Evaluation

profile

Enabling poor rural people to overcome poverty

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Tanzania's rural poor: Making it to market

Tanzania's rural poor suffer from limited access to both the markets and the financial services they need to sustain and incentivise their farming. Two programmes in Tanzania have been supporting newly formed, grass-roots enterprises engaged in financing, marketing or processing smallholder agricultural production. The Rural Financial Services Programme (RFSP) and the Agricultural Marketing Systems Development Programme (AMSDP) have made significant advances in developing this sector, with impacts on the household incomes and food security of Tanzania's rural poor. They are found to have created a valuable foundation on which to build a follow-on programme. However, there are lessons to be learnt in terms of improving project design and addressing high delivery costs.

Bridging the financial and marketing services gap

In the late 1980s, Tanzania's state controlled cooperative and banking sectors collapsed, reducing farmers' access to markets and financial services. In poor rural areas, particularly remote or sparsely populated ones, the private sector did not subsequently move in to fill this gap. Private financial institutions, traders and processors continue to be reluctant to engage because of: poor transport and power infrastructure, problems of scale, low household incomes and the lack of associated professional and business expertise. One approach to filling this gap is to develop financial and marketing services that are both owned and managed by the economically active rural poor (either as individuals, groups or cooperatives). Such enterprises have great potential, but face all the constraints that private investors do, as well as the need for participants to develop their institutional and management capacity.

In order to overcome such barriers, the Tanzanian government and its development partners launched a series of initiatives including, with IFAD's support, the RFSP and the AMSDP. The RFSP helped grassroots microfinance institutions, such as the savings and credit cooperative societies and the less formal savings and credit associations. The AMSDP worked with organizations engaged in marketing and processing of agricultural produce. In 2010 the programmes were nearing their end and the Tanzanian government requested support for a follow-on programme, merging the work of the RFSP and the AMSDP. In this context, the Independent Office of Evaluation of IFAD was requested to evaluate both programmes.



Access to markets - road upgrade and maintenance, Lushoto

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PROGRAMME DATA: RFSP

Programme cost: US\$21.6 million

- IFAD: US\$16.3 million
- Beneficiaries: US\$0.4 million
- Government: US\$2.7 million
- Cofinanciers: Swiss Agency for Development and Cooperation (SDC) US\$2.2 million

Cooperating institution: United Nations Office for Project Services until 2008. IFAD from 2009 onwards

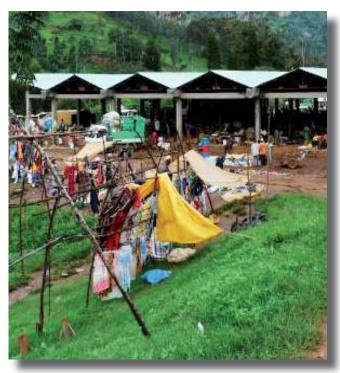
Programme duration: October 2001 to December 2010

PROGRAMME DATA: AMSDP

Programme cost: US\$42.3 million

- IFAD: US\$16.3 million
- Beneficiaries: US\$0.5 million
- Government: US\$5.4 million
- Cofinanciers: African Development Fund US\$14.5 million; Ireland Aid US\$1.1 million; others (not obtained) US\$4.5 million.
- Cooperating institution: United Nations Office for Project Services

Programme duration: October 2002 to December 2009



Agricultural Marketing Systems Development Programme Market place in Lushoto

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Main evaluation findings

The RFSP and the AMSDP adopted a holistic, thematic design that addressed issues at the macro, meso and micro levels, including improvements in the policy and institutional framework. The evaluation commends IFAD for this approach, although there were a number of deficiencies in programme design.

The geographical coverage was overambitious, which reduced the field support that could be given at each project location and led to management and coordination accounting for a high percentage of programme expenditure. Though both programmes were implemented by the Prime Minister's Office and often operated in the same areas, the original programme design did not fully exploit options for synergies and cost-savings. However, such integration did take place during implementation, and forms part of the rationale for a single, merged follow-on programme. The time and resources required to build viable and sustainable rural grassroots organizations were underestimated. A demand-driven and socially oriented approach was used to select beneficiaries, rather than picking candidates with good commercial and financial prospects.

In spite of these shortcomings, both programmes were found to have achieved most of their targets and immediate objectives. Some innovative approaches and mechanisms were adopted and would be worth scaling up. The programmes successfully involved the poor and women. Impacts on improving household incomes and food security are emerging. The key challenge now is to ensure the sustainability and commercial viability of grassroots microfinance institutions and agricultural marketing and processing groups. Some entities will require further support or mergers before they can become self-reliant while others have limited prospects for survival.

Key recommendations

- 1. The positive experiences of RFSP and AMSDP should be built on and the approach scaled up. Best practice manuals, based on the lessons learned from RFSP and AMDSP, should guide future work.
- Care should be taken to only support those organizations with real potential for success. A future programme should critically assess potential beneficiaries for their financial and commercial viability and sustainability.
- Delivery costs and investment per beneficiary should be reduced. Efficiencies can be made by economies of scale and by incorporating activities into local government planning and financial systems.
- Emphasis should be placed on the development of partnerships and linkages at all levels of the value chains including rural finance and agricultural marketing.

Further information:

United Republic of Tanzania, Rural Financial Services Programme and Agricultural Marketing Systems Development Programme, Interim Evaluation, Report No. 2256-TZ, October 2011, ISBN 978-92-9072-242-7, Independent Office of Evaluation of IFAD, Via Paolo di Dono, 44, 00142, Rome, Italy. The full report and Profile are available online at www.ifad.org/evaluation; email: evaluation@ifad.org.