



# IFAD in the United Republic of Tanzania



## Number of projects financed

11 projects.

## Amount of financing from IFAD

USD 129.0 million, including four grants totalling USD 0.6 million.

## Donors or partnerships providing technical assistance to the Tanzanian cause

World Food Programme, Ireland Aid, IFAD/Belgian Survival Fund (BSF) Joint Programme, Governments of Norway and Switzerland.

## Objective

Poverty reduction through pro-poor growth strategies and the safeguarding of food security at the household level.

## General objectives

- Reduction of food insecurity through increased agricultural production.
- Improvement in production incentives for rural smallholders.
- Development of institutional capacity from local to national levels.
- Empowerment of poor rural smallholders through participatory processes.
- Improvement in the social and human dimensions.

The United Republic of Tanzania stretches from the equator to latitude 12 degrees south and occupies an area of 945 200 km<sup>2</sup> on the coast of eastern Africa, including Zanzibar and the Pemba Islands. Its economy is predominantly agricultural. The population totalled 31.3 million people in 2000, and about 70% of the population lives in over 8 000 villages in rural areas. With per capita income at USD 280,\* the United Republic of Tanzania is one of the world's poorest countries. The recently approved Debt Initiative for Heavily Indebted Poor Countries will lighten this burden, but the long-term solution to poverty will require the continuing willingness of donors to provide concessionary and grant funding in order to increase productivity and growth.

Over the last five years, the country has made significant progress in restoring macroeconomic stability through a process of trade liberalization, efficient management of the monetary sector and deregulation of pricing and marketing services. The impact of these reforms on the economy has been widespread, resulting in average annual growth in the gross domestic product (GDP) of about 4% during 1995-2000.

Agriculture is the dominant sector, accounting for about 45% of GDP, 85% of rural employment and 73% of all exports. The annual growth rate in agriculture was 3% in the period 1998-2001.

## Investment Portfolio

IFAD – the only international institution exclusively mandated to address rural poverty – has made a detailed assessment of the rural poverty situation in eastern and southern Africa. This will aid the analysis and understanding of the overall dynamics of rural poverty within the socio-economic environment and identification of potential areas for growth and action. In Tanzania, IFAD has a strong and diversified portfolio, which has grown and developed and which takes account of the accumulated lessons learned and the changing policy environment. Implementation of ongoing programmes and projects in the country is progressing well, with specific attention being given to poverty-reduction strategy, policy rationalization, empowerment, transparency, impact analysis and the decentralization of power to the grass-roots level.

\* World Bank, World Development Indicators database, 2000.

## 1<sup>st</sup> generation projects

### Total Programme Loans:

IFAD has, so far, approved eleven (11) projects/programmes for Tanzania, with a total loan amount of USD 129 million and mobilised an additional amount of USD 125 million as cofinancing for development of rural and agricultural sectors.

**IFAD's first-generation projects** were designed and implemented during a time of restrictive state controls within an inadequate incentive framework (price controls; market regulations; and interest rate, subsidy and quantitative export and import controls) and a lack of governmental management capacity. By their nature, the projects relied on a centralized mode of operation and a scope and content that reflected these limitations.

IFAD has completed six projects in Tanzania. While these projects focused primarily on increasing agricultural production (including fisheries production) and related extension services, their overall scope included important complementary components, such as reforestation, the upgrading of social infrastructure, support to local government, and health and water supply with the BSF Joint Programme. During this phase, a number of pilot schemes explored alternative and more sustainable approaches to rural financial services, privatization and the modalities for extension services and input supply.

## 2<sup>nd</sup> generation projects

**Second-generation projects** were developed during the decade of adjustment and market reform, when producer prices were freed, restrictions on the marketing and transportation of food grains were withdrawn, exchange rate policies biased against agriculture were relaxed and input subsidies were phased out. Measures were also taken to restructure the various sectors, liberalize financial markets, privatize banks and deregulate the interest-rate structure. The design considerations and components of the second-generation projects became multisectoral and multidimensional in nature. The projects integrated economic aspects with social and human dimensions (through the involvement of BSF water supply and health facilities) and combined environmental sustainability and economic viability.

These projects had significant positive impact on agricultural production (Smallholder Development Project for Marginal Areas, Mara Region Farmers' Initiative Project, and Southern Highlands Extension and Rural Financial Services Project), controlling pests and diseases (Agricultural and Environmental Management Project and Mara Region Farmers Initiative Project) and improving health and nutrition (Kagera and Mara regions, Dodoma and Kondoia districts). For example, the major progress achieved in the Kagera programme included the following:



- the supply of improved seed and extension efforts through integrated pest management (IPM) and integrated pest nutrition (IPN) has increased the banana production of an average family from 5 to 40 kg/bunch for local varieties and from 15 to 65 kg/bunch for exotic varieties, the production of maize from 1 tonne (t)/ha to 3 t/ha and the production of beans from 600 kg/ha to 2 t/ha;
- about 6 000 farm families have adopted IPM/IPN recommendations for the cultivation of bananas, maize, cassava, potatoes and vanilla;
- seventy-two private seed-growers associations have been formed and are owned and managed by the farmers themselves;
- control of environmental degradation and water pollution has been achieved through the planting of 3.5 million trees using group ownership and management as well as the release of weevils at the source;
- better marketing and communications have resulted from the construction of district and village access roads; and
- health and nutrition have been significantly improved through the provision of disease-control measures and supplies of clean drinking water.

Similar impact was evident in the Mara Region Farmers' Initiative Project in a number of areas:

- about 30 000 rural households are benefiting from increased food production, including vegetables (mainly rice, maize and cassava), through the supply of irrigation water, improved seed and control of pests and diseases using IPM/IPN technology;
- para-veterinary training and the rehabilitation of cattle dips are providing a basis for the sustainable development of cattle populations (through a decrease of 30% in the mortality rate) and increased milk production;
- malaria and schistosomiasis have been reduced in project locations; and
- new roads have reduced transportation costs significantly through better access to market and have created necessary synergies for other project components.

To realize these impacts, IFAD has consistently relied on key instruments, including empowerment, capacity-building, the transfer of knowledge and technology, decentralization, governance, accountability and innovation through a private-sector-driven approach. Some of the specific elements used during implementation to ensure sustainability are participatory approaches to development from design through implementation; involvement of the private sector, non-governmental organizations (NGOs) and civil society in areas where they have a comparative advantage; introduction of cost recovery and user fees; establishment of revolving funds under the control of the stakeholders, and land registration and property rights for women. Further positive impacts include a reduction in the construction costs for irrigation schemes under the Participatory Irrigation Development Programme in the Marginal Areas (PIDP) from USD 3 000/ha to USD 700/ha, increased savings and a reduction in transaction costs due to construction of access roads.

### 3<sup>rd</sup> generation programmes

**IFAD's third-generation programmes** are relatively new. They are designed to remove subsectoral constraints in strategic areas such as rural finance, irrigation and agricultural marketing. Their major thrusts are the rationalization of policy and the legislative and regulatory framework and the strengthening of grass-roots institutions and incentives for privatization and innovation. They are currently under implementation using fully participatory approaches involving beneficiaries, Government (central and local), donors, NGOs and civil society. They rely on the application of the logical framework approach and are:

- developed within the sectoral framework;
- reflective of policies and the impact of policies on success and sustainability;
- designed and implemented through a flexible, phased approach and
- designed for long-term sustainability through capacity-building and empowerment of target groups at a variety of levels.

Noticeable impact has already been achieved in the PIDP, where production has increased from 3 to 4 t/ha, households are obtaining two crops annually, economic and social assets have increased significantly, and water users associations and health groups are fully responsible for major decisions in planning, programming and operations.

The third-generation programmes employ more highly participatory mechanisms throughout and place emphasis on the direct targeting of women due to their key role in agricultural production, processing and income-generating activities. Because of the increase in HIV/AIDS, it is now more critical than ever to ensure that the rural poor, especially women, can increase their social capital so as to reduce their poverty. While these programmes have a broad geographical coverage, they should be viewed as pilot efforts to be replicated on a countrywide basis once the key lessons have been learned. They all place the primary responsibility at the local level through the involvement of NGOs, the private sector and civil society, while Government takes on the role of facilitation, monitoring and policy guidance.

## Future Projects

These are being developed in conjunction with the Government of Tanzania, potential beneficiaries, NGOs, civil society and other donors. In this context, IFAD is initiating the development of a new country strategic opportunities paper for Tanzania in order to outline future investments within the overall framework of the poverty-reduction strategy papers, national strategies and the Millennium Development Goals. In order to maximize the lessons learned and build on its comparative advantage, the Fund is proposing to focus its future portfolio in Tanzania on four thematic areas:

- poverty reduction through more-effective performance of agricultural production technology and services;
- livestock and fisheries development, including health, nutrition and HIV/AIDS initiatives in the communities involved;
- further development of financial services and intermediation among the rural poor; and
- rural energy and electricity supply and communications.



The main aim of these programme would be to reduce poverty in rural areas in accordance with the guidelines of the Millennium Development Goals, based on a programmatic approach and flexible programme mechanisms. The guiding instruments and modalities to be used in the implementation of these programmes will consist of privatization, empowerment, decentralization and governance.



## IFAD's Strategy in Eastern and Southern Africa

If the Millennium Development Goal for poverty reduction is to be achieved, then economic growth in the Eastern and Southern Africa Region will have to increase **sixfold**. Poverty in the region is primarily rural: 83% of the region's extremely poor – 130 million people – live in rural areas, and most of the rural extremely poor depend on agriculture. **For IFAD, the development of small-scale rural production – focusing above all on agriculture – is the key to poverty reduction and growth.**

Since its establishment in 1978, IFAD has financed 105 investment projects and programmes in the 21 countries of eastern and southern Africa, for a total commitment of USD 1.2 billion. Its resources are exclusively focused on rural poverty reduction. IFAD is today one of the principal sources of development assistance for economically-based rural poverty reduction in the region.

Today IFAD supports mainly longer-term, larger-scale programmes that have national institutional and policy dimensions and concentrate on innovative solutions. Programmes are expected to be flexible and process-based and to have clear 'exit' strategies involving a focus on empowering the poor rather than on acting for them. All programmes share three cross-cutting principles. First, they are carefully **targeted** at the rural poor and the creation of economic opportunities for the rural poor. Second, they seek the **empowerment** of the rural poor so as to assist them in building the institutions, skills and knowledge needed for their livelihood strategies. Third, they aim to ensure the **accountability** of governments with respect to rural poor people.

IFAD's strategy in the region has four major thrusts. These assist rural poor people to:

- improve their access to and ability to negotiate with private-sector markets, particularly for agricultural inputs and produce;
- organize the financial services they need in order to save, invest and meet crises, and link these to formal-sector financial institutions;
- improve their access to and management of land and water, including land reform and security of access to land, natural resource management, irrigation and water resource development and management; and
- develop and access the knowledge, information and technology needed to produce and sell their products, drawing upon both commercial and public-sector suppliers.



Building up resilience to crises – particularly the HIV/AIDS epidemic and civil strife – is an essential element of IFAD's strategy. The region is the centre of one of the worst manifestations of the global HIV/AIDS epidemic, and adult prevalence rates are among the highest in the world. The majority of those infected are poor and live in rural areas, and the epidemic is both deepening rural poverty and driven by it. IFAD's response is to extend knowledge empowerment at the community level into the realm of HIV/AIDS in order to support prevention and to work towards the establishment of livelihood alternatives outside high-risk activities and situations.

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## IFAD's Objectives and Strategies

Since its creation in 1978, IFAD has focused exclusively on reducing rural poverty, working with governments and rural poor populations of developing countries to eliminate hunger and increase rural incomes. Today, IFAD's role is **to enable the rural poor to overcome their poverty** by helping to forge the partnerships and promote the conditions under which the poor can use their own skills and talents to work their way out of poverty.

IFAD's strategic framework is part of the organization's broad global commitment to the achievement of the Millennium Development Goals and particularly **to halving the proportion of the world's population living in extreme poverty by the year 2015**. Three strategic objectives lie at the heart of all IFAD initiatives:

- **Strengthening the capacity of the rural poor and their organizations.** Rural poor people need the chance to develop the skills and knowledge they need as individuals and within the institutions they control. Such skills and knowledge will enable them to gain access to economic opportunities and basic social services and infrastructure.
- **Improving equitable access to productive natural resources and technology.** One of the most important factors in the entrenchment of poverty is the lack of access to natural resources such as land, water and forests. In many countries, the distribution of these resources is inequitable, and, even where the poor have access, they may not possess decision-making power over the use of these resources. Natural resource degradation has reached alarming levels in many areas, and the development of appropriate technologies that can halt and reverse environmental degradation while improving productivity is a major challenge that must be addressed.
- **Increasing access to financial services and markets.** If small farmers are to increase their incomes, they must have effective access to markets and be able to negotiate fair prices for the inputs and produce they buy and sell. An integrated approach is thus needed, encompassing production, processing and marketing, in order to contribute significantly to economic growth and poverty reduction. At the same time, the poor often require investment and working capital to increase their productivity. Thus assistance should focus on the development of professional, responsive financial institutions, with a strong emphasis not only on the provision of credit, but also on encouraging savings.



Enabling  
the rural poor  
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