

BOARD APPROVAL
Lapse-of-time Procedure
19 October 2023

FOR INFORMATION

MEMORANDUM

TO : THE BOARD OF DIRECTORS

FROM : Vincent O. NMEHIELLE
Secretary General

SUBJECT : TANZANIA – FOOD SYSTEMS SUPPLY SERVICES IN RURAL TANZANIA (F3SRT) “BARIDI SOKONI”*
GAFSP GRANT OF USD 2.500.000

The attached **document** and the relevant Draft **Resolution** were submitted for your **consideration on a lapse-of-time basis** on 5 October 2023.

Since no objection was recorded by 5.00 pm on 19 October 2023, **the document is considered approved and the Resolution adopted.**

Attch.

Cc: The President

*Questions on this document should be referred to :

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Mrs. N. NWABUFO	Director	RDGE	Extension 8343
Mr. M. FREGENE	Director	AHAI	Extension 5586
Mr. S. AMADOU	General Counsel	PGCL	Extension 3333
Ms. P. LAVERLY	Country Manager	COTZ	Extension 2729
Mr P. SANGINGA	Division Manager	AHAI.4	Extension 8138
Mr. S. RAMADHANI	Task Manager	COTZ	Extension 6467

Reference no: [P-TZ-A00-016]
Investment Sovereign Operation

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AFRICAN DEVELOPMENT BANK



PROJECT APPRAISAL REPORT FOOD SYSTEMS SUPPLY SERVICES IN RURAL TANZANIA (F3SRT) "*BARIDI SOKONI*"

UNITED REPUBLIC OF TANZANIA

USD2,646,859.1

SEPTEMBER 2023

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PROJECT APPRAISAL REPORT

FOOD SYSTEMS SUPPLY SERVICES IN RURAL TANZANIA (F3SRT) "BARIDI SOKONI"

UNITED REPUBLIC OF TANZANIA

USD2,646,859.1

OCTOBER 2023

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	Asaph Nuwagira, Principal Agriculture and Rural Development Specialist, COUG
	Philip Boahen, Lead Partnerships and Coordination, AHAI

CURRENCY EQUIVALENTS

Exchange rate effective 3/31/2023

Currency Unit ¹	Equivalent
1 Unit of Account	1.33 USD
1 United States Dollar	TZS 2,311.73

FISCAL YEAR

1 January – 31 December

WEIGHTS AND MEASURES

1 Metric ton	2,204.62 Pounds (lbs)
1 Kilogramme (kg)	2.20462 lbs
1 Meter (m)	3.28 Feet (ft)
1 Millimetre (mm)	0.03937 Inch (“)
1 Kilometre (km)	0.62 Mile
1 Hectare (ha)	2.471 Acres

¹ Add any additional foreign or local currencies relevant to the project and their currency equivalents.

ABBREVIATION AND ACRONYMS

ADF	African Development Fund
AfDB	African Development Bank
AMSDP	Agricultural Marketing Systems Development Program
ASDP II	Agricultural Sector Development Program Phase II
<i>Baridi Sokoni</i>	Kiswahili words meaning ‘Chill in the Market’
BPM	Bank’s Procurement Policy and Methodology
CEA	Cost Effectiveness Analysis
COTZ	Tanzania Country Office
COVID-19	Corona Virus Disease
CSO	Civil Society Organisation
CSP	Country Strategy Paper
DED	District Executive Director
DPs	Development Partners
EIRR	Economic Internal Rate of Return
ERP	Enterprise Resource Planning
ESCON	Environmental and Social Compliance Note
ESMF	Environmental and Social Management Framework
EU	European Union
F3SRT	Food Systems Supply Services in Rural Tanzania
FIRR	Financial Internal Rate of Return
FYDP	Five-year Development Program
GAFSP	Global Agriculture and Food Security Program
GDP	Gross Domestic Product
GMS	Gender Mainstreaming System
HIV/AIDS	Human Immuno-deficiency Virus/Acquired Immuno-deficiency Syndrome
ICT	Information Communication and Computer Technology
IRM	Independent Recourse Mechanism (IRM).
MIVARF	Marketing Infrastructure, Value Addition and Rural Finance (MIVARF)
MoFP	Ministry of Finance and Planning
MTR	Mid-term Review
MVIWATA	<i>Mtandao wa Vikundi vya Wakulima Wadogo Tanzania</i> (The Network of Smallholder Farmers Groups in Tanzania)
NGO	Non-Governmental Organization
NPV	Net Present Value
OCB	Open Competitive Bidding

PAR	Project Appraisal Report
PC	Project Coordinator
PCN	Project Concept Note
PCR	Project Completion Report
PIT	Project Implementation Team
PO	Producer Organisation
PRODAP	Lake Tanganyika Integrated Regional Development Program
PSC	Project Steering Committee
RAP	Resettlement Action Plan
RAS	Regional Administrative Secretary
RDGE	East African Regional Office
RPS	Resipient's Procurement System
SDG	Sustainable Development Goals
TAC	Technical Advisory Committee
TAHA	Tanzania Horticultural Association
TANIPAC	Tanzania Initiative for Preventing Aflatoxin Contamination
TDV	Tanzania Development Vision
UA	Unit of Account
USAID	United States Agency for International Development
USD	United States Dollar
ZECC	Zero Energy Cold Chambers

PROJECT INFORMATION SHEET

CLIENT INFORMATION

Project Name	Food Systems Supply Services in Rural Tanzania (F3SRT) “ <i>Baridi Sokoni</i> ”
Sector	Agriculture
Grant Recipient	<i>Mtandao wa Vikundi vya Wakulima Tanzania</i> [MVIWATA] i.e., Network of Smallholder Farmers in Tanzania
Project Instrument	GAFSP Grant
Executing Agency	MVIWATA

COUNTRY AND STRATEGIC CONTEXT

Country Strategy Paper Period:	2023 – 2025
Country Strategy Paper Priorities supported by Project:	Priority 2: Improved private sector business environment for job creation.
Government Program (PRSP, NDP or equivalent):	<ul style="list-style-type: none"> • National Development Vision 2025 • Five Year Development Plan III 2021/22-2025/26 • Agricultural Sector Development Programme II 2017/18-2022/23
Project classification:	Relevant High 5 Priority Area(s) and sub-theme(s) <ul style="list-style-type: none"> • Feed Africa • Improve the Quality of Life of the People of Africa
	SDG Name(s) <ul style="list-style-type: none"> • SDG 1: End poverty in all its forms everywhere, • SDG 2: End hunger, achieve food security and improved nutrition • SDG 5: Achieve gender equality and empower all women and girls • SDG 13: Take urgent action to combat climate change and its impacts.
Country Performance and Institutional Assessment:	4.2
Projects at Risk in the country portfolio:	8.3% (35% flagged operations as t 30/04/2023)
Eligible allocation balance at time of PCN	Not applicable

PROJECT CATEGORISATION

Environmental and Social Risk Categorization	Proposed Category 2 validated in ISTS and captured in SAP
Does the project involve involuntary resettlement?	No
Climate Safeguards Categorization:	Category 2
Fragility Lens Assessment:	Yes
Gender Marker System Categorization:	Category 2

Source	Amount (millions)		Financing Instrument
	UA	[USD]	
Global Agriculture and Food Security Program (GAFSP) Trust Fund	1,881,400.0	2,500,000.0	Grant
MVIWATA Counterpart Contribution:	110,520.3	146,859.1	In Kind
Total Project Cost:	1,991,920.3	2,646,859.1	

PROJECT DEVELOPMENT OBJECTIVE AND COMPONENTS

Project Development Objective:	Increase smallholder farmers' horticultural production and marketing in the context of negative effects of COVID-19 pandemic
Project Components:	Scaling up Production and Productivity, UA421,688.5
	Enhancing Value Addition and Marketing, UA1,075,832.8
	Project Management and Coordination, UA494,399.0

PROJECT PROCESSING SCHEDULE TO BOARD APPROVAL

PCN Approval:	Date: 28-02- 2023
Appraisal Mission:	06-Mar 2023 – 17-03-2023
Planned Board Presentation:	Date: 15-09–2023
Effectiveness:	Date: 30-11–2023
Project Implementation Period:	December 2023 – November 2027
Planned Mid-term Review:	Jan 2025 – Feb 2025
Project Closing Date:	31-10- 2027
Project completion Date	30-04-2028

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1 STRATEGIC CONTEXT

A. Country Context, Strategy and Objectives

1. Tanzania's development framework is enshrined in the Tanzania Development Vision (TDV, 1995-2025) which identifies the agriculture sector as a development priority by the Tanzanian government. Three principal objectives of TDV are: achieving quality and good life for all; good governance and rule of law; and building a strong and resilient economy that can effectively withstand global competition. TDV outlines a strategy to transform the economy from low productivity to semi-industrialized agricultural economy led by a modernized highly productive rural sector. Tanzania's emphasis on industrialization focuses on Tanzanian-owned enterprises in resource-based industries - with particular emphasis on agriculture, in which the country has a comparative advantage.

2. Achievement of the TDV is being realised through the implementation of Five-year Development Plans (FYDPs). Currently, the 3rd FYDP (2021-2026) focuses on steering Tanzania towards a middle-income economy and a high level of human development, and specifically to increase the value and productivity of agriculture for income and employment creation and diversification of products. In line with FYDP III, the Agriculture Sector Development Programme (ASDP II, 2017/18 - 2022/23) aims at transforming the agriculture sector towards higher productivity, commercialization and increasing smallholder farmer income for improved livelihood, food and nutrition security and contribution to the GDP. The ASDP II is also aligned to the National Climate Change Response Strategy (2021-2026).

3. The Global Agriculture Food and Security Program (GAFSP) was established as a response to the 2008/09 global food price crisis, following the G8 commitment in September 2009 to mobilize up to \$20 billion for agricultural development and food security. The GAFSP is implemented as a Financial Intermediary Fund to address the underfunding of country and regional agriculture and food security strategic investment plans already being developed by countries. The program is contributing to the achievement of the Sustainable Development Goals to end poverty and hunger by 2030.

4. The proposed project, Food Systems Supply Services in Rural Tanzania (F3SRT) - "*Baridi Sokoni*" was selected through a competitive call for proposals for Producer Organization-led projects in the context of the COVID-19 global pandemic in 2021. This sixth GAFSP call is well aligned with the Call for Action of the United Nations (UN) Sustainable Development Goals (SDG) Framework under the UN Decade of Action and also support the achievement of the SDGs to end poverty and hunger by 2030. The project resonates well with the 2030 Sustainable Development Goals (SDGs), particularly, SDG1 (no poverty), SDG2 (zero hunger), SDG 10 (Reduced inequalities) and SDG 13 (climate action). The project is well aligned with the African Union Agenda 2063 as well as the East Africa Development Vision 2030, and the Bank's Ten-Year Strategy (2013-2022, extended to June 2023). SHDP will directly contribute to achieving two of the High 5s' agenda of ADB, namely, Feed Africa and Improve the Quality of Life of the People of Africa.

5. The Project will also help achieve the Bank's policy commitments under ADF-16 regarding: (i) building resilience and tackling fragility; (ii) accelerating climate and nature-based solutions and biodiversity; (iii) increasing quality, sustainable infrastructure; and (iv) people and institutions for delivering capacity to promote inclusive and sustainable growth. Furthermore, the Project is aligned to the Bank's Gender Strategy 2021-2025 and the Bank's Climate Change and Green Growth Action Plan (2021 – 2025), which aims at boosting climate resilience and adaptation to climate change. F3SRT is also in line with the Bank's current Country Strategy Paper for Tanzania (CSP 2021-2025) and complies with value chain priorities of Tanzania's Food and Agriculture Delivery Compact that was presented at the Feed Africa (Dakar 2) Summit in January 2023.

B. Sector and Institutional Context

6. Tanzania is among the sub-Saharan African countries that largely depend on agriculture. Having more than 70% of its population living in rural areas, Tanzania employs approximately 80% of the country's labour force in agriculture, which contributes 27% of its growth domestic product (GDP). Horticulture is an important subsector recognized as labour intensive and offering multiple employment opportunities throughout the value chain, particularly in the rural areas. In the last decade, the horticulture subsector has grown twice as much compared to the average growth of the agriculture sector. The growth of the horticulture subsector was approximately 11% per annum while for overall agriculture the growth was 4%. This was spurred by the phenomenal increase in the production of fruits and vegetables. Exports have grown from US\$64 million in 2004 to US\$779 million in 2019 according to a study supported by USAID in 2020 for Tanzania Horticultural Association

(TAHA)². The sector employs more than 450,000 people with 65-70% being women. The country has a goal to increase exports to US\$3 billion by 2025.

7. Despite the efforts being made on increasing production, horticulture has generally faced such challenges as ineffective market logistics for products from the farms to the point of exit; limited storage facilities, market strategy and information gaps, and knowledge on international standards especially by small scale farmers; inadequate digitalization of the marketing channels; limited investments in irrigation for smallholder producers to cater for demanding horticulture crops which require irrigation throughout the year; post-harvest losses occurring due to poor handling techniques; limited packaging facilities; poor transport infrastructure; inadequate extension and advisory services; inadequate availability of inputs such as fertilizers and credit facilities; and long term climatic change effects. The challenges of agricultural produce marketing were further exacerbated by the outbreak of COVID-19, which afflicted agricultural trade and supply chain causing domestic producers to receive low prices for their farm produce.

8. Measures to address the above challenges by the Government are on-going. Some of these include provision of motorcycles to all extension workers in the villages in order to improve availability and outreach of extension services. Under F3SRT, MVIWATA will work with the Government and/or its agencies as follows: the Ministry of Agriculture for policy and technical guidance, Local Government Authorities for provision of extension services, Tanzania Warehousing Regulatory Agency (Ministry of Trade) for establishing warehouse receipt systems and cold chambers; and Tanzania Bureau of Standards for quality assurance.

C. Rationale for Bank's Involvement

9. The Bank is the Supervising Entity (SE) for about a quarter of the GAFSP portfolio. It is currently managing and supervising 10 projects across its regional member countries, including Tanzania, with a total portfolio value of \$320.8 million. GAFSP provides small-scale grants for projects that are designed and led by farmers' and producer organizations, together with an implementing agency partner of choice. The Producer Organization-led modality aims to strengthen POs as key economic players in the value chain. This funding will support countries and smallholder farmers and their families in their medium- to long-term COVID-19 response efforts for more sustainable food systems in a changing climate.

10. AfDB is working in partnership with GAFSP, being one of the Supervising entities of the latter's portfolio. In 2021 MVIWATA³, with AfDB as the Supervising Entity, submitted a proposal under the GAFSP Sixth Call for Proposals. This project presented by MVIWATA was one of the 12 producer-organization-led projects approved in this call for proposals, selected from applications from 40 eligible countries and 42 Producer Organizations. GAFSP funding aims to support medium- to long-term COVID-19 response efforts for a more sustainable, inclusive, and resilient recovery of agriculture and food systems in a changing climate. Through this competitive process, GAFSP approved the proposal and allocated a grant of US\$ 2.5 million to increase household incomes, address nutritional challenges arising from COVID-19, and reduce post-harvest losses by developing food supply services around horticulture production areas.

11. The project is well aligned with the Bank's Feed Africa Strategy (2016-2025) that seeks to transform African agriculture into a competitive, inclusive, agribusiness-oriented sector that provides food and nutrition security for Africans, creates economic opportunities, and improves livelihoods of rural African communities. At the recent Feed Africa Summit held in Dakar from 26-27 January 2023, regional member countries presented their Country Food and Agriculture Delivery Compacts. These Compacts outlined production targets for key agricultural staples of each country. Horticulture is one of the four value chains prioritized by the Tanzania's Food and Agriculture Delivery Compact⁴.

12. The Bank has accumulated considerable experience in managing GAFSP projects and has a comparative advantage in supporting similar projects within and outside Tanzania. The Bank is currently supervising the Tanzania Initiative for Preventing Aflatoxin Contamination (TANIPAC) co-financed by GAFSP and the Bank, as well as the Tanzania Agriculture Inputs Support Project financed under the Africa Emergency Food Production Facility. The Bank has also successfully completed the Marketing Infrastructure, Value Addition and Rural Finance (MIVARF) Program, and the Agricultural Marketing Systems Development Program (AMSDP).

² Case Study Growth of Tanzania's Horticulture Sector by Rashmi Ekka and Bertha Mjawa: Role of TAHA in Reducing Food Loss, Sept 2020.

³ MVIWATA is registered as non-profit organization under the Non-Government Act of 2022 with Registration No. 1930

⁴ The definition of horticulture used in this context is based on the FAO definition.

<https://www.fao.org/3/x5642e/x5642e05.htm#:~:text=Definition%3A%2D%20High%20investment%20crop,intensively%20for%20high%20value%20product>

D. Development Partners Coordination

13. This Project was prepared in close collaboration with other Development Partners (DPs) in the agriculture sector working group. It will establish operational synergies with current projects, e.g., the EU's Agri-connect, which promotes productivity, commercialization and competitiveness of the horticulture value chains in the country. F3SRT will complement the current initiatives of such projects as Agri-connect through enhancing the capacity of smallholder farmers' groups and associations in supporting their respective activities across the horticulture value chains (Annex 1-3: Similar projects financed by the Bank and other partners).

2 PROJECT DESCRIPTION

A. Project Development Objective

14. The project development objective is to increase smallholder farmers' horticultural production and marketing in the context of negative effects of COVID-19 pandemic. This means that the targeted smallholder farmers would be enabled, through project interventions, to improve their efficiency in farm operations thereby substantially increasing volumes and quality of their crop produce per unit area. In the long run, it is expected that these benefits will impact widely peer farmers, hence benefiting more agricultural communities and the country as a whole. Specific objectives that will lead to the achievement of this development objective are: (i) increase adoption rates of sustainable agricultural technologies and practices (ii) enhance value addition and marketing of horticultural crops grown by smallholder farmers, particularly women and youth; and (iii) increase access to reliable and profitable markets.

B. Theory of Change

15. The F3SRT intends to restore rural economies which have been adversely affected by COVID-19 by increasing production, marketing, supply services of horticultural produce value chains especially fresh vegetables and spices. The project will build on existing initiatives and experiences of MVIWATA in rural markets and further contribute to improving diets for coping with nutritional demands, climate change mitigation and gender equality while attaining sustainable income generation. The intervention logic is based on the general hypothesis that: Improved extension services will improve the adoption rate of improved technologies and ultimately lead to increased production and productivity. On the other hand, improved value addition and marketing efficiency on horticultural produce value chains will increase profitability on horticultural crops, and thus, sustainable household incomes. The combined effects of increased production, productivity and household income will enhance availability, accessibility and affordability of food at household level, and ultimately mitigate the negative impacts of COVID-19 pandemic.

16. The critical underlying assumptions on the intervention logic are willingness of key value chain actors – including smallholder farmers themselves – to participate in the project; enabling policy environment is in place to effectively support production and marketing of non-traditional export crops (horticultural crops and spices); and stable weather conditions.

C. Project Components

17. The Project has three (3) components: (i) Scaling up production and productivity; (ii) Enhancing value addition and marketing; and (iii) Project management and coordination.

18. **Component 1: Scaling up production and productivity, (UA 421,688.5 or 21% of total cost)** - This component will (i) promote sustainable, climate smart agricultural practices and techniques, agroecological practices, biodiversity and landscape management strategies⁵; (ii) improve production and climate advisory services and post-harvest management; (iii) build the capacity of smallholder farmers on climate resilience, good agricultural practices and integrated pest management systems to help address the existing and emerging crop pests and diseases; (iv) facilitate acquisition of critical agricultural inputs (suitable seeds) to increase the production and productivity of vegetables and spices; (v) train about 10,000 smallholder farmers (at least 65% women) on application of technology and best practices to address critical post-production constraints, including handling and storage of farm produce; and (vi) support to land development and field expansion.

⁵ Including promoting the use of climatic resilient varieties to cope with climatic changes.

19. **Component 2: Enhancing value addition and marketing (UA 1,075,832.8, 54.0% of total cost)** - This component will (i) support construction of at least 5 climate resilient postharvest and aggregation infrastructure for sorting, grading, bulking, packaging and storage to address post-harvest losses; (ii) support MVIWATA Marketing Company to undertake aggregation from smallholder farmer groups and cooperatives, particularly bulking of essential spices for value addition; (iii) establish one climate smart multi-purpose spice processing facility in Morogoro district to process spices for local and regional markets; (iv) build the capacity of MVIWATA to manage the processing facility; (v) support improved packaging materials, labelling, and branding of spices; (vi) work closely with the Small-scale Industry Development Organisation (SIDO) for further product development, the Tanzania Bureau of Standards (TBS) for quality assurance and certification to meet market requirements in the spice industry and TanTrade for export markets; (vii) develop Information Communication Technology (ICT) platform for promoting and marketing of horticulture produce; and (viii) enhance the capacity of MVIWATA in ensuring institutional growth as well as the project delivery and sustainability of the Project outcomes.

20. **Component 3: Project Management and Coordination (494,399.0, 25% of total cost)** -This component will: (i) support coordination and management of the Project including planning, budgeting, monitoring and evaluation, implementation and reporting on the Gender Action Plan, financial management, audits, procurement, and documentation and communication of Project results and impact to ensure Project visibility.

D. Project Cost and Financing Arrangements

21. The total cost of the project is estimated at UA 1,991,920.3 (USD 2,646,859.1). This cost is broken down into UA 632,165.4 (USD 840,019.9) in foreign cost and UA 1,359,754.9 (USD 1,806,839.2) in local cost. The Global Agricultural and Food Security Program (GAFSP) will provide a total of UA 1,881,400 (USD 2,500,000 or 94.5%) of total project costs, in the form of grant, net of taxes and customs duties over a period of four years. These resources will be complemented by the MVIWATA's contribution estimated at UA 110,520.3 (USD 146,859.1 or 5.5% of total project costs), mainly from in kind beneficiary contributions and office utility costs.

22. Physical contingency of 1% for works and goods as well as annual price contingencies of 2% have been factored into the total cost. The estimate of the contingencies was made based on the costing of similar projects and the historic rates of inflation of the local currency and foreign exchange. The summary of the estimated Project cost by component, sources of financing and expenditure category and the Detailed cost Tables are presented below:

Table 1: Estimated Cost of the Project by Components

Components	Currency (UA)			% of Total Project Cost
	Foreign Currency	Local Currency	Total	
Component 1: Scaling up Production and Productivity	62,575.4	349,075.0	463,850.0	21
Component 2: Enhancing Value Addition and Marketing	311,668.9	724,592.2	962,836.4	54
Component 3: Project Management and Coordination	252,182.9	227,018.2	301,661.3	25
Total Base Costs	626,427.1	1,300,685.3	1,728,347.7	100
Physical contingencies	5,738.3	19,854.4	25,592.7	1
Price contingencies	0.0	39,215.2	39,215.2	2
Total Project Costs	632,165.4	1,359,754.9	1,991,920.3	103

Table 2: Project Sources of Financing

Sources of financing	Costs (UA)	Costs (USD)	% of Total Project Cost
GAFSP	1,881,400.0	2,500,000.0	94.5
MVIWATA	110,520.3	146,859.1	5.5
Total Project Costs	1,991,920.3	2,646,859.1	100.0

Table 3: Project Component by Source of Financing

Components	Source of financing				Total	
	GAFSP		MVIWATA		UA	USD
	UA	USD	UA	USD		
Component 1: Scaling up Production and Productivity	421,688.5	560,338.8	0	0	421,688.5	560,338.8
Component 2: Enhancing Value Addition and Marketing	1,053,030.2	1,399,264.1	22,802.6	30,300.0	1,075,832.8	1,429,564.1
Component 3: Project Management and Coordination	406,681.3	540,397.1	87,717.7	116,559.1	494,399.0	656,956.2
Total	1,881,400	2,500,000.0	110,520.3	146,859.1	1,991,920.3	2,646,859.1

Table 4: Project Cost by Category of Expenditures

Category	UA			% of Base Total Cost	% of Total Project Cost
	F.E.	L.C.	Total		
Goods	249,808.4	0.0	249,808.4	13	13
Works	107,239.8	344,549.4	451,789.2	23	23
Services	55,501.3	231,976.6	287,477.9	15	15
Miscellaneous	22,576.8	626,190.1	648,766.9	34	34
Operating Costs	191,300.8	97,969.2	289,270.0	15	15
Total Base Costs	626,427.1	1,300,685.3	1,927,112.4	100	97
Physical contingencies	5,738.3	19,854.4	25,592.7	1	1
Price contingencies	0.0	39,215.2	39,215.2	2	2
Total Project Costs	632,165.4	1,359,754.9	1,991,920.3	103	100

Table 5: Project Expenditure Schedule

Components	Cost (UA)				
	2023	2024	2025	2026	Total
Component 1: Scaling up Production and Productivity	234,234.3	118,340.1	47,787.6	11,288.4	411,650.3
Component 2: Enhancing Value Addition and Marketing	283,000.2	454,084.5	232,537.2	66,639.2	1,036,261.0
Component 3: Project Coordination and Management	174,605.4	105,746.2	105,746.2	93,103.2	479,201.1
Total Base Costs	691,839.9	678,170.7	386,071.0	171,030.8	1,927,112.4
Physical contingencies	2,444.1	19,615.1	1,992.5	1,541.0	25,592.7
Price contingencies	4,754.4	15,773.7	10,868.2	7,818.9	39,215.2
Total Project Costs	699,038.4	713,559.5	398,931.7	180,390.7	1,991,920.3

E. Project's Target Area and Population Beneficiaries and Other Stakeholders

23. The Project will be implemented in four regions of Tanzania: Morogoro rural district, Mvomero district in Morogoro Region; Wanging'ombe district, in Njombe Region; and Kaskazini 'A' and Kaskazini 'B' districts in Unga in Zanzibar. The project targets five horticultural value chains, notably spices (cloves, cinnamon, ginger, black pepper, garlic), tomatoes, green peas, green beans and potatoes. Table 1 below shows the prioritized crops by each selected region.

Table 6: Target Districts by Value Chains

Sn.	Value Chain*	Region/Area	Districts
1.	Cloves, Cinnamon, Ginger, Black pepper	Morogoro, Unga	Morogoro Rural, Kaskazini "A" and Kaskazini "B"
2.	Tomatoes	Morogoro and Unga	Mvomero, Kaskazini "A" and Kaskazini "B"
3.	Green Peas, Green Beans,	Morogoro	Mvomero
4.	Garlic	Morogoro	Mvomero
5.	Potatoes	Njombe	Wanging'ombe

* Selection of value chains were based on project areas' competitive and comparative advantages.

24. The total number of direct beneficiaries is about 10,000 smallholder horticultural value chain actors, five (5) wholesale markets for storage enhancement using cold storage, and six (6) local businesses. The project target beneficiaries include 65% women (40% adult women 35-50 years and 25% young women 15-35 years) and 35% men (15% adult men and 20% young men 15-35 years) cultivating less than 5 acres of the target value chains. The direct beneficiaries will also include 400 unemployed youth who will be engaged in various horticulture value chain activities. A total of about 25,000 smallholder actors engaged in horticulture value chains are expected to indirectly benefit from the Project.

25. The design of the project was informed by wide stakeholder consultations. During the preparation stage in August 2022, the Bank and MVIWATA team conducted a wide consultation with key stakeholders at the national and local levels. At the national level, consultations included the Ministry of Finance and Planning (MoFP), Ministry of Agriculture, and Agricultural Sector Development Program II (ASDP II). At the regional, district and community levels, consultations were held with Regional Administrative Secretaries (RAS) and District Executive Directors (DED) of the respective Regions and Districts, and farmers (including women and youth groups). Final consultations were carried out in March 2023 during the appraisal mission where again, public institutions, farmer groups and cooperatives were consulted. These consultations will continue during project implementation.

26. The project design was guided by comparative and competitive advantages of the existing value chains in the Project area. A list of alternatives and the reasons for rejection are indicated in the table below.

Table 7: Technical Alternatives Considered and Reasons for Rejection

Alternative	Description	Reasons for Rejection
Alternative 1	Focusing on other crops like maize value chain, which equally thrives well in the project area	<ul style="list-style-type: none"> As opposed to maize, which could be planted only once per farming season, vegetable crops could be planted twice, thus more farm income earning. Comparative and competitive advantage of vegetables over maize due to organic farming practices, thus, fetching better market prices. Over time, prices of vegetables are relatively stable compared to those of maize. Planting of cloves in hilly terrain could mitigate the effects of soil erosion in Eastern Uluguru Mountain.
Alternative 2	Focusing on cloves value chain in Zanzibar	<ul style="list-style-type: none"> The cloves value chain in Zanzibar is relatively well established compared to that of spices; and High demand of spices from Zanzibar in the regional and international markets.

F. Bank Group Experience and Lessons Reflected in Design

27. The Bank has considerable experience in designing and overseeing the implementation of agricultural and infrastructure-related projects in Tanzania. These include agricultural infrastructure projects such as the District Agriculture Sector Investment Program (DASIP), Agricultural Marketing Systems Development Program (AMSDP), Lake Tanganyika Integrated Regional Development Program (PRODAP), The Market Infrastructure Value Addition and Rural Finance (MIVARF) Program, and Tanzania Initiative for Preventing Aflatoxin Contamination (TANIPAC). The knowledge gained through the implementation of the various Bank-financed projects and studies in the sector has informed the design of this project. In the same pattern, the knowledge that will be generated by this project will be instrumental in designing and managing similar programs/projects in the future. This Project will be introducing several new and innovative approaches, and the successes and challenges would be shared.

28. The Project design has considered and internalised the useful experiences from the Bank's previous and existing operations across the country. Key lessons learned include the need to: (i) improve quality at entry in project design, procurement planning, implementation, and contract management. The project has been subjected to both AfDB and GAFSP quality enhancement reviews and rigorous compliance procedures; (ii) effective targeting of project geographies and beneficiaries to deepen and sustain impacts. The design ensures greater geographic concentration by consolidating project interventions in 4 selected districts in the Mainland and Zanzibar; (iii) strengthen and streamline project management and implementation capacities and increase understanding of the Bank's procedures by the project management team.

29. The project provides for on-job training to staff to enhance the requisite skills to be able to perform their duties effectively; (iv) active engagement of the private sector and other key stakeholders in the management of the project cycle. The project will facilitate business-to-business dialogues between the grassroots organizations and local POs with key private sector actors; (v) expedite the fulfilment of conditions precedent to effectiveness and first disbursement. Clear disbursement schedules and requirements will be strictly adhered to. It is provided in the project setup that the PIT will work closely with the private sector and other stakeholders for technical and financial linkages. On the MVIWATA side, two major lessons were considered in the project design i) Professionalisation⁶ of MVIWATA's rural marketing companies and local organizations to improve capacity and efficiency. This is included as one of the major project activities under capacity building, and ii) Anchoring of the Coordination Unit within the Executing Agency administrative structures. The project will be implemented within the existing MVIWATA administrative structures.

3 PROJECT FEASIBILITY

A. Financial and Economic Analysis

30. The financial analysis was undertaken at prevailing market prices and on incremental project net benefits basis. Key assumptions used in the analysis include a project period of 15 years, yield progression of the 'with the Project' scenario starting with gradual annual increases of 5% and later 10% to reach the steady state in year 8 (2030). Measures that were applied to determine the project's worth in financial terms were: the Net Present Value (NPV) and Financial Internal Rate of return (FIRR). Results showed that the project is financially viable because the NPV is positive at USD 11.7 million and the FIRR at 28.2% is greater than the presumed cost of capital of 10%. Similarly, the resultant economic analysis showed that the project is economically sound as it yields an Economic Internal Rate of Return (EIRR) of 29.0% and a NPV of USD

⁶ Professionalization in this context denotes transformation of rural economic entities such as rural market companies/local POs into acceptable legal status, economic and business visibility and sound organizational management.

12.5 million. Domestic resources were used as the numeraire while ‘transfer payments’ e.g., taxes were excluded. The shadow exchange rate adopted was 20% above the assumed official exchange rate.

31. Four sensitivity tests were undertaken relating to parameters thought to be the most important areas of uncertainty facing the project. Test results indicate that the project is not particularly sensitive to the decline in individual crop yields but is quite sensitive if all crop yields were to drop by 10%. The NPV was reduced to USD 5.07 million while the FIRR dropped to 18%. The same is true for the decrease in sale prices of all crops combined. Increase in production costs resulted into the fall of NPV and FIRR to USD 9.03 million and 23.8%, respectively. A rise in total costs of 10% causes the NPV to shrink to USD 8.8 million and the FIRR decreases to 23.2%.

Table 8: Key economic and financial figures (for cost benefit analysis)

FIRR (base case)	(28.2 %)
EIRR (base case)	(29.0 %)
NPV, (discount rate)	USD 11.7 million (10%)

32. A separate indicative financial analysis was conducted to determine the viability of the agro-processing facility and marketing warehouse at the producer and PO levels. The main assumption was that both facilities will essentially be ‘greenfield’ initiatives hence no incremental analysis was required. With the agro-processing facility, the return to general investment (without financing considerations) at constant market prices is quite attractive at a FIRR of 56.7% and NPV (at 10%) of USD 1.12 million. On the other hand, the warehouse marketing model yields a FIRR of 27.5% and NPV at 10% of USD 0.66 million.

Additional Positive Effects

33. The proposed Project will be based on a catchment approach that will not only improve the livelihood of people living in the catchment area, but also promote sustainable development of the watershed to address environmental challenges (land degradation). Increased area under cloves (tree crop) in Uluguru mountain area and other watershed management activities planned as part of the Project will contribute to restoration of forest cover and ecosystems, thus reducing soil erosion, water pollution, combating desertification and deforestation as well as enhancing water catchment functions. These activities will mitigate climate risks and contribute to reduced vulnerability to extreme weather events and provide a more secure social environment for targeted populations.

B. Environmental and Social Safeguards

Environmental

34. The project E&S risk classification is confirmed as Category 2. The category was validated in ISTS and entered in the SAP on 26th September 2022, in accordance with the national legislation and the Bank’s ISS requirements. The Project poses low to moderate environmental and social risks mainly from the scaling up of agricultural production and productivity, and the construction of small size postharvest and bulking infrastructures.

35. The key E&S risks include (i) Soil and water (surface & ground) contamination resulting from increased agrochemical use to raise agricultural productivity; (ii) excessive water extraction for increased irrigation; (iii) waste generation resulting from increased post-harvest operations; (iv) increased community health and safety incidents; and (V) pest invasion. The support to land development and field expansion, under component 1, will result in acquisition of additional land, that could induce involuntary resettlement and displacement.

36. As the project implementation areas are generally known at regional level but the specific implementation locations an Environmental and Social Management Framework (ESMF) was prepared by the Borrower, reviewed, and cleared by the Bank, and disclosed both in-country (20th January 2023) and by the Bank (15th February 2023) in accordance with the ISS requirements.. Once the implementation locations are known, as appropriate the borrower will prepare and disclose the required E&S documents of eligible subprojects prior the implementation of said subprojects. A pest management plan will be finalised and disclosed at the early stage of the project implementation. .

37. Public consultations were conducted by the Borrower from 17th – 29th November 2022, during the ESMF preparation. The key stakeholders consulted include smallholder farmers; Regional Administrative Secretaries; Regional Commissioners; Senior Agricultural Advisors; District Executive Directors; District Commissioners; and district officials in the regions of Morogoro and Njombe.

38. MVIWATA, the project executing entity doesn't have the required E&S safeguards capacity to manage E&S risk during project implementation. MVIWATA has committed to mobilising the requisite E&S safeguards capacity prior to project implementation. Evidence of the recruitment of E&S safeguards officers to the satisfaction of the Bank, will be made a requirement in the financing agreement.

39. The financing agreement will incorporate conditions and requirements aimed at ensuring that MVIWATA has the required E&S safeguards capacity to adequately manage E&S risks during project implementation; and to provide technical oversight during the preparation of the appropriate site-specific E&S assessment documents. The total cost for the implementation of the E&S measures is USD8,016.0, and included in the GAFSP Grant.

Involuntary Resettlement

40. The project targets smallholder farmers already operating on existing fields; and the planned post-harvest infrastructure development will primarily be located on government owned land, implying that the project will not result in involuntary resettlement. However, the support to land development and field expansion, under component 1, outside government land, will result in acquisition of additional land, that could induce involuntary resettlement and displacement. In addition, the development of postharvest infrastructure outside government owned land will likely result in involuntary resettlement and/or displacement. In anticipation of the two scenarios above, the financing agreement will incorporate the requirement to prepare RAPs, as appropriate, prior to the corresponding activities' implementation.

41. E&S compliance. The undertakings of the financing agreement requires that the Borrower prepares and discloses the appropriate E&S assessment documents prior to activities' implementation. MVIWATA will be responsible for the preparation and implementation of the site-specific E&S assessments during project implementation. Therefore, the EA will have Environmental and Social Safeguards officers responsible for conducting all the required due diligence, including the monitoring and reporting which will be done on a quarterly basis. The project will also prepare an Independent annual E&S performance audit report. These compliance aspects of the project will be reflected in the Financing agreement. Based on the above, the project is ready for approval as per the ISS requirements confirmed in the appended ESCON.

Climate Change and Green Growth

42. The project has been screened and classified as Category 2 on the Bank's climate safeguards system, meaning it is moderately vulnerable to climate risk. Main climate risks include reduced rainfall, delayed and changing rainy seasons, and crop pests and diseases, all of which may reduce productivity of the selected crops. In addition, historical practices of land and ecosystem degradation by local farmers have further heightened the current vulnerability to climate impacts.

43. The local agricultural practices consistent with building climate resilience includes soil organic management, mixed cropping, climate-smart agriculture, and conservation agriculture. These practices in some parts of the project sites have yielded high productivity which have positively impacted the social-economic dynamics consistent with the resilience of the farming population. However, through this project, additional support through improved agricultural technologies, improved seedlings, provision of extension services, and small-scale agricultural infrastructure will be provided to further enhance social and economic resilience against climate risks. In addition, farmers intend to prioritize fruit trees as an agroforestry option for increasing both economic and environmental outcomes. The project objectives and activities are aligned with climate adaptation contributions for the agriculture sector as outlined in Tanzania's Updated Nationally Determined Contribution under the Paris Agreement.

C. Other Cross-cutting Priorities

Poverty Reduction, Inclusiveness and Job Creation

44. The Project will have great potential to reduce poverty, achieve food and nutrition security through upscaling of horticultural production, directly linking farmers to markets with good prices for their products. Furthermore, the project will build the capacity of farmers to establish and manage marketing cooperatives (through cooperative education in farmer field schools) and engage in contract farming to increase their bargaining power for good prices. Currently, MVIWATA has already put in place road infrastructure so that farmers can be able to aggregate their produce in selected aggregation centres along the roads for easier access by buyers. Additionally, the Project will address identified challenges of producer groups of men, women and youth leading to inclusive development and increasing income per capita in participating households among men, women and youth (about 10,000 direct beneficiary value chain actors).

45. The Project will increase employability and create more jobs for men, women and youth. With increased income, employability and job creation, and the spill over effects to about 25,000 value chain actors, there should be a reduction in malnutrition (especially to children under five) and ability to afford the cost of basic needs e.g. health due to increased affordability by men, women and youth. Moreover, the Central and Local Governments are expected to benefit from generation of revenues from taxes and levies through trading of agricultural products produced in various project sites in Morogoro, Njombe and Zanzibar

Opportunities for Building Resilience

46. Tanzania's vegetables and spices subsector reflects some pocket of fragility that jeopardizes the country's horticulture resilience, negatively impacting production efficiency to maximize revenue for both farmers and the country. Many challenges such as low and unequal capacities in quality management and production techniques, low production quality and safety assurance, inadequate financial services, unreliable transport, electricity supply, and high postharvest losses regularly affect small farmers involved in spice and vegetable production. Those factors undermine the importance of the value addition of horticultural products to expand national and regional markets with competitive price offers.

47. The Project is sensitive to communities' resilience. It emphasizes building small farmers' resilience in increasing their productivity and production of selected vegetables and spices as double entry points to ensure (i) food security and good nutrition, and (ii) sustain cash income generation for the households. With the Project's inputs, marketable organic products from the farmers will benefit from competitive prices to address price and market issues that currently undermine the producers' professionalization. The agro-ecology promotion practiced already by vegetables and spices producers add value to their organic products on the market and contribute to building a sustainable environment in the project intervention. Lastly, designing the Project on the existing structure as a principle of not harming to increase the level of ownership from the implementer to the end beneficiaries will boost the engagement in building communities' resilience and encourage the private sector to partner with the small farmers in horticulture

Gender Equality and Women's Empowerment Promotion

48. The project is category 2 on the Bank's Gender Marker System (GMS). It targets 65% women (40% adult women 35-50 years and 25% young women 15-35 years) and 35% men (15% adult men and 20% young men 15-35 years). It will enhance agricultural production and strengthen value addition and marketing of produce by smallholder farmers, thus enabling household food security and earnings by both men and women smallholder farmers. The gender gap within the agriculture sector in Tanzania has well been documented. Due to less economic opportunities in rural areas, most women resort to agriculture with limited agricultural land ownership (women own 33% compared to 47% by men).

49. Relatively, women have less access to agricultural inputs (e.g., improved seeds, fertilizers and pesticides), modern technologies and finance. Women are more engaged in subsistence farming, i.e., 93% compared to 89% by men. Men are more likely to be members of producer cooperatives compared to women. About 90% of women farming activities as compared to 60% of men depend on rain-fed farming. Majority of the casual farm laborers and unpaid family helpers are women. Consultations with MVIWATA groups indicated that women do actively participate in leadership positions, thanks to a comprehensive gender policy by MVIWATA. However, women reported that 90% of the farming households under MVIWATA, women take lead in production and harvesting but get excluded at marketing stage. Men pocket the resultant income. Such practices keep women demoralized, impoverished and deprived from enjoying the sweat of their labour.

50. Implementation of the F3SRT will support i) gender mainstreaming training for MVIWATA staff, ii) scaling-up production and productivity, enabling employment of men and women, minimizing poverty levels, the catalyst of gender inequality, iii) Conduct financial management training for men and women MVIWATA members and iv) Enable women involvement in extension services trainings. One of MVIWATA staff will be committed to implementation of the Gender Action Plan, detecting gender risks, and implementing mitigation measures. For detailed Gender Assessment and Gender Action Plan see Annex 3.

4 IMPLEMENTATION

A. Institutional and Implementation Arrangements

51. The Project will be executed by MVIWATA, with its headquarters in Morogoro. MVIWATA is a not-for-profit Non-Governmental Organization registered⁷ and operating in Mainland Tanzania and Zanzibar. MVIWATA is a reputable and proven results-oriented organization that with vast experience (over 20 years) in implementing projects and initiatives in Tanzania. It has built strong working relationships with different partners (including the Government and donor community) and maintained trust with its grassroots and local members organizations. With these credentials, it is anticipated that MVIWATA will successfully implement the proposed project to support smallholder farmers to increase horticultural production and productivity and thereby enhance their food, nutrition security and incomes (see the organization profile on Annex 4-4).
52. The existing MVIWATA Board of Directors will act as the Project Steering Committee. The existing MVIWATA Board of Directors shall be tasked to provide strategic guidance and oversight on the Project. The project will establish a Technical Advisory Committee (TAC) comprise of representatives from ASDP II secretariat, Tanzania Bureau of Standards (TBS), Small-scale Industry Development Organization (SIDO), TanTrade, Ministry of Agriculture, Livestock, Fisheries and Natural Resources (MANR), Zanzibar; Representative of the President's Office Regional Administration and Local Governments (PO-RALG); and one representative of local farmers groups as deem necessary by MVIWATA. The TAC will advise the Project on technical areas and ensure synergy.
53. There will be a Project Implementation Team (PIT) drawn from the existing MVIWATA staff members and will be responsible for the day-to-day implementation of the Project. The PIT shall comprise of: (i) Project Coordinator, (ii) M&E Officer, (iii) Project Accountant, (iv) Agronomist, (v) Value Chain and Marketing Officer; and (vi) Three Regional Coordinators. At grassroots level, there will be four (4) Field Coordinators, who will be coordinating implementation of the project in each of the project districts (Wanging'ombe, Morogoro Rural and Mvomero) in Tanzania Mainland and Zanzibar. The collaboration with the private sector will be formalized through Memorandums of Understanding (MOUs) or agreements.

B. Procurement

54. In general, the procurement of goods (including non-consultancy services), works and the acquisition of consulting services will be carried out in accordance with the "Procurement Policy and Methodology for Bank Group Funded Operations" dated October 2015, and the relevant provisions of the Grant Agreement. Specifically, the procurement will be carried out based on (i) Implementer Procurement System comprising the relevant laws and regulations under the Procurement Act, 2011 (revised 2016 and its Regulations) using the national standard bidding documents or other solicitation documents for given transactions entailed under the Project; (ii) Bank Procurement Policy and Methodology (BPM) using the relevant standard solicitation documents for contracts that are either: (a) above the thresholds indicated in Annex 4-5, or (b) in cases where BPS may not be relied upon for a specific transaction or group of transactions;
55. A detailed procurement risk and capacity assessment was conducted at the Country, Sector, and Project levels including the Executing Agency. The outcome of this assessment informed the procurement decisions (i.e., BPS or BPM) regarding the specific transactions while taking cognizance of the risk levels and appropriate mitigation measures.
56. As part of the remedial actions to using BPS, MVIWATA will be expected to: (i) develop a Procurement Plan that will be jointly monitored by the Bank and the Recipient on a regular basis; (ii) conduct annual procurement audits in accordance with BPS requirements. The annual procurement audit report shall be submitted to the Bank no later than six (6) months after the end of each financial year.

C. Financial Management, Disbursements and Audits

57. In compliance with the 2014 Financial management guidelines, policies and procedures, an assessment of the adequacy of MVIWATA's financial management systems were completed with a low-risk rating. The current state of MVIWATA Financial Management environment is robust to ensure reliance is placed on the Non-Governmental Organisations (NGOs) Financial Management systems. The entity has an approved comprehensive financial management

⁷ Under the Non-Governmental Organisation Act, 2002. MVIWATA operates in accordance with its governing Constitution.

manual, with adequate descriptions and operation of the minimum financial management systems and arrangements, reviewed on a regular basis to accommodate likely changes including system improvements.

58. The entity will designate a well experienced accountant with qualifications and experience acceptable to the Bank and following the Bank's No Objection and such an accountant will lead the Financial Management (FM) functions of the project. The project accountant will ensure that project financing and its related activity expenditures are spent in line with the approved project Annual Work Plans and Budgets (AWPB). The Project Accountant will adopt and enforce application of relevant controls manual and automated and appropriate governance procedures relating to segregation of duties, obtaining required authorisation and approvals during the application for project funds and spending the same. The project coordinator and the accountant will provide a concise commentary on Annual Work Plan and Budget (AWPB) execution including deviations and variances as part of the interim financial reports.

59. The entity will utilise the special account method for requesting and receiving of funding for smaller project operational expenses including capacity building and trainings. The direct payment method will be adopted for major acquisitions and spending on goods, works and services.

60. The project will use the entity's Enterprise Resource Planning (ERP) system to process, maintain and generate required financial reports at agreed intervals for the Bank's use. The project will prepare and submit to the Bank interim financial statements on a quarterly basis, not later than 45 days after the relevant quarter.

61. The project will be subject to annual audits after the project's year end which spans from January to December by the entity's auditors. The first financial period of the project can span 18 months and 12 months thereafter up to project closure. The audited financial statements and the management letter will be submitted to the Bank six-months after the end of the period. The audit fees will be paid from the project budget. Non-compliance with such provisions would lead to suspension of disbursement and cancellation of the grant agreement.

D. Monitoring and Evaluation

62. The project will follow the AfDB's standard monitoring, reporting and evaluation processes and procedures, as well as the GAFSP monitoring and evaluation guidelines. The primary responsibility for the day-to-day project management and implementation rests with the Project Coordinator (PC). The M&E Specialist at the PIT will be responsible for the overall monitoring and evaluation of project activities based on the Annual Work Plans and Budgets (AWPB), which will be approved by the Project Steering Committee (PSC). To ensure the efficient project implementation, the Project Coordinator will inform the PSC and the AfDB Country Office of any delays or difficulties during implementation, including the implementation of the M&E plan, so that the appropriate support and corrective measures can be adopted. The Project Coordinator will also ensure that all project staff maintain a high level of transparency, responsibility and accountability in monitoring and reporting project results.

63. The Board of Directors, Project Technical Committee and the Bank will be responsible for external monitoring through supervision missions, which will be held on a bi-annual basis. The Mid-Term Review (MTR) of the project will be conducted in the second year of the project.

64. In using the performance indicators and targets specified in the Project Results Based Framework, project implementers tracking progress towards project results are expected to take special note of changes that reflect advancement towards the translation of outputs into development outcomes. In developing monitoring and planning indicators, they will be disaggregated along gender lines. A gender-sensitive baseline study will be undertaken in Project year 1, which will be followed up with the Outcome Study in Project Year 3 to assess performance and impact of project activities.

65. M&E activities are part of Component 3 of the project, which also includes knowledge management activities. The project monitoring and evaluation approach will also facilitate learning and mainstreaming of project outcomes and lessons learned into international good practice as well as national and local policies, plans and practices. The Bank and MVIWATA will jointly conduct a Project Completion Report at the close of the project to assess project performance and draw lessons.

E. Governance

66. MVIWATA's organization structure is comprised of the Annual General Meeting (AGM) which is the supreme body of the organisation conducted annually with representation of members from all MVIWATA networks. The Board of Directors composed of smallholder farmers, whose main role is to provide the strategic leadership of the organisation, is elected every three years. Day-to-day activities of the organization are executed by the management team led by the Chief Executive Officer supported by staff of various disciplines. To ensure transparency and accountability within the project,

which will be implemented under the existing MVIWATA set up, the management will strive to utilize the existing structures and systems that are in place to inform and involve beneficiaries and stakeholders in general of key decisions made throughout the project lifetime so that they can exert their influence as appropriate. This is possible because beneficiaries, especially farmers, are represented at all levels of the MVIWATA structure.

67. All Board members of MVIWATA shall form the PSC. Their experience in managing the organisation, and in particular, agricultural interventions supported by various development partners will provide an effective and sustainable governance system for the Project. MVIWATA has good experiences in successfully implementing donor funded projects⁸, service contracts (of both contractors/service providers and staff) as well as good track record of conducting internal audit and annual external financial audits.

F. Sustainability

68. To ensure sustainability, the Project will: (i) be implemented within the existing structures and framework of MVIWATA to enhance its capacity; (ii) adopt a commercial approach for further development and processing of their produce to ensure sustainable avenues for selling and to increase farm incomes; (iii) adopt an innovative marketing approach to enhance product visibility and sustainable access to domestic, regional and international markets; (iv) adopt advanced agricultural technologies and approaches to improve quality and resilience in the production ecosystem; and (v) safeguard the environment and increase productivity and induce end user satisfaction leading to sustained business in the foreseeable future.

G. Risk Management

69. The Project's potential risks are poor performance of some contractors, limited buy-in and commitment from project beneficiaries and weak implementation capacity that is likely to affect implementation progress, as well as climate risks which are moderate. All these risks are rated as moderate. The Project will mitigate these risks through: (i) robust evaluation process, and good follow-up in contract management; (ii) early involvement of beneficiaries in the Project design; (iii) capacity building support and competitive selection of additional Project experts with adequate experience; and (iv) promotion of climate smart agriculture technologies.

H. Knowledge Building

70. This Project represents a Producer Organisation (PO) – led initiative, which is one of its kind to be supported by the Bank and GAFSP in Tanzania. Through the Project M&E system, the outcomes and impact of the Project will be closely monitored, and lessons learned will be disseminated through the usual Bank's and GAFSP's mechanisms. It will be applied in future on development projects from such organisations within and outside the country and provide the Bank with requisite knowledge to meet its objectives under the Feed Africa Strategy and the Job for Youth in Africa Strategy.

5 LEGAL INSTRUMENTS AND AUTHORITY

A. Legal Instrument

71. The legal instrument will be a Grant Agreement between Mtandao wa Vikundi vya Wakulima Tanzania (MVIWATA) (the "Recipient") and the African Development Bank (the "Bank") (as Supervising Entity for the Global Agriculture and Food Security Program (GAFSP) Trust Fund for an amount of USD 2.50 million (the "Grant Agreement").

B. Conditions Associated with Bank's Intervention

72. Condition Precedent to First Disbursement of the Grant. The obligation of the Bank to make the first disbursement of the Grant shall be conditional upon the entry into force of the Grant Agreement and the fulfilment by the Recipient, in form and substance satisfactory to the Bank, of the following condition:

- (a) The submission of evidence of the designation of key staff for Project Implementation Team within the Executing Agency with qualifications and terms of reference acceptable to the Bank, as follows: (i) Project Coordinator; (ii)

⁸ Among these are projects supported by IFAD, USAID, SIDA, AFD, SDC, FAO and Irish Aid.

Monitoring and Evaluation Officer; (iii) Project Accountant; (iv) Agronomist; (v) Value Chain and Marketing Officer; (vi) three (3) Regional Coordinators; and (vii) four (4) Field Coordinators.

73. **Undertakings.** The Recipient undertakes the following:

- (a) To cause implementation of measures and to meet requirements for Project financial management as required by the Bank.
- (b) To carry out the Project in accordance with the Bank's Safeguards Policies and the applicable national legislation in a manner satisfactory to the Bank.
- (c) To deliver to the Bank Project quarterly reports and any other reports in form and substance acceptable to the Bank.
- (d) To establish and maintain throughout Project implementation with composition and resources satisfactory to the Bank: (i) Project Steering Committee (PSC) tasked to provide strategic guidance and oversight on the Project; and (ii) Technical Advisory Committee (TAC) to advise the Project on technical areas and ensure synergy.
- (e) To enter into Memoranda of Understanding or other formal agreements with relevant private sector actors for cooperation under the Project.

C. Compliance with Bank Policies

74. This project complies with all applicable Bank policies.

African

Development Bank Group Independent Recourse Mechanism

75. Communities and individuals who believe that they are adversely affected by this project may submit complaints to existing project-level grievance redress mechanisms or the AfDB's Independent Recourse Mechanism (IRM). The IRM ensures project affected communities and individuals may submit their complaint to the AfDB's Independent Recourse Mechanism which determines whether harm occurred, or could occur, as a result of AfDB non-compliance with its policies and procedures. To submit a complaint or request further information, project stakeholders should please contact: IRM@afdb.org or visit the IRM website www.irm.afdb.org. Complaints may be submitted at any time after concerns have been brought directly to the AfDB's attention, and Bank Management has been given an opportunity to respond before reaching out to the IRM.

6 RECOMMENDATION

76. Management recommends that the Board of Directors approve the proposed Grant of USD 2,500,000 from the Global Agriculture and Food Security (GAFSP) to MVIWATA for the purposes and subject to the conditions stipulated in this report.

7 RESULTS FRAMEWORK

RESULTS FRAMEWORK					
A PROJECT INFORMATION					
PROJECT NAME AND SAP CODE: Food Systems Supply Services in Rural Tanzania (F3SRT) - "Baridi Sokoni", P-TZ-A00-016			COUNTRY/REGION: Tanzania		
PROJECT DEVELOPMENT OBJECTIVE: Increase smallholders' horticultural production and marketing.					
ALIGNMENT INDICATOR (S): Number of people who are malnourished (millions) (RMF Level 1); Net agricultural trade balance (\$billions/year) (RMF Level 1); Proportion of population living below the poverty line (%) (RMF Level 1)					
B RESULTS MATRIX					
RESULTS CHAIN AND INDICATOR DESCRIPTION	RMF/ADOA INDICATOR	UNIT OF MEASUREMENT	BASELINE (2022/2023)	TARGET AT COMPLETION (2026)	MEANS OF VERIFICATION
OUTCOME STATEMENT 1: Increased Production and Productivity					
OUTCOME INDICATOR 1.1: Production levels (disaggregated by crop type) ⁹	☒	Tons	Cloves: 190 Green Peas: 500 Tomatoes: 2,100 Garlic: 500 Beans: 800 Potato: 4,000 Cinnamon: 80 Ginger: 800 Black Paper: 140	Cloves: 214 Green Peas: 543 Tomatoes: 2,310 Garlic: 578 Beans: 866 Potato: 4,620 Cinnamon: 87 Ginger: 857 Black Paper: 157	Annual Progress Report/Outcome Study report
OUTCOME INDICATOR 1.2: Productivity levels (disaggregated by crop type)	☒	Tons/ha	Cloves: 0.95 Green Peas: 2.5 Tomatoes: 10 Garlic: 2.5 Beans: 1.3 ¹⁰ Potato: 10 Cinnamon: 1 Ginger: 10 Black Paper: 1.75	Cloves: 1.07 Green Peas: 1.2 Tomatoes: 11.6 Garlic: 2.9 Beans: 1.44 Potato: 11.55 Cinnamon: 1.09 Ginger: 10.71 Black Paper: 1.96	Annual Progress Report/Outcome Study report
OUTCOME INDICATOR 1.3: Volume of horticulture produces traded (disaggregated by crop type)	☒	Tons	Clove: 133 Green Peas: 350 Tomatoes: 1,470 Garlic: 350 Beans: 560 Potato: 2,800 Cinnamon: 56 Ginger: 560 Black Paper: 98	Clove: 171.4 Green Peas: 434.7 Tomatoes: 1,848 Garlic: 462 Beans: 693 Potato: 3,696 Cinnamon: 69.6 Ginger: 685.4 Black Paper: 120	Annual Progress Report/Outcome Study report
OUTCOME INDICATOR 1.4: Farmers benefiting from improvements in agriculture (disaggregated by sex and age) ¹¹	☒	Number	1,000	10,000	Annual Progress Report/Outcome Study Report
OUTCOME INDICATOR 1.5: Volume of crops processed (disaggregated by type)	☒	Tons	Clove: 0 Tomato: 0 Green Peas: 0 Garlic: 0 Potatoes: 0 Cinnamon: 0 Ginger: 0 Black Paper: 0	Clove: 100 Tomato: 960 Green Peas: 640 Garlic: 100 Potatoes: 384 Cinnamon: 17.4 Ginger: 171.4 Black Paper: 30	Annual Progress Report/Outcome Study Report
OUTCOME STATEMENT 2: Increased Employment and Income levels					
OUTCOME INDICATOR 2.1: Proportion of population living below the poverty line (%)	☒	%	TBD	TBD	Outcome Study Report/Rapid Assessment
OUTCOME INDICATOR 2.2: Direct employment provided (full-time equivalent) Disaggregation: Of which, number of females disaggregated by sex and age)	☒	Number	0	1,000	Outcome Study report/Rapid Assessment

⁹ For presentation purposes and allotted space, note that the disaggregation of crops shows only 3 crops that will be involved in the project. See Annex 4-1 for the disaggregation of all crops.

¹⁰ Cultivated twice per annum. This figure represents production per ha per annum.

¹¹ All disaggregated indicators by gender and sex will be 45-25-20-15 (Adult women, young women, young men and adult men)

RESULTS FRAMEWORK					
A PROJECT INFORMATION					
PROJECT NAME AND SAP CODE: Food Systems Supply Services in Rural Tanzania (F3SRT) - "Baridi Sokoni", P-TZ-A00-016			COUNTRY/REGION: Tanzania		
PROJECT DEVELOPMENT OBJECTIVE: Increase smallholders' horticultural production and marketing.					
ALIGNMENT INDICATOR (S): Number of people who are malnourished (millions) (RMF Level 1); Net agricultural trade balance (\$billions/year) (RMF Level 1); Proportion of population living below the poverty line (%) (RMF Level 1)					
B RESULTS MATRIX					
RESULTS CHAIN AND INDICATOR DESCRIPTION	RMF/ADOA INDICATOR	UNIT OF MEASUREMENT	BASELINE (2022/2023)	TARGET AT COMPLETION (2026)	MEANS OF VERIFICATION
OUTCOME INDICATOR 2.3: Value of assets owned by value chain actors (disaggregated by sex and age)	<input checked="" type="checkbox"/>	USD	1 million	1.5 million	Outcome Report/Rapid Assessment Study
OUTCOME INDICATOR 2.4: People who are malnourished (millions)	<input checked="" type="checkbox"/>	Number	TBD	TBD	Outcome Report/Annual District Health Department Statistics Study
OUTCOME INDICATOR 2.5: Volume of agricultural production sold on domestic and regional markets disaggregated by crop types	<input checked="" type="checkbox"/>	Tons	TBD	TBD	Outcome Report Study
OUTCOME INDICATOR 2.6: Number of beneficiaries receiving direct benefits, disaggregated by sex and age group	<input checked="" type="checkbox"/>	Tons	TBD	TBD	Outcome Report Study
OUTCOME INDICATOR 2.7: Number of beneficiaries whose livelihood has become more resilient to shocks, disaggregated by sex and age group	<input checked="" type="checkbox"/>	Number	TBD	TBD	Outcome Report Study
I OUTPUT STATEMENT A.1: Increased Production and Productivity					
OUTPUT INDICATOR A.1.1: Smallholder producers/processors receiving productivity enhancement support disaggregated by sex and age group	<input checked="" type="checkbox"/>	Number	0	2,300	Quarterly Progress reports
OUTPUT INDICATOR A.1.2: Demonstration plots established	<input type="checkbox"/>	Number	0	20	Quarterly Progress reports
OUTPUT INDICATOR A.1.3: Volume of horticultural seeds produced	<input type="checkbox"/>	Tons	0	10	Quarterly Progress reports
OUTPUT INDICATOR A.1.4: Number of farmers receiving inputs or service on climate resilient or sustainable agriculture practices disaggregated by sex and age	<input type="checkbox"/>	Number	0	10,000	Quarterly Progress reports
OUTPUT INDICATOR A.1.5: Number of active farmers' marketing organizations	<input checked="" type="checkbox"/>	Number	0	41	Quarterly Progress reports
OUTPUT INDICATOR A.1.6: Number of producer-based organizations supported	<input checked="" type="checkbox"/>	Number	0	10	Quarterly Progress reports
II OUTPUT STATEMENT A.2: Enhanced Value Addition and Marketing					
OUTPUT INDICATOR A.2.1: Number of processing, storage, and market facilities constructed and/or rehabilitated (disaggregated by type of facility)	<input checked="" type="checkbox"/>	Number	0	8	Quarterly Progress reports
OUTPUT INDICATOR A.2.2: E-marketing system developed and operational	<input type="checkbox"/>	Number	0	1	Quarterly Progress reports
OUTPUT INDICATOR A.2.3: Farmers that are supported in accessing improved marketing opportunities disaggregated by gender and age	<input checked="" type="checkbox"/>	Number	0	TBD	Annual Project Report/Outcome Study Report

8 ENVIRONMENTAL AND SOCIAL COMPLIANCE NOTE (ESCON)

A. Basic Information ¹²			
Project Title: Food Systems Supply Services in Rural Tanzania (F3SRT) - "Baridi Sokoni"		Project "SAP code": P-TZ-A00-016	
Country: Tanzania	Lending Instrument ¹³ : DI <input checked="" type="checkbox"/> FI <input type="checkbox"/> CL <input type="checkbox"/> BS <input type="checkbox"/> GU <input type="checkbox"/> RPA <input type="checkbox"/> EF <input type="checkbox"/> RBF <input type="checkbox"/>		
Project Sector: Agriculture	Task Team Leader: Salum RAMADHANI		
Appraisal date: 06 - 17/03/23	Estimated Approval Date: 06/10/23		
Environmental Safeguards Officer: Alex NG'ASI / Emmanuel MULIGIRWA			
Social Safeguards Officer: Annah RUTEBUKA			
Environmental and Social Category: 2	Date of categorization: 26/09/22	Operation type: SO <input type="checkbox"/> NSO <input checked="" type="checkbox"/> PBO <input type="checkbox"/>	
Is this project processed under rapid responses to crises and emergencies?			Yes <input type="checkbox"/> No <input checked="" type="checkbox"/>
Is this project processed under a waiver to the Integrated Safeguards System?			Yes <input type="checkbox"/> No <input checked="" type="checkbox"/>

B. Disclosure and Compliance Monitoring

B.1 Mandatory disclosure

Environmental Assessment/Audit/System/Others (specify: Environmental and Social Management Framework (ESMF))			
Was/Were the document (s) disclosed <i>prior to appraisal</i> ?	Yes <input checked="" type="checkbox"/>	No <input type="checkbox"/>	NA <input type="checkbox"/>
Date of "in-country" disclosure by the borrower/client	[20/01/23]		
Date of receipt, by the Bank, of the authorization to disclose	[07/02/23]		
Date of disclosure by the Bank	[15/02/23]		
Resettlement Action Plan/Framework/Others (specify: NA)			
Was/Were the document (s) disclosed <i>prior to appraisal</i> ?	Yes <input type="checkbox"/>	No <input type="checkbox"/>	NA <input checked="" type="checkbox"/>
Date of "in-country" disclosure by the borrower/client	[Date]		
Date of receipt, by the Bank, of the authorization to disclose	[Date]		
Date of disclosure by the Bank	[Date]		
Vulnerable Peoples Plan/Framework/Others (specify: NA)			
Was the document disclosed <i>prior to appraisal</i> ?	Yes <input type="checkbox"/>	No <input type="checkbox"/>	NA <input checked="" type="checkbox"/>
Date of "in-country" disclosure by the borrower/client	[Date]		
Date of receipt, by the Bank, of the authorization to disclose	[Date]		
Date of disclosure by the Bank	[Date]		
If in-country disclosure of any of the above documents is not expected, as per the country's legislation, please explain why: NA			



B.2. Compliance monitoring indicators

Have satisfactory calendar, budget and clear institutional responsibilities been prepared for the implementation of measures related to safeguard policies?	Yes <input checked="" type="checkbox"/>	No <input type="checkbox"/>	NA <input type="checkbox"/>
Have costs related to environmental and social measures, including for the running of the grievance redress mechanism, been included in the project cost?	Yes <input checked="" type="checkbox"/>	No <input type="checkbox"/>	NA <input type="checkbox"/>
Is the total amount for the full implementation for the Resettlement of affected people, as integrated in the project costs, effectively mobilized and secured?	Yes <input checked="" type="checkbox"/>	No <input type="checkbox"/>	NA <input type="checkbox"/>
Does the Monitoring and Evaluation system of the project include the monitoring of safeguard impacts and measures related to safeguard policies?	Yes <input checked="" type="checkbox"/>	No <input type="checkbox"/>	NA <input type="checkbox"/>
Have satisfactory implementation arrangements been agreed with the borrower and the same been adequately reflected in the project legal documents?	Yes <input checked="" type="checkbox"/>	No <input type="checkbox"/>	NA <input type="checkbox"/>

C. Clearance

Is the project compliant to the Bank's environmental and social safeguards requirements, and to be submitted to the Board?

Yes No

Prepared by:	Name	Signature	Date
Environmental Safeguards Officer:	Alex NG'ASI / Emmanuel MULIGIRWA		29/03/23
Social Safeguards Officer:	Annah RUTEBUKA		
Task Team Leader:	Salum RAMADHANI		29/03/23
Submitted by:			
Sector Director:	Martin FREGENE		22/09/2023
Cleared by:			
Director SNSC:	Maman-Sani ISSA		26/09/2023

¹² Note: This ESCON shall be appended to project appraisal reports/documents before Senior Management and/or Board approvals.

¹³ DI=Direct Investment; FI=Financial Intermediary; CL=Corporate Loan; BS=Budget Support; GU=Guarantee; RPA=Risk Purchase Agreement; EF=Equity Financing; RBF=Results Based Financing.

AFRICAN DEVELOPMENT BANK

BOARD OF DIRECTORS

Resolution N° B/TZ/2023/72

Adopted by the Board of Directors on a lapse-of-time basis, on 19 October 2023

Grant to Mtandao Wa Vikundi Vya Wakulima Tanzania (MVIWATA), from the approved resources of the Global Agriculture and Food Security Program (GAFSP) Trust Fund to finance part of the costs of the Food Systems Supply Services in Rural Tanzania “Baridi Sokoni” F3SRT

THE BOARD OF DIRECTORS,

HAVING REGARD TO: (i) Articles 1, 2, 10, 12, 13, 17, 32 and 37 of the Agreement Establishing the African Development Bank (the “Bank”); (ii) the Transfer Agreement under the Global Agriculture and Food Security Program (GAFSP) Trust Fund between the Bank and the International Bank for Reconstruction and Development (IBRD) as Trustee of the GAFSP Trust Fund effective 26 October 2010 (the “Transfer Agreement”); and (iii) the Appraisal Report contained in document ADB/BD/WP/2023/189/Approval (the “Appraisal Report”);

RECALLING THAT:

- (i) GAFSP Trust Fund was established to provide funding for projects supporting national and regional strategies targeting agriculture and food security in developing countries; and
- (ii) Pursuant to the Transfer Agreement, the Bank has been designated as one of the Supervising Entities of the GAFSP Trust Fund;

HAVING CONSIDERED:

- (i) That on 6 December 2021, the GAFSP Steering Committee approved a grant of an amount not exceeding Two Million Five Hundred Thousand United States Dollars (USD 2,500,000) out of the resources of the GAFSP Trust Fund, to MVIWATA to finance part of the costs of the Food Systems Supply Services in Rural Tanzania “Baridi Sokoni” F3SRT (the “Project”); and
- (ii) The letter of commitment issued by IBRD as Trustee of the GAFSP Trust Fund on 1 August 2023, for an amount not exceeding Two Million Five Hundred Thousand United States Dollars (USD 2,500,000) in favor of the Bank for the implementation of the Project;

DECIDES as follows:

1. To award to MVIWATA (the “Recipient”), from the approved resources of the GAFSP Trust Fund, a grant of an amount not exceeding Two Million Five Hundred Thousand United States Dollars (USD 2,500,000) (the “Grant”) to finance part of the costs of the Project;
2. To authorize the President to conclude a grant agreement between the Bank, as Supervising Entity for the GAFSP Trust Fund and the Recipient (the “Grant Agreement”), on the terms and conditions specified in the Standard Conditions Applicable to Grants made by the African Development Bank and the African Development Fund from the Resources of Various Funds, the Transfer Agreement and the Appraisal Report;
3. The President may cancel the Grant if the Grant Agreement is not signed within ninety (90) days from the date of approval of the Grant by this Board; and
4. This Resolution shall become effective on the date above-mentioned.