1. Country and Sector Background

1. The Tanzania’s annual average GDP growth increased from about 3.5 percent in the mid-1990s to about 7.4 percent in 2008. However, due to Global Economic and Financial crises the estimated GDP for 2011 has dropped to 6 percent.\(^1\) Agriculture sector still contributes significantly to the economy, accounting for 26 percent of the Tanzania’s GDP, and improvements in overall economic growth still rely heavily on the performance of the sector. In addition, about 87 percent of the poor live in rural areas, and 75 percent of rural income is

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\(^1\) Economic Survey, Ministry of Finance and Economic Affairs, 2011
earned from agricultural activities. Improvements in agricultural performance therefore have a direct impact on the incomes of the poor, food security, employment, and export earnings.

2. Growth in the agricultural sector is determined largely by productive factors that lead to increased productivity, including access to agricultural inputs (mainly improved seeds and fertilizers), research and extension, irrigation, and mechanization. Facilitating factors such as access to output markets, access to credit, and infrastructure, such as rural roads, also have an impact on growth in the agricultural sector. Irrigation provides reliable access to water to absorb periodic shocks caused by climatic variability. Prior support for irrigation under the River Basin Management and Smallholder Irrigation Improvement Project (RBMSIIP) and experiences from ASDP thus far have demonstrated that investment in irrigation can improve farm productivity and income significantly. In addition, optimum returns to irrigation investments can be achieved with the use of improved seeds and fertilizers, as well as access to output markets and credit facilities.

3. The ASDP supports small-scale irrigation investments to raise productivity and insulate producers from shocks caused by climate change. The project also supports improvements in local planning for growth, including improvements in the local regulatory environment for economic activities. Consistent with the Government of Tanzania’s decentralization policy, most ASDP financing supports local investments and capacity building. Private investment in value chains is also emphasized under an improved regulatory and improved policy environment, which features better national policies for market development.

4. To reduce the transaction costs and to strengthen government systems and sustainability, development partners provide resources to ASDP through a pooled funding arrangement that uses common systems and jointly supports the government program. This arrangement is consistent with the shift toward a more coherent Sector Wide Approach (SWAp) away from fragmented projects. The pooled funding approach better aligns development partners’ support to the Medium Term Expenditure Framework (MTEF) for agriculture. The approach relies on government procedures to plan, disburse, and account for all funds.

2. Objectives

5. The overall goal of ASDP is to raise and sustain agricultural growth to help achieve the MKUKUTA² target of reducing the proportion of the rural population below the basic-needs poverty line from 37.6 percent in 2007 to 26.4 percent in 2015. The Project has two complementary objectives that contribute to the higher order of agricultural growth and poverty reduction: (i) to improve farmers’ access to and use of agricultural knowledge, technologies, and infrastructure; and (ii) to promote agricultural private investment based on an improved regulatory and policy environment.

6. The Additional PHRD Grant Funding. The objectives of ASDP remain relevant for the PHRD Grant. The proposed Grant would foster the achievement the objectives of ASDP with a view to improving rice productivity and farm income. The ASDP is implemented in 132 Local Government Authorities (LGAs) throughout Tanzania. Significant amount of the funding from

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² The Swahili acronym for Tanzania’s National Strategy for Growth and Reduction of Poverty.
IDA Credits — the original credit Cr. 4192-TA and two previous Additional Financing credits (Cr. 4639-TA and 4740-TA) has been used to support development of small-scale irrigation, through the performance based District Agricultural Development Grants (DADGs) and the competitive District Irrigation Development Fund (DIDF), and capacity building for irrigation development through the National Irrigation Development Fund (NIDF). The PHRD Grant resources will be used to complement activities financed by the three IDA Credits to increase returns from irrigation investments in irrigation schemes producing rice — through scaling up of agricultural services (research and extension), capacity building and market linkage activities for enhancing rice productivity by:

i) Strengthening access to improved technologies for irrigated rice;

ii) Enhancing access to domestic and regional markets and value addition; and

iii) Building capacity among district-level irrigation technicians, extension staff farmers.

3. Rationale for Bank Involvement

7. The agriculture sector is critical to food security, growth in rural household incomes and poverty reduction. A recent assessment of income-poverty levels in Tanzania found a modest reduction of poverty in Mainland Tanzania from 35.6 percent of the population in 2000/01 to 33.4 percent in 2007 (HBS 2008). In addition, droughts and flash floods in different parts of the country have further worsened the situation for a large number of households (over 1.6 million people) were estimated to be food insecure in 2010 because of the poor rains, particularly in semi-arid areas.

8. Agricultural Sector Development Strategy (2001) and the KILIMO KWANZA resolution (2009) emphasize the importance of irrigated agriculture as a means to ensuring increased agricultural productivity, food security and poverty reduction in Tanzania. In June 2010 Tanzania signed the compact for Comprehensive Africa Agriculture Development Program (CAADP) that has committed the government and development partners to give priority to agriculture sector in order to reduce poverty and increase universal food security. Rice production is accorded high priority as one of the means of meeting the country’s food security needs as well as economic growth in both rural and expanding urban areas. It is estimated that 18 percent of the agricultural households are growing rice, the majority being women (NRDS, 2009). Despite its critical role, rice productivity potential has not been realized. As a result the Government has been importing rice (2001-2005) on average of 193.3 thousand metric tons to meet the increasing demand for rice. This importation on average has been depriving the country’s much needed foreign exchange of US$26.01 million per annum that could instead be used to import strategic industrial and capital goods. Main causes of low rice productivity are low adoption of improved technologies, high transport costs, and the lack of adequate market competition.

9. The additional resources from the PHRD will be used to scale up rice production activities in irrigation schemes supported through ASDP to complement irrigation development.
investments. The complementary activities will raise rice production, farm income and food security. In this way, PHRD resources will help attain key objectives of the National Rice Development Strategy (NRDS): increased rice competitiveness, improved food security, and reduced poverty.

4. Description

10. **Original Project.** The ASDP project has two main components—local support and national support.

- **Component 1: Local Government Support.** Supports the achievement of the Project’s first objective by improving the capacity of LGAs to plan, support, and coordinate agricultural services and investments in a more efficient, participatory, and sustainable manner. This component finances advisory services, training, and infrastructure development, including small-scale irrigation at the district level through the demand-driven, performance-based DADGs. A competitive funding mechanism, the DIDF, provides supplemental resources for small-scale irrigation. Under this component the PHRD Grant will support scaling up of agricultural services (research and extension), marketing and private sector development and capacity building activities for enhancing rice productivity in 20 irrigation schemes.

- **Component 2: National Level Support.** Fosters the achievement of both project objectives. The first objective is supported by improvements in the relevance and responsiveness of the agricultural research system, including better linkages with extension. The second objective is supported by improvements in the national policy environment and by the development of mechanisms for greater public–private partnerships. Support is provided to reform agricultural services, primarily research and extension, to improve the overall sector policy framework, to carry out preparatory work and investment in national irrigation facilities through the National Irrigation Development Fund (NIDF), mainly under public–private partnerships, to stimulate market development, and to improve food security and sector coordination. The grant would provide funding through the NIDF to scale up ongoing capacity building activities for irrigation development to Zonal Irrigation and Technical Units (ZITSUs) and enhance the training capacity and quality of Irrigation Training Institutes (MATI-Igurusi and Kilimanjaro Agricultural Training Institute).

11. **Additional Grant Funding/complementary-financing.** The Grant will support irrigation development through ASDP’s component 1 and 2 by providing additional resources for strengthening rice production in 20 selected irrigation schemes to enhance returns to irrigation investment. The grant will provide support to:

   (a) **Strengthen access to improved technologies:** The focus will be on improving irrigators’ access to and use of improved rice production technologies, including farming practices, inputs such as improved seeds and fertilizers, and postharvest technologies. The aim will be to develop effective mechanisms to deliver extension services to irrigation schemes to realize optimum productivity. Such mechanisms include stronger links between researchers, service providers, and irrigators. Researchers and service providers
(extension staff, input suppliers) will receive support to develop and implement programs to make technology more accessible to irrigators through Farmer Field Schools and other innovative technology dissemination approaches. Training and building partnerships among all players involved in technology dissemination is an important aspect of this work, including partnership with the Bank funded Eastern African Agricultural Productivity Program (EAAPP) to ensure effective service delivery and technology adoption for rice. The rice production technology known as the System of Rice Intensification (SRI) will be introduced in pilot areas where water is scarce. This technology enables a farmer to produce more rice with less water than used under current practices. Other cost- and water-saving technologies for irrigated rice production will be promoted as appropriate though training, farmer exchange visits, and study tours.

(b) Improve access to markets and value addition/processing: The Grant will finance activities to forge stronger links with domestic and regional rice markets. Through their irrigator organizations, producers will receive support to establish trade links with various players in rice value chain, such as processors, millers, and transporters, as needed. Grant resources will complement ASDP support and be leveraged with resources from other partners to scale up warehouse receipt systems for rice in irrigation schemes (construct/rehabilitate warehouses and provide training) and support better access to markets (for example, through an improved market information system and entrepreneurship skills). Based on specific needs and existing potential, support will be considered to strengthen rice processing, grading, and packaging, with the private sector actively involved in developing the required skills and providing various value-addition services. Possible options would include: (i) strengthening and supporting processing services by private millers on a contractual basis to ensure quality control, linked with Small, Micro and Medium (SMME) credit facilities; (ii) the rehabilitation/improvement of facilities currently owned by irrigators, where available; (iii) providing milling machines with grading and packaging accessories to farmer groups in few schemes through PHRD resources and (iv) organizing support through District Agricultural Development Grants and other partners. Equipment such as mini combine harvesters and small threshers will also be provided to farmer groups in a few schemes. The farmer groups will receive training in managing and maintaining the equipment.

(c) Build capacity for irrigation development: The additional Grant resources will complement support from ASDP for capacity building in ZITSUs and Local Government Authority staff. For ZITSUs, the Grant resources will be used to purchase additional survey equipment and accessories (seven Total Stations, seven Differential Global Positioning Systems, computers, and software for irrigation design and data analysis). The PHRD Grant will not be used to purchase vehicles; the ASDP Basket Fund budget for 2010/11 will cover the cost of 16 vehicles for all ZITSUs and the Irrigation Division headquarters.

Existing institutions such as Kilimanjaro Agricultural Training Center (KATC) and Ministry of Agriculture Training Institutes (MATI) (Ilonga, Ukiriguru, and Igurusi) will supplement current Local Government Authority training activities conducted under ASDP’s Extension Block Grant and Capacity Building Grants. District irrigation technicians/engineers, village extension staff in scheme villages, and staff of Local Government Authorities, scheme leaders, and selected members of irrigator organizations will receive training from those institutions in water management, agronomic practices, irrigation scheme operation and maintenance, business management, entrepreneurship skills, financial management, group saving and investments, and leadership skills. This
training will enhance the operation and management of irrigation schemes and rice production knowledge. Newly recruited Local Government Authority engineers and technicians will enhance their skills through hands-on, in-house training designed for them by ZITSUs.

An outreach training program, conducted by KATC, will be introduced for various target groups of staff and farmers in different parts of the country. This cost-effective arrangement will enable on-farm learning by doing. KATC, which has more experience in conducting training in rice production, will also train staff in other training institutions. These approaches will speed and facilitate training. KATC will revise its curriculum to fit project requirements. The center’s training capacity in financial management, entrepreneurship skills, and business and cooperative management will be enhanced through input from other institutions such as Moshi University College of Co-operatives and Business Studies through a training-of-trainers arrangement.

MATI-Igurusi’s core facilities (buildings, laboratories, equipment, and so forth) need major rehabilitation, which the government will perform through other funding sources. Grant resources will be used to purchase training equipment and other facilities for the institute to enhance its training capacity and quality.

5. Financing

<table>
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<tr>
<th>Source:</th>
<th>($m)</th>
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</thead>
<tbody>
<tr>
<td>Borrower/recipient</td>
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<tr>
<td>International Development Association (IDA)</td>
<td>0</td>
</tr>
<tr>
<td>Japan PHRD Grant</td>
<td>14.25</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>14.25</strong></td>
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6. Implementation Arrangements

12. The implementation arrangements designed for the original project will be used for the implementation of the PHRD Grant. There will be no new institutional or implementation arrangements.

7. Sustainability

13. The MKUKUTA regards agricultural development as a key priority for achieving the government’s rural poverty reduction targets. The government developed the ASDP and requested development partners (DPs) to jointly support its implementation. As noted earlier, to ensure sustainability, harmonization and lower transaction costs, support provided through ASDP builds on government systems and processes by pooling funds from development partners, in contrast to past approaches characterized by fragmented, area-based projects, each with its own donor-specific system.

14. The long-term sustainability of the ASDP will be determined by the extent to which it delivers results—specifically, the extent to which it improves agricultural service delivery, investment, the policy environment, and subsequent gains in farm productivity and income.
Actions to improve the responsiveness of key services to farmers’ demands, in conjunction with improvements in the quality of infrastructure development and the local policy environment, should improve the ASDP’s impact.

8. Lessons Learned from Past Operations in the Country/Sector

15. The last four IDA-supported projects in the agricultural sector (on irrigation, research, extension) all closed with satisfactory outcome and performance ratings. The recently closed Participatory Agricultural Development and Empowerment Project (PADEP), a precursor to ASDP, was also had a satisfactorily implementation performance. All of these projects have provided lessons for ASDP and future efforts to improve support to the sector. The design of ASDP also built on the experience of projects supported by other development partners, as well as the experience of other countries in the region that adopted pooled funding arrangements and sector-wide approaches in agriculture. The design of the PHRD Grant is thus build on the experiences of ASDP. Some of the more general lessons are presented below.

16. **Demand-based Approaches.** Demand-based approaches to providing public agricultural services typically require significant institutional change but have significantly increased productivity and raised per capita income. These service reforms stress the changing role of the extension agent from advisor to facilitator; a focus on knowledge provision as well as technical advice; increasing farmers’ control of services through cost sharing; and increasing the use of contracted private services. Demand-based approaches form the building blocks for both local planning and for research and extension services.

17. **Incentive to Reform.** Incentive-based systems for reform of Local Government Authorities (LGAs)/districts, with resource transfers based on annual performance assessments (such as the capital development grant system) have yielded better results than approaches that lack similar incentives for LGAs to reform (such as the local government reform program). An incentive-based approach is used for the agricultural block grant transfers to local government.

18. **Sustainability.** When projects financed by development partners are not integrated into government systems, multiple parallel systems emerge, characterized by high transaction costs, duplication of effort, and frequently by weak sustainability of project activities and impact. Based on these experiences within the sector and other countries, the government pooled development partners’ resources in a Basket Fund to support an agreed program through government systems. Although this strategy may result in lower short-term impacts, the reform interventions and impact are likely to be more sustainable.

19. **Sector-wide Support.** Efforts by development partners to jointly support broad-based agricultural sector programs have typically resulted in significant preparation time prior to implementation (for example, about five years as in Mozambique, Zambia, and Lesotho). In an effort to reduce preparation time, a step-wise approach was taken for ASDP. A subset of sector program is currently implemented, whereas other elements of the program are integrated during implementation.
9. Safeguard Policies (including public consultation)

20. Safeguard Policies triggered by the project are:
   • Environmental Assessment (OP/BP/GP 4.01)
   • Pest Management (OP 4.09)
   • Involuntary Resettlement (OP/BP 4.12)
   • Projects on International Waterways (OP/BP/GP 7.50)
   • Safety of Dams (OP4.37)

10. List of Factual Technical Documents

   • Project Appraisal Document, Agricultural Sector Development Project
   • Project Paper first Additional Financing for Agricultural Sector Development Project
   • Project Paper second Additional Financing for Agricultural Sector Development Project
   • Integrated Safeguards Data Sheet for Additional Funding to the Agricultural Sector Development Project from the Japan Policy and Human Resources (PHRD) Trust Fund

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