch bridge technology to see whether it can be mainstreamed in its budget.

- The project's decision to invest in the development of a business membership organisation consisting of traders and processors calls for more time for capacity development to ensure institutional sustainability.

Despite the progress made in the implementation of the project, several contextual and operational challenges have been encountered. These have slowed down the technical and financial execution in the first 2 years. The extension phase will allow to address these factors that are listed down below.

- The production base assumed to exist and expected to support an early offtake of marketing interventions was found to be lacking. Yields per hectare and overall production were limited. This required the project to introduce production strengthening activities in its strategy. The effect was that the gestation period for tangible value chain results was lengthened.
- Both value chains experienced some shocks which either slowed down or disrupted the pace of implementation. Improved production in neighbouring Burundi and Rwanda saw cassava prices sharply fall since 2017. The sustained price decline which commenced in 2017, has affected farmer commitment to the crop and triggered some calls to consider alternative cash crops such as rice and sunflower.
- One of the TFF assumptions was a swift collaboration with the private sector for marketing/processing and NGOs for agricultural extension. However, Kigoma is a remote location and the limited private sector is highly informal and fragmented. There were no NGOs on the ground that had a rural network that could be used for reaching the smallholder farmers.
- Challenges of integrating smallholder farmers into structured value chains led some lead firms in the bean value chain to pull-out from Kigoma.
- The absence of producer organisations that can mobilise a large membership and the fragmented trade of cassava and beans mean that there are few economies of scale. The value chain development support is therefore slow and transaction costs are high. In this context, more time is needed to consolidate results.
- The TFF anticipated that the changed legal framework of Enabel would have allowed for the direct support of the emerging private sector and an active role in micro-financing. Despite the importance of support to private enterprise within Enabel's new strategy, its projects do not yet dispose of adequate private sector support tools.
- The non-availability of suitable Enabel modalities in due time to support micro finance services and partner with the banking sector has been an important setback for efficient project implementation.
- Disbursement restrictions imposed in 2018 resulted in the postponement of some technical activities (such as the construction public market facilities) with a corresponding effect on the financial execution of the project.
- The Covid-19 pandemic required a slow-down of project implementation in 2020. Right now, it is hard to anticipate what the consequences will be on the remaining SAKIRP time schedule. An extension will provide a more flexible framework to mitigate the negative impact of the Covid-19 pandemic.

Most of the factors above were beyond the control of the project management unit.

In light of the recommendations made by the project mid-term evaluation team and the reality that more effort is still required to consolidate and improve the quality of existing results, the Joint Local Partners Committee (JLPC) of 19<sup>th</sup> September 2019 recommended that the SAKIRP project be extended.

This extension can be undertaken within the provision of the existing budget and no additional resources will be requested from the Belgian or Tanzanian Government. SAKIRP followed a cost-conscious approach of value for money and avoiding the usual high cost spending of development aid. This generated savings that can be invested in a project prolongation. The ratio between activities and operational costs remains the same. There is no increase in overheads.

### 3.3 Objective

#### 3.3.1 Objective: Extension of the Sustainable Agriculture Kigoma Regional Project

This addendum for the no-cost extension of the technical and financial file serves to elaborate the major activities and strategic orientations to be implemented by the Sustainable Agriculture Kigoma Regional Project. This extension file also provides a detailed breakdown of financial, operational and human resource plans for the extension period.

### 3.4 Changes anticipated for the extension phase

	<b>Original</b>	<b>Extension phase</b>
<b>Budget</b>	EUR 8.800.000 Tanzania: 800.000 euro in kind Belgium: 8.000.000 euro	No additional budget required No change in the ratio of the budget of activities / operational costs
<b>Strategic orientations</b>	<ul style="list-style-type: none"> <li>• Sector: Agriculture</li> <li>• Activity nature: value chain development</li> <li>• Value chain: Cassava &amp; beans</li> <li>• Beneficiaries:</li> <li>• Direct = smallholders &amp; other value chain actors</li> <li>• Indirect = chain supporters, incl. region &amp; districts</li> </ul>	<ul style="list-style-type: none"> <li>• Sector: no changes</li> <li>• Activity nature: no changes</li> <li>• Value chain: + sunflower</li> <li>• Beneficiaries: no changes</li> </ul>
<b>Institutional anchorage</b>	Regional Offices	No changes
<b>Human resources &amp; delivery modality</b>	PIU Partner Coordinator	No changes
<b>Project period</b>	Period specific agreement: Nov 2015 – Nov 2021	Extension of the specific agreement from 24 <sup>th</sup> Nov 2021 till 24 <sup>th</sup> June 2023. Two phases: <ul style="list-style-type: none"> <li>• Increased implementation period with 19 months till Dec 2022</li> <li>• 6 months for administrative closure by the representation team till June 2023</li> </ul>



## 4 Strategic Orientations

### 4.1 Relevance and alignment

SAKIRP project activities are closely aligned to the Tanzanian vision 2025 strategy for turning the country into a middle-income country. At ministerial level, the project feeds into the Ministry of Agriculture's Agricultural Sector Development Strategy for 2015/15-2025/26 (ASDS II). Value chain development and smallholder farmer transformation are key preoccupations of the ministry's strategic thrust. Improved agricultural production is seen as crucial as a source of raw materials for the industrialisation policy and to ensure food security.

Local stakeholders assess SAKIRP interventions as relevant because:

- Cassava and beans are important crops cultivated and traded in large volumes by most farmers in Kigoma region. Beans are important for food security and the household cash flow management. Cassava is adding to the resilience of the farming system.
- Value chain development to alleviate poverty and boost economic growth remains high on the national and regional agenda. Strengthening producer organisations to provide for economies of scale of smallholder farming is indispensable to improve the efficiency of the value chains.
- Access to structured markets has remain low due to mismatches in buyer needs and smallholder farmers' production and logistical capacities. The practical pilots that SAKIRP has been conducting with international bean marketing firms and WFP have provided understudy opportunities for the government and other agricultural projects.
- The Tanzanian government emphasises value addition in the agricultural sector through local processing to spur industrialisation. The addition of sunflower as a third value chain supports the GoTz policy of palm oil import substitution and local agro-processing.
- Tackling the production node bottlenecks increased the project's relevance considering the low productivity currently prevailing in the region. Increased yields are key to the profitability of small holdings. Good agronomic practices and the introduction of diseases tolerant varieties are critical technologies promoted by SAKIRP to raise smallholder income.
- Agricultural input and aggregation credit have been a constraint to value chain transformation and structured market access. The hands-on experience that SAKIRP has gained puts it in a better position to adjust strategies and obtain better results.
- An efficient public service has been high on the agenda of the 5<sup>th</sup> phase government. SAKIRP has been working hard to improve the performance of the local government agricultural extension system.
- The construction of stone arch bridges has been very appreciated by regional and local governments as a very visible contribution to the regional economic infrastructure of the Belgian government. The local resource mobilisation and the cost saving technologies used are currently being mainstreamed in the Tanzanian Rural and Urban Road Agency.
- With the absence of DADP funding, local governments in Kigoma Region perceive this project as central to smallholder agriculture development and increasing crop cess revenue.

At Kigoma regional level, SAKIRP is one of the important agricultural development projects which is central to transformation and capacity development of 3 important value chains. The project provides leadership on value chain development and serves as a reference point for other agro-based interventions that operate in Kigoma region. By harnessing complementarities with other smaller projects, SAKIRP makes a vital contribution to the entire agriculture sector development strategy in the region.

## 4.2 Beneficiaries and transversal themes

The original SAKIRP TFF document states that the primary beneficiaries of this project are smallholder farmers and other chain actors of cassava and bean value chains. 68% of the participating farmers are women. Secondary beneficiaries are value chain supporters, medium size farmers, SMEs, processors, the regional administration, local governments and TARURA. During the extension phase, the same beneficiary categories will be maintained. Increased capacity building will be provided to the emerging successful groups and local governments to create impact and set examples that can be copied. No changes will be made to the transversal themes in the original technical and financial file. Gender and environmental issues have been mainstreamed in the extension packages.

## 5 Operational planning

The operational planning focuses on the 5 results of the technical and financial file. The focus will be on capacity strengthening of farmer groups (market linkages and value chain financing) and the local government extension. Further efforts to sustain improved production and sustainable of sunflower beans and cassava will continue. The construction of bridges for improved access to markets of agricultural commodities will be scaled up. The anticipated estimated budget balance of 2,1 million euro will be adequate to support activities during the extension. The extension does not impact on the ratio of activity and operational costs.

### 5.1 Planned activities

#### 5.1.1 Result 1 - Value chains management and coordination mechanisms

Value chains management and coordination mechanisms are installed and steer cassava and beans value chain development.

The original phase of the project has concentrated on agenda-building, digitalization of data collection and generating insights for baselining future performance. The extension phase of the project will focus on the evaluation of initial interventions, synthetization of key lessons and focused engagements with value chain stakeholders to facilitate capitalization and wide-scale adoption of best practices. Increased focus will be on capitalisation of the project's experiences with the aim of improving strategies and encouraging wide-scale adoption by other agricultural stakeholders at regional and national level.

SAKIRP will identify the most interesting capitalisation themes (smallholder market linkages, digital data management, performance monitoring of local government extension, crop production, bridge construction). Additional data will then be collected through the M&E system in view of producing a detailed analysis of the most important topics of the SAKIRP experience.

#### Priority coordination and capitalization activities for extension phase

- I. Evaluation of specific project experiences and documentation of lessons
- II. Conducting lessons capitalization and dissemination events
- III. Hosting value chain stakeholder coordination platforms for joint problem-solving
- IV. Development of capitalization products (templates, assessments, brochures, video, radio interviews).

The main outputs expected are include:

- A dialogue platform for smallholder farmer organization and private chain actors;
- An active value chain financing working group coordinates provision of agricultural credit to smallholder farmers;
- At least one case study developed for each supported value chain;
- Further mainstreaming the construction of stone arch bridges at TARURA so that with the available government budgets more areas can be helped with access to markets;
- An end of project capitalization report;

### **5.1.2 Result 2 - Sound financial mechanisms developed**

The extension phase of the project will be dedicated to consolidating and institutionalizing community-based value chain financing solutions developed during the original phase of the project. With attention focused on growing and sustaining investments made through in-kind input loans, the project's efforts will be directed at installing sound mechanisms for ensuring that smallholder savings and lending activities are viable and well-managed in order to provide benefits beyond the life of the project. Linkages with formal financial services providers will be established to expand service provision and provide frameworks for long-term service support. To catalyse change, the project will support action-based research, innovation and learning on agricultural value chain financing

The priority activities will be as follows:

- I. Contribute to financial linkages between smallholder organizations and formal financial services providers;
- II. Strengthening of savings and lending systems of smallholder producer groups to enhance the sustainability of community-based value chain financing mechanisms
- III. Provision of financial support to Agricultural Marketing Cooperative Societies (AMCOS) through aggregation working capital grants. It should be stressed that this facility is focusing on the best producer organisations with a reasonable potential for success. Establishing a few successful examples and risk mitigation measures are the priority.
- IV. Institutionalization of credit guarantee mechanisms for small and medium agro-enterprises. This includes transfer of any guarantee resources under direct management of the project to a locally anchored institution. The new Enabel modality of supporting credit guarantee funds offers new opportunities and strategic flexibility to the project.

#### **Elaboration of the aggregation working capital grants for a selected number of Agricultural Marketing Cooperative Societies (AMCOS)**

The inefficiency and underperformance of bean and cassava value chains in Kigoma has been consistently linked to fragmented marketing and lack of collective action by farmers. Lack of competitiveness within all the value chains targeted by SAKIRP has also been associated with the structural lack of aggregation financing by both farmer organizations and private aggregators. Meanwhile, AMCOS have emerged as an avenue for fostering collective action by smallholder farmers supported by the project. AMCOS (Agricultural Marketing Cooperative Societies) are the Tanzanian policy framework for consolidating farmer empowerment and integration in markets. The use of AMCOS as an institutional solution for aggregation and marketing of smallholder produce was piloted during the 2019/2020 season. The following lessons were drawn:

- Organizing smallholder farmers under AMCOS gives them the visibility, clout and credibility required to access high volume markets further down the value chain;
- With appropriate support, smallholder farmers are capable of meeting high quality requirements demanded by large-scale end-market buyers such as WFP;
- Ability to aggregate good quality produce gives farmers leverage in negotiating terms of sale;
- Availability of post-harvest/aggregation financing is a pre-condition for successful AMCOS intermediation in collective marketing of staple food commodities by smallholder farmers;

The market linkage relationship with WFP revealed that there are still some gaps that need to be resolved to strengthen and sustain the role of AMCOS as vehicles for aggregation and marketing:

- AMCOS lack the capacity to finance production and post-harvest process but the main handicap is inability to pre-finance purchases as part of the aggregation process;
- AMCOS do not have an asset base that can be advanced as collateral for bank loans
- All the AMCOS have insignificant membership contributions and hardly any accumulated savings to meet operational activities and create a strong ownership;
- There is a general hesitancy by banks to lend towards staple food crop businesses because of the inherent risk for side-selling and track record of primary societies in the past;

- There is still an opportunistic behaviour of AMCOS members with regards dealing with aggregation costs, handling risks and respecting contracts.

The working capital grant is aimed at providing AMCOS with a financial foundation required to give them the capacity to aggregate farmer produce and strengthen their position in negotiating better prices. The provision of a working capital grant to AMCOS will reduce farmers' dependency on middlemen and enables farmers to appropriate the marketing margin that is currently captured by private intermediaries. An important assumption is that AMCOS are well managed and guided by a strong membership base and integer leadership. The AMCOS working capital is in function of their active membership, own shareholder mobilisation and aggregation potential in order to secure contracts. Based on these parameters, the working capital varies from 50 - 100 million (20.000-40.000 euro). These amounts will allow for the aggregation of 2-4 of 30 tons containers with 50% advance payment to farmers. The actual allocation will depend on the 20% shareholding capital raised by the AMCOS members. The targeted reach of this facility is the 5 best AMCOS in the region with a direct membership of about 1.000 farmers. With the extension of the project to Dec 2022, 2 additional beans aggregation seasons and 2 sunflower aggregation seasons will materialise to monitor and consolidate the AMCOS management through hands-on experience.

The total budget for the AMCOS working capital grant facility is 500 million Tsh (~€100.000). This working capital amount will be continuously revolved within each AMCOS organization and, thus, represents a permanent capital injection by the project.

The award of the AMCOS working capital will be based on the following key requirements:

- Valid AMCOS registration, a minimum of 250 active members and production capacity of 90 tons of beans per season (>3 containers)
- Co-matching of at least 20% in risk capital raised through member contributions;
- Availability of a bankable business plan and a commitment for loan funding from a bank;
- Existence of an aggregation & collective marketing plan and risk management plan approved by the general assembly
- Existing hand-on experience with collective input sourcing and produce marketing;
- Available storage facilities (owned or rented) for the projected aggregation volumes in the business plan.

Alongside the above criteria the project will assign Farming as a Business coaches who will provide hands-on operational support to each AMCOS organization as to ensure that funds are used appropriately and risks are mitigated. The project implementation team will maintain an overall coaching and mentoring role aimed at increasing business viability and strengthening the institutional capacity of AMCOS to undertake crop aggregation and collective marketing.

Main outputs expected are as follows:

- Smallholder groups accumulate enough savings to continuously support their members with production credit. The default rate is kept below 5%;
- In-kind input revolving credits are successfully transformed into farmer group-managed agribusiness credit revolving funds that contribute to resolving the shortage of value chain financing services;
- AMCOS are adequately capitalized and effectively aggregate and collectively sell smallholder produce to end-market buyers;
- Strong service links exist between smallholder groups and formal financial service providers resulting in increased access to agricultural credit and services;
- A pilot is established with Silverlands a sunflower hybrid seed company and the 5 main AMCOS for the supply of 6 tons of hybrid seed on credit.

## Risk mitigation and controls

Risk	Likelihood	Mitigation proposed
1. Inadequate quantity and poor control of produce delivered to the aggregation centres leads to losses for the AMCOS	Medium	Production mobilization will be conducted timely and the presence of aggregation financing mitigates side-selling The project will provide adequate training and coaching on post-harvest management. The use of Farming as a Business (FAAB) coaches during the linkage with WFP ensured good results and this support will be maintained for two more seasons
2. Diversion of grant funds to non-intended activities	Medium	To manage the fungibility problem, grant funds will only be disbursed in function of produce that would have been delivered by farmers. Thus, the fund allocation will be tightly controlled by AMCOS members. The grants will be released in instalments based on successful previous buying seasons.
3. Misappropriation of revolving funds by AMCOS leadership	High	Transparencies mechanism, Proposed capacity building and instalment of master card to the AMCOS management systems The District Cooperative Officer will do an audit two times per annum.
4. High default rate erodes revolving capital. Little peer pressure to enforce loan repayment by individual farmers	High	Only AMCOS with a sound track record of credit management will be eligible. The grants will be released in instalments based on successful previous buying seasons. The local contribution of 20% will increase ownership and peer pressure. FAAB coaches are accompanying the AMCOS member groups. SAKIRP has issued input credits in the past.
5. Inadequate business and financial management skills	High	Focus only on best AMCOS with a reasonable track record. Capacity building on business and financial management skills will be done regularly
6. Political interference in the running of the AMCOS	High	The project will adequately sensitize government stakeholders and train AMCOS leaders on best practices
7. Cost of production loans is high and risk of loss considerable	High	The grant will only be used to buy farmers produce and not given as loan (Grant should start at market level)

In order to manage risks, grant withdrawal clauses will be included in the award conditions so that funds can be recovered if they are under used or not used for the intended purpose.

### Credit co-guarantee facility with PASS Trust

To increase access to credit for more value chain actors (crop traders, processors and AMCOS), the project is setting up a credit co-guarantee facility which will be twinned with the traditional credit guarantee fund run by PASS Trust (for details see table below).

Currently, PASS Trust provides a secondary guarantee for both farmers and agro-enterprises in Tanzania. A secondary guarantee, however, does not eliminate the need borrowers to have collateral to support their loan requests; PASS provides a 60% residual loan loss for loans that have been issued on the back of proven collateral. The result is that collateral-poor farmers and enterprises are not able to tap onto the PASS Trust credit guarantee facility. The provision of co-guarantee funds by the SAKIRP project will eliminate the need for agricultural value chain borrowers to have traditional collateral. This facility will help to increase the risk appetite of commercial banks to invest in the agricultural sector.

-The table below summarises the key features of the co-guarantee facility with PASS Trust

Type of contracting beneficiary:	PASS Trust has been identified as the potential beneficiary of this grant. PASS Trust is a not-for-profit organisation operating as a Trust governed by the Trustees Incorporation Act of Tanzania, 2002.
Intervention zone:	Kigoma region (6 rural districts) of Tanzania
Duration:	10 months – July 2020 to May 2021 (extendable to match project life) PASS Trust will continue to operate the credit guarantee fund to support loans to targeted beneficiaries in the project area after SAKIRP closure.
Budget:	Enabel: €190.000 (€150.000 for credit guarantee fund + €40.000 for business development support) PASS Trust: € 150.000 <sup>1</sup> (+ personnel, overheads, office, equipment)
Target group:	Producers, input agro-dealers, crop traders and processors
Estimated number of final beneficiaries:	2.000 producers and 50 small and medium enterprises will directly receive loans guaranteed by the proposed credit guarantee fund. Smallholder farmers who will benefit indirectly from these loans are 10.000 farmers.

### **The main outcomes expected from the credit co-guarantee fund established with PASS Trust**

- A co-credit guarantee arrangement between PASS Trust and the SAKIRP project can give 50 agro-enterprises (SMEs) access to ready lines of credit. These traders can provide market opportunities for at least 10.000 farmers
- Lending to SMEs that buy and trade in beans and cassava will increase market competitiveness and push prices up in favour of smallholder farmers
- Opening of credit lines to SMEs makes it easier for such actors to access business support services from bank officers and PASS Trust business development officers
- A long-term credit guarantee arrangement for small and medium agro-enterprises is established and institutionalized within PASS Trust. This will ensure credit and business development service access beyond the life of the SAKIRP project

### **Sustainability of the credit guarantee facility with PASS Trust**

PASS Trust operates as a going concern with an indefinite mission to promote linkages between the agricultural and financial service sectors. The proposed grant will strengthen PASS Trust's capacity to adapt its services and provide appropriate services to value chain actors beyond the implementation period of SAKIRP. Hosting the SAKIRP credit guarantee fund within the PASS Trust structures ensures that adequate managerial mechanisms are in place during and after project implementation period. The fact that PASS Trust already hosts credit guarantee funds contributed by other donors like DANIDA provides assurance that the SAKIRP contribution will be leveraged well beyond the end of the project. Existing credit guarantee resources within PASS structures will be leveraged to mitigate and share lending risks.

<sup>1</sup> The Managing Director PASS Trust indicated that organisation is prepared to add another 150.000 € own contribution. The guarantee fund would therefore amount to 300.000 €.

### 5.1.3 Result 3- Public and private chain supporters provide effective services to value chain actors

The extension phase will be used to test and reinforce the sustainability of value chain service provision established during the initial phase of the project. In anticipation of the project exit, both public and private value chain service providers will be challenged and assisted to adopt sustainable models for service provision. This will include strengthening of farmer organizations such as AMCOS (agricultural marketing cooperative societies) to assume the responsibility value chain support services initially provided by the project.

Priority activities for strengthening and sustaining value chain service provision will be as follows:

- I. Supporting local business development service providers to adopt fee-based models in servicing farmer groups;
- II. Consolidate the integration of farmer support services in business arrangements/linkages with input suppliers and commodity buyers;
- III. Further strengthen the capacity of local government extension workers;
- IV. Advocacy for the districts to set aside resources (i.e.% crop cess) for the extension support provided by the project (communication, maintenance of motorcycles, supervision performance) – however it is also acknowledged that local revenue resources are very limited and in no line with funding challenges for local development including agriculture.

#### **Strengthening and sustaining farming as a business support services**

Up to now, the project has tried out two models for providing agribusiness development support services: a general agribusiness training approach aimed at all producer groups and the use of individual local business development service providers linked to actual aggregation contracts. The latter model has proved to be practical and effective in meeting the needs of value chain actors. Apart from developing local capacity for value chain business support services, it enables the project to remain in control of the service quality and adjust delivery approaches in line with evolving market requirements. Based on the successes realized in coaching farmers to meet WFP market quality specifications, the farming as a business service component will be further deployed as follows:

- **Loan management and financial literacy training:** Farming as a Business (FAAB) coaches are best-placed to train and coach farmers on agricultural credit management. They are private sector consultants that are based at ward level. The training and coaching are essential for growing and sustain funds that the project has invested in producer groups through revolving in-kind loans. Through the revolving in-kind loan mechanism, the project has invested ~TZS 450 million (€180.000) and the focus is now on assisting farmers to manage these funds as community-based revolving agricultural input credit funds. These funds will be managed alongside and in complement to the regular group savings and lending activities.
- **Coaching and mentoring AMCOS on farming as a business:** FAAB coaches will work with AMCOS and all associated producer groups to facilitate coordinated planning and implementation of production, aggregation and collective marketing activities. These coaches will work with farmer leaders to establish production, marketing and financial records which will be the basis for strengthening farming as a business practice.
- **Post-harvest quality training and assurance:** FAAB coaches play an important in training and coaching farmers to comply with end-market buyer specifications. Quality compliance at farmer level is laborious because of the fragmented nature of production. To ensure that aggregated produce meets the minimum requirements, FAAB coaches conduct quality checks at household and aggregation centre level. While the role of quality enforcement was initially separated from farming as a business training, the two functions have now been successfully merged.

The key outputs to be realized are as follows:

- Smallholder producer groups and local service providers maintain business relationships independent of project support;
- Input suppliers and commodity buyers provide embedded advisory support services which improve smallholder farmer performance;

- Local government authorities commit resources for the running costs and maintenance of motorcycles provided by the project;

#### **5.1.4 Result 4 - Strengthening, empowering and integrating smallholders' organisations and production**

The first half of the original phase of the project has paid much attention to mobilizing, organizing and supporting smallholder farmers at individual producer group level. The current phase is building on this foundation to promote the formation of a select number of apex organizations in the form of Agricultural Marketing Cooperative Societies (AMCOS). The best AMCOS organizations are expected to generate the missing economies of scale and strengthen the bargaining position of farmers. The extension phase of the project will focus on building the institutional capacity of these few apex organizations. This will be achieved through a combination of on-the-job coaching, service linkages and organizational system development. Emphasis will be placed on building business and service-oriented apex organs that will be able to provide vital services to the broad smallholder farmer membership. Capacity building efforts for these organizations will go in tandem with the development of structured marketing and business relationships.

Priority activities for this result will be as follows:

- I. Develop the leadership and managerial capacity of AMCOS.
  - a. Institutionalize value chain support services in AMCOS organization;
  - b. Create business and service linkages for AMCOS;
  - c. Install governance systems to ensure that AMCOS work in favour of smallholder farmer interests;
  - d. Consider the use of digital platforms to facilitate financial management, member performance tracking and market linkages
- II. Continue supporting producers in implementing improved agricultural practices for cassava and bean production at the level of their individual plots.
- III. Scale up the production of cassava cuttings of double tolerant varieties through micro propagation units, community multiplication plots and collaboration with the relevant institutions.
- IV. Scale up the sunflower production and processing linkages in wards with the best potential.

#### **Capacity development of Agricultural Marketing Cooperative Societies**

The organizational capacity of existing AMCOS with a mandate for staple food value chains is very elementary with several areas for improvement. It is foreseen that, in the majority of cases, additional AMCOS organizations will be constituted as a strategy for building solidarity and collective action by smallholder producer groups that are supported by SAKIRP. To enable AMCOS to undertake the critical functions of coordinating production, aggregation and marketing of smallholder produce, it is important that their capacity is strengthened. As indicated in the figure below, a three-pronged capacity development strategy will be rolled out to build resource, managerial and system capabilities required to effectively and sustainably undertake cooperative business operations.



Resource/asset capabilities	Managerial capacity	Operational systems
<ul style="list-style-type: none"> <li>•Aggregation &amp; storage facilities</li> <li>•Investment &amp; working capital</li> <li>•Increase own shareholders capital</li> </ul>	<ul style="list-style-type: none"> <li>•Cooperative management &amp; cohesion</li> <li>•Marketing</li> <li>•Aggregation logistics</li> </ul>	<ul style="list-style-type: none"> <li>•Institutional and business records</li> <li>•Member mobilisation, incentive &amp; retention</li> <li>•Quality management</li> </ul>

### Scaling up sunflower production in Kigoma Region

SAKIRP has successfully conducted a pilot of sunflower production in 2 districts. The production of the hybrid variety was good. Local processors are eager to expand their capacity as the demand for cooking oil at district level remains high. The private sector engaged in the sunflower value chain (processors and hybrid seed producer) actively seeks the cooperation with the project to reach out to smallholder farmers and scale up production in Kigoma. The pilot phase has concentrated on demonstrating the economic advantages of hybrid varieties in terms of disease resistance, grain yield and oil content. The extension phase will enable the demonstration and adoption of new varieties and still allow enough time to expand production and processing to all the high potential wards. Sunflower will occupy a niche in the crop rotation, making better use of household labour & land, increase income and add to the resilience of the farming system. Sunflower has the capacity to compensate for the slump of the cassava value chain and add value through increased local processing and livestock feeds. The introduction of new varieties can increase sunflower grain yields by over 70% from 700kg/acre to 1200kg/acre. New varieties yield about 33% more oil compared to the traditional varieties currently under production.

### Scaling up the production of double tolerant cassava varieties

Finally, TOSCI (Tanzanian Official Seed Certification Institute) has released the most promising variety Tz 130 to face the challenge of cassava virus diseases. The initial germplasm is now the biggest bottleneck for the best varieties available to smallholder farmers. SAKIRP has supported small entrepreneurs in setting up micro propagation units for Tz 130 and Chereko. Five micro propagation units will be established to cover the demand for the local production of disease resistant quality cuttings. It is anticipated that the limited germplasm can be multiplied to 6 million cuttings.

#### Expected outputs include:

- Reasonably managed and economically viable AMCOS organizations
- Smallholder farmers engage in collective marketing through AMCOS
- Gender balance with regards to AMCOS management and membership
- AMCOS provide the link to vital services (input procurement, aggregation, credit and market information) to their smallholder membership;
- AMCOS have mutually beneficial linkages with public and private value chain service providers;
- Quality cuttings of double tolerant cassava varieties are locally available and adopted;
- Sustained sunflower value chain with sufficient production linked to processing capacity and local market demand for vegetable oil

#### 5.1.5 Result 5 -Improved market access and sustainable trade

As market access remains a challenge for smallholders, the original phase has made progress in getting farmers ready to produce in line with market requirements. In the bean value chain, scope

exists for integrating farmers into structured marketing arrangements which come with better gains and prospects for sustainability. With several pilot linkages executed in the original phase of the project, the extension phase will shift focus to consolidating and sustaining business relationships to reach more farmers. The priority activities envisaged for this phase are as follows:

*I. Consolidating structured market linkages:*

Structured market linkage relationships are the cornerstone of collective marketing by smallholder farmers. This activity builds on the existence of AMCOS organizations to establish long-standing market linkages with institutional and commercial firms for collective selling of commodities. The project will build on the success and lessons with the WFP market linkage to improve farmer producers' groups to aggregate and collectively market their produce. The linkage with WFP generated interest from large and medium-scale commodity buyers who would like to do bulk sourcing from farmers in Kigoma. The project will initiate and nurture business relationships between these market off-takers and farmer organisations at different levels (individual producer group and cooperative).

*II. Structuring and accelerating aggregation and trading by small and medium enterprises*

Alongside strengthening farmer producer organizations, the project will organize and strengthen the activities of small and medium-scale businesses that are involved in crop trading and processing. By increasing their access to working capital financing, the project will enable these SMEs to provide a first mile market for smallholder farmers who do not have the capacity to service large-scale buyers. This approach is expected to achieve a much broader reach across Kigoma region and will be inclusive of smallholder farmers that are not directly supported by the project. This private-sector expansion drive is directly linked to loans that will be leveraged from banks through the credit co-guarantee fund set up with the grant to PASS Trust.

Likewise, the capacity of local sunflower processing entrepreneurs will be strengthened to accommodate increased production linked to project interventions. The capacity of local sunflower processors will be expanded through the creation of linkages with appropriate processing technology providers and establishment of market outlet channels for sunflower oil and oilcake. To this end a market assessment has been conducted and buyers of both oil and oilcake have been identified. The project will facilitate certification procedures for selected sunflower oil processors so as to increase their marketability of their products within the country and regionally.

*III. Strengthening horizontal cooperation by private value chain actors:*

Increased cooperation amongst value chain actors is critical for efficiency and overall market competitiveness. Collective action at the level of local private chain actors will assist in mitigating risks that deter financial institutions from providing credit services to both traders and processors. Vertical cooperation by small and medium enterprises will be institutionalized through a Business Membership Organization (BMO) which will operate at regional level. The extension phase of the project will focus on strengthening the capacity of membership organisation to coordinate trading and engage with government on policy-related matters. A similar association has been established at national and strong linkages will be fostered between the regional and national levels.

*IV. Demand-driven construction of collective storage and aggregation infrastructure*

Departing from a wholesale construction of market infrastructure, the project will link the construction and refurbishment of marketing facilities to specific demands linked to elaborate needs. To promote utilization and local ownership, the project will place special emphasis on community contribution across the whole process. Smallholder farmer organisations will be required to contribute 20% of the cost of the construction cost. Godowns will be supported in strategic aggregation centres where there is a strong demand for storage infrastructure.

The project will continue to support farmer organisations with affordable post-harvest technologies which shall be deployed to assist them in meeting end-market quality requirements and specifications.

*V. Institutionalizing market information generation and dissemination*

The capacity for collection, analysis and dissemination of market information will be developed within AMCOS and business membership organizations (BMO). Currently, the business membership organisation of traders has an active WhatsApp account which they use to share information and coordinate trading. Working with the Tanzania Chamber of Commerce, Industry and Agriculture (TCCIA), the project will induct and coach BMO leaders on conducting market research and information within trade contexts. TCCIA has already agreed to adopt the business membership organisation as its affiliate member and this will improve local traders' access to information and trade opportunities. Similarly, AMCOS leaders will be trained on market information gathering and dissemination. Market information notice boards will be installed at each AMCOS aggregation centre to give easy access to the general membership. The project is in the process of evaluating digital applications that can be easily deployed to assist farmers organisations in managing interactions with input suppliers and output buyers. Two applications under assessment are the Mastercard Foundation's Mastercard Farmers Network (MFN) and Digital Mobile Africa (DMA). DMA is currently conducting an UN-sponsored pilot in Kigoma and it can easily accommodate Kigoma smallholder farmers.

VI. *Scaling up the construction of stone arch bridges in collaboration with village governments and TARURA to improve rural transport and access to markets for agricultural commodities.*

To improve access to markets for agricultural commodities, stone arch bridges were successfully constructed in several districts of Kigoma Region. The village community contributes the locally available resources. The Tanzania Rural and Urban Roads Agency / TARURA provides the supervision. The technology allowed for 80% costs saving as compared to the standard procurement of reinforced concrete bridges. After the completion of bridge construction, selected case studies have shown an increase in traffic density of 50% and a cost reduction of 30% per bag of agricultural crop transported by motorcycle.

The construction of stone arch bridges has attracted a lot of interest from the authorities and public because of the visibility of infrastructure, the local resource mobilisation and considerable cost reduction. With the solid experience of 15 bridges finalized and 15 under construction, the local expertise has been developed in Kigoma Region. This technology can be scaled-up during the extension period provided that the community contribution is in place. It will allow for efficiency and a long-term contribution to economic infrastructure of the region. It is expected that 70 bridges can be constructed by December 2022. This component has the potential to be mainstreamed in the national agency and to enlarge the portfolio of Belgian development cooperation in Tanzania.

Main outputs to be delivered during the extension phase include:

- Stable and mutually rewarding business relationships established between smallholder apex/AMCOS organizations and formal commodity buyers;
- A formally registered business membership organization (BMO) is in place to coordinate and represent the interests of private crop traders and processors;
- Appropriate aggregation and storage facilities constructed or refurbished on a cost-sharing basis between the project and the smallholder beneficiaries;
- AMCOS and BMO entities fully assume the responsibility for collecting and disseminating market information to their members;
- An additional 20 bridges will be constructed during the extension phase, this will bring the total number of bridges to seventy bridges during the project lifespan. It is expected that for the villages where bridges are constructed transport costs to local markets will be reduced by 30% and traffic density increased by 50%. Stone arch bridge construction mainstreamed at TARURA in Kigoma region. Experience in Kigoma has coherently demonstrated that stone arch bridge construction costs are reduced by at least 70%

## 6 Exit and sustainability strategy actions

The mid-term evaluation team highlighted the importance of having a comprehensive and well-implemented exit strategy to secure the sustainability of results realised by the SAKIRP project. A significant part of the requested project extension will be devoted to the implementation and entrenchment of activities that allow for a smooth and sustainable exit.

As part of the exit and sustainability strategy, the following actions will be undertaken:

- Continue to apply local contribution as a key guiding principle to build ownership, enhance economic feasibility and identify the priorities that really matter;
- The focus during the extension period is on quality rather than quantity. Result consolidation will be achieved through the most successful wards / activities and strongest producer groups. There will be no new geographical areas;
- Build the capacity of smallholder farmer organizations in key value chain coordination and support responsibilities;
- Strengthening institutional and service linkages between smallholder farmer organizations and other actors within the value chain environment;
- Institutionalization of credit guarantee facilities for private value chain actors;
- Promote local seed and cutting production as a critical input for improved smallholder productivity;
- Enhanced on the job training of the best agricultural extension workers and local craftsmen in Kigoma Region so that the practical expertise remains available after project closure;
- Gradually phase out financial support for ward extension workers and FAAB coaches in the last half year of operation and request local governments / clients to fund these services directly.
- Mainstream the stone arch bridge technology in TARURA.
- Capitalization and sharing of lessons with regional and national stakeholders notably the Kigoma region & districts, the Ministry of Agriculture and the Tanzanian Agency for Rural and Urban roads.

## 7 Resources – budget for the extension phase

See annexes – spreadsheet budget 2020-22

## 8 Execution modality

The execution modalities do not change. The same project structure is used and the same Tanzanian partners remain on board. The steering committee and project implementation unit will continue their work in collaboration with value chain actors and the local governments.

## 9 Conclusion

The extension of the project period will help to consolidate the positive results of the project and build sustainability. It will allow to build the credibility of the Enabel / Belgian Development Cooperation as a reliable development partner in Tanzania and Kigoma Region in particular.

The context factors for the project extension are in principle complementary:

The midterm review recommended strongly the extension of the project given that agricultural value chain development is a long-term undertaking. The MTR stressed that more time is needed to consolidate the positive achievements such as strengthening value chain linkages, capacity building of farmers' groups in aggregation and marketing, improved production including the promising sunflower value chain, sustaining digital data management in local government agricultural extension and scaling up the construction of bridges for better access to markets of agricultural commodities. .

The SAKIRP steering committee of 18th September 2019 approved the no- cost extension of the project as it makes a lot of technical sense. Pending the approval of the Belgian authorities, the steering committee indicated that it will deliberate and then approve a budget review related to the continuation of the project.

The regional and district authorities support the project continuation with enthusiasm. SAKIRP is one of the largest agricultural development projects in Kigoma. They see the project extension as an opportunity to further improve agricultural extension and the access to markets for agricultural commodities. They are keen that the market linkage with WFP, sunflower production and extensive bridge construction are sustained. The Tanzanian partners would like to see that the entire project budget is invested in Kigoma region.

The funds for the prolongation are available because of the value for money approach of SAKIRP. There are no budgetary constraints. The extension will allow for a meaningful spending of the financial resources focusing on grassroots impact and scaling up the successful activities.

The prolongation will allow for a more flexible time framework to deal with the consequences of Covid-19 pandemic that has impacted negatively on project implementation in 2020.

The continuation of another Enabel project in Tanzania will allow for more time and uninterrupted partner engagement to reflect on the future of the bilateral cooperation agreement between Belgium and Tanzania.

As the proposed extension exceeds the period of the specific agreement, there is a need for the approval of DGD. Pending this approval, the next step is the exchange of letters between the Embassy of Belgium and the Tanzanian Ministry of Finance and Planning (MOFP).