Independent evaluation

IFAD
Investing in rural people

insights

Number 35, January 2015

UNITED REPUBLIC OF TANZANIA COUNTRY PROGRAMME EVALUATION

Working through an agricultural sector-wide approach and a project-modality: IFAD's experience in Tanzania

In the past fifteen years, goals for the agricultural sector in the United Republic of Tanzania were set in the country's Agricultural Sector Development Strategy (ASDS 2001), which was later put into operation by the Agricultural Sector Development Programme (ASDP 2005), financed by the African Development Bank, the International Fund for Agricultural Development (IFAD), the World Bank, the Governments of Ireland and Japan, and the European Union. ASDS and ASDP emphasized a sector-wide approach and basket funding* as the preferred form of donor contribution. One of the overarching objectives of the programme was to foster harmonization of interventions, in an effort to reduce the proliferation of individual uncoordinated projects. Furthermore, the ASDS recognized the importance of local governments as programme implementers. In fact, districts were the main implementing bodies.

The first country programme evaluation (CPE) in Tanzania, completed in 2003 by the Independent Office of Evaluation, found that IFAD was absent from the discussion between donors and the Government on coordination and harmonization, and recommended that IFAD participate more in the coordination efforts that were taking place to prepare ASDP. At that time, however, the option of engaging in a sector-wide approach (as opposed to the traditional project modality) was deemed controversial at IFAD. In 2006 IFAD introduced a policy on "sector-wide approaches for agricultural and rural development". According to this policy, IFAD would not contribute to general budget support but could provide sectoral basket funding or project-mode funding within a sector-wide approach.

The 2014 Tanzania CPE found that IFAD had been able to adapt its portfolio of loans to: (i) the implementation of a national sector-wide approach in agriculture, funded preferentially through basket funding; and (ii) the decentralization policy, whereby local government authorities would be in charge of preparing and implementing local agricultural development plans.

Overall, IFAD's support to ASDP has been the better performing part of its country portfolio between 2004 and 2014. From an institutional point of view, the programme has helped establish a system for channelling funds to thousands of rural villages to support their agricultural development. This system is now operational, although with challenges and room for improvement. ASDP has also supported a "bottom-up" process for establishing agricultural development plans that start at the village level and proceed by aggregation to the ward and district levels.

On the Mainland, there is evidence that extension activities, using the Farmer Field School modality, have contributed to disseminating improved agricultural techniques and to increasing yields, and that irrigation schemes have boosted the productivity of paddy crops. However, the quantity and quality of implementation have varied sharply between

* Basket funding is a distinct funding instrument from project funding and general budget support. Project funding is earmarked to a specific intervention. General budget support is a non-earmarked contribution to the government's general budget, including funding to support the implementation of macro-economic reforms. The basket-funding approach is earmarked to a certain sectoral programme in the country, as per the agreement between donors and the recipient country.

districts. In Zanzibar, where investments have focused on extension only, the quality of programme delivery has been more even. Overall, the results achieved provide a message of hope that the agricultural sector can be transformed by using adequately participatory local-level structures in planning and implementing development interventions from villages up to wards and districts.

While experience with agricultural sector-wide approaches is mixed in the East and Southern Africa region, the performance of ASDP in Tanzania has benefited from: (i) the advances made in the decentralization process in the country and the devolution of responsibilities to local government authorities; and (ii) the long history of national economic planning.

Working within a sector-wide approach modality in Tanzania had important merits: (i) it was implemented through local government authorities and helped strengthen local extension service capacity; (ii) management costs were lower compared to the alternative, which would have implied fielding 15-20 separate projects; and (iii) it reduced transaction costs for the Government, which would have otherwise needed to follow up several projects supported by different donors, each of them with different procedures and reporting requirements.

The 2014 CPE makes a case for IFAD to continue its support to the preparation and implementation of a second phase of ASDS/ASDP. However, there is ample space to improve the programme design and implementation, notably through: (i) greater selectivity on the type of infrastructure to be financed; (ii) strengthening of the monitoring and evaluation capacity and reporting at the local and central government levels; and (iii) transferring of successful approaches tested in Zanzibar to the Mainland.

The 2014 CPE notes that the second phase of ASDS/ASDP, which was initially slated for approval in 2013, will be delayed until 2015 in the best-case scenario. This presents a risk of discontinuity in funding precisely at the time when the system put in place needs further investment in institutional capacity, notably at the decentralized level.

Apart from its contribution to basket funding within ASDP, since 2004 IFAD has also financed traditional projects in the areas of agricultural marketing and value chain development. These projects have been relevant to IFAD's strategy, national policies and needs in rural areas, but they have made limited progress so far, mainly due to flaws in design.

Traditional projects remain a viable approach in Tanzania to introduce more refined social or geographic targeting criteria, and may be better suited to test innovative components and approaches. They can be retained as an intervention modality in addition to the sector-wide approach modality – for example, to fill its gaps in social, geographic and thematic targeting. However, there are drawbacks and risks associated with the project modality that need to be monitored closely: (i) high management cost ratios (above 20 per cent); (ii) high transaction costs to the Government, which has to follow up and report to several donors according to different standards; (iii) inconsistent approaches and objectives between uncoordinated interventions; and (iv) a tendency to develop stand-alone projects through external teams of experts with limited national leadership and insufficient attention to implementation readiness.

Group of producers that receives support from the Rural Micro Small and Medium Enterprises Support Programme.

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