GOVERNMENT OF THE UNITED REPUBLIC OF TANZANIA

SUPPORT TO NEPAD–CAADP IMPLEMENTATION

TCP/URT/2908 (I)
(NEPAD Ref. 05/28 E)

Volume VII of VII

BANKABLE INVESTMENT PROFILE

Private Sector Development for Agriculture, Forestry and Fisheries (Zanzibar)

April 2005
UNITED REPUBLIC OF TANZANIA:
Support to NEPAD–CAADP Implementation

Volume I: National Medium–Term Investment Programme (NMTIP)

Bankable Investment Profiles (BIPs)

Volume II: Phase II of Madibira Rural Development (Mainland)
Volume III: District Irrigation and Water Harvesting Support (Mainland)
Volume IV: Crop and Livestock Private Sector Development (Mainland)
Volume V: Small and Medium Enterprises in support of Participatory Forest Management (Mainland)
Volume VI: Land Management and Development of Irrigation Schemes (Zanzibar)
Volume VII: Private Sector Development for Agriculture, Forestry and Fisheries (Zanzibar)
### NEPAD–CAADP BANKABLE INVESTMENT PROFILE

**Country:** Tanzania – Zanzibar

**Sector of Activities:** Private sector development

**Proposed Name:** Private Sector Development for Agriculture, Forestry and Fisheries

**Duration of Project:** 5 years

**Estimated Cost:**
- Foreign Exchange ............ US$9.91 million
- Local Cost ..................... US$0.86 million
- Total .......................... US$10.77 million

**Suggested Financing:**

<table>
<thead>
<tr>
<th>Source</th>
<th>US$ million</th>
<th>% of total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Government</td>
<td>0.86</td>
<td>8</td>
</tr>
<tr>
<td>Financing institution(s)</td>
<td>9.91</td>
<td>92</td>
</tr>
<tr>
<td>Beneficiaries</td>
<td>–</td>
<td>–</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>10.77</strong></td>
<td><strong>100</strong></td>
</tr>
</tbody>
</table>
UNITED REPUBLIC OF TANZANIA:
NEPAD–CAADP Bankable Investment Profile

“Private Sector Development for Agriculture, Forestry and Fisheries”
(Zanzibar)

Table of Contents

Abbreviations........................................................................................................................................ iii

I. PROGRAMME BACKGROUND...........................................................................................................1
   A. Programme Origin .........................................................................................................................1
   B. General Information.....................................................................................................................1

II. PROGRAMME AREA.........................................................................................................................5

III. PROJECT RATIONALE...................................................................................................................5

IV. PROGRAMME OBJECTIVES...........................................................................................................6

V. PROGRAMME DESCRIPTION .........................................................................................................6
   Component 1: Agricultural Services ...............................................................................................7
   Component 2: Establishment of Quarantine and Quality Control Systems.............................8
   Component 3: Livestock and Fisheries SME Development ......................................................8
   Component 4: Strengthening of Institutional and Policy Framework for Development of Farmer Organizations...........................................................................9

VI. INDICATIVE COSTS........................................................................................................................9

VII. PROPOSED SOURCES OF FINANCING ...................................................................................9

VIII. PROGRAMME BENEFITS............................................................................................................10

IX. IMPLEMENTATION ARRANGEMENTS......................................................................................10

X. TECHNICAL ASSISTANCE REQUIREMENTS ........................................................................12

XI. ISSUES AND PROPOSED ACTIONS ..........................................................................................12

XII. POSSIBLE RISKS.........................................................................................................................13
Abbreviations

ASSP  Agricultural Sector Support Programme
BIP   Bankable Investment Profile
CAADP Comprehensive Africa Agriculture Development Plan
DADO District Agricultural Development Officer
DMT   District Management Team
FA    Farmer Association
FFS   Farmer Field School
GDP   Gross Domestic Product
IPM   Integrated Pest Management
MACEMP Marine and Coastal Environment Management Project
MANREC Ministry of Agriculture, Natural Resources, Environment and Co-operatives
NGO   Non Governmental Organisation
NMTIP National Medium-Term Investment Programme
NPC   National Programme Coordinator
PADEP Participatory Agricultural Development and Empowerment Project
PCU   Project Coordination Unit
RADO Regional Agricultural Development Officer
SACA  Saving and Credit Association
SACCO Savings and Credit Co-operative Organisation
ZPRP  Zanzibar Poverty Reduction Plan
I. PROGRAMME BACKGROUND

A. Programme Origin

I.1. This Bankable Investment Profile (BIP) was prepared by the Ministry of Agriculture, Natural Resources, Environment and Co–operatives (MANREC) in accordance with the “Zanzibar Agricultural Strategic Plan” and the “Feasibility Study for the Development of the Agricultural Sector in Zanzibar”. The investments envisioned in this BIP are designed to contribute to the government’s strategy to improve agricultural productivity and rural incomes and encourage greater private sector participation in the economy.

I.2. Specifically, investments would focus on building partnerships between processors and primary producers, fostering private sector involvement in support services and creating an enabling environment for increased small, medium and large–scale investment in the agricultural sector. The focus on these three complementary elements — linkages, technical services and an enabling policy environment — are designed to address key constraints to agricultural growth in Zanzibar, namely, low levels of productivity and investment in agriculture. Partnership between processors, traders and primary producers is essential to ensuring access to markets, inputs, and technology for primary producers and in providing a sustainable raw material base for the processors.

I.3. This investment programme would target small and large scale crop, fisheries, forestry and livestock producers and processors, and help build better linkages between various levels. In the area of support services, the programme is designed to support on–going initiatives to encourage greater provision of technical services by the private sector. Lastly, the programme would also provide the policy, fiscal and information support to encourage national and international private sector investment in the sector.

I.4. This programme is also based on an acknowledgement of the dwindling ecological resource base of Zanzibar and the need for integrated biodiversity management and livelihood improvement without compromising the resources on which future generations must depend.

B. General Information

I.5. Poverty is widespread poverty in Zanzibar, about 51 percent of the population is considered poor, with 36 percent living in abject poverty. Poverty is more pronounced in the rural areas of Unguja and Pemba islands, where women are among the most highly disadvantaged groups. High poverty is manifested by low income, which is generally less than one dollar a day; limited or inadequate access to basic social services such as education, health, water and sanitation; and low inclusion in social and economic processes. Key poverty indicators for Zanzibar, (ZRSP progress report, 2003) include: life expectancy of 48 years; infant mortality rate at 83 per 1,000; under 5 mortality rate of 114 per 1,000; 40 percent of population has a low literacy rate; and, net enrolment for primary education in 1999 was 75 percent.

I.6. Agriculture is the dominant economic activity in Zanzibar, accounting for an average of 34 percent (2002) of the Gross Domestic Product (GDP) and providing about 75 percent of the foreign exchange earnings. Roughly 80 percent of the total population derives their livelihood directly or indirectly from the sector. About 60 percent of the total cultivated land is planted to food crops. Cassava, grown by virtually every rural household, is the most important food crop followed by banana, sweet potato, legume (cowpeas, green gram and pigeon peas), maize, millet and sorghum. Rice is also grown wherever there is suitable land. Except for rice, all other crops are grown as
intercrops, mixed crop in complex association often under tree crop. Although rice is the preferred food, cassava is the primary staple of most households. Food crops are grown primarily to meet household subsistence needs, but surplus production is also sold as a cash crop. In general, there are two categories of cash crops: (i) export crops of which clove and coconuts are the most important; and (ii) potentially exportable crops such as fruits and spices. Zanzibar has an estimated 2.8 million clove trees, 82 percent of which are in Pemba on the western half of the Island. About 80 percent of Zanzibar’s 5.8 million coconut trees are grown on Unguja, where they occupy the western side of the Island and in isolated pockets of shallow soils on the coastal belt of the eastern and southern parts of the Island.

I.7. If used to their full potential, Zanzibar’s plant and animal resources would be adequate to provide livelihoods for the farmers, fishers and livestock keepers who form the majority of the population. Though Zanzibar experiences high land pressure, productivity remains relatively low. The potential of the available land for agriculture has not been fully realized due to low use of modern technology. Arable land, which totals 130,000 ha, is planted with a wide range of food and cash crops. High value crops such as fruits, vegetables and spices can be grown profitably on the limited land available. The crop sector consists of cloves and coconuts, which are traditional export crops, and a wide range of food crops such as rice, cassava, banana, sweet potatoes, yams, legumes and vegetables. Cloves export accounts for over 75 percent of government revenues and thus is an important crop for the Zanzibar economy.

I.8. Zanzibar is located on an area of remarkable geographical, ecological and human diversity with unique coastal habitats and high biodiversity. Fisheries also constitute an important productive sector, contributing annually, on average, 6 percent to country GDP and 10 percent to agricultural GDP. Fish is Zanzibar’s most important source of animal protein with an average annual catch of 10,000 tons. In Zanzibar fisheries is predominantly artisanal and about 99 percent of the fish catch is consumed locally. Per capita fish consumption is estimated at 30 kg/year; it is the main source of animal protein for the people of Zanzibar. The number of people in the islands directly or indirectly involved and depends on fishing for livelihood is estimated around 190,000 people (20 percent of the total population). Marine resources are not fully utilized, average annual catch is 10,000 metric tons within territorial waters while the potential is estimated at 50,000 metric tons.

I.9. Nonetheless, Zanzibar inshore marine resources are threatened by over fishing and destructive harvesting. More fishers are converging on the inshore fishing grounds partly because they do not have the support and assistance to access grounds further offshore. Coastal communities of the island of Zanzibar are characterized by extreme poverty, with less than US$100 per capita GDP at current prices according to the national survey. These communities depend mainly on smallholder artisanal fishing; farming, subsistence forestry, seaweed farming, and small–scale enterprises are thus caught in a cycle of impoverishment and stiff competition. Seaweed farming has emerged as a promising activity in poverty reduction particularly for women living in the coral rag areas of east coast of the two Islands.

I.10. The livestock system is a mostly traditional, agro–pastoral system with low productivity but has shown positive growth in recent years. Following the successful eradication of tsetse flies, Zanzibar now has the potential to produce livestock to meet domestic demand, including the expanding tourism sector. The livestock population is estimated at over 266,000 heads of ruminant livestock, comprising of about 165 000 heads of cattle and 101,000 heads of goats and sheep altogether. Poultry production was estimated at about 1.3 million heads of broiler chickens and 0.9 million layer (Livestock Census, 1993). There are a growing number of households who keep poultry under an intensive system and some have started intensive dairy farming. Milk production has increased from 36 million litres in 1999 to 41.5 million litres in 2003. The number of animals
slaughtered annually in Zanzibar for consumption in urban markets amount to 5,000 heads of cattle and 4,000 heads of goats. Red meat consumption is estimated at 3–4 kg per capita per year. However, meat production covers only 30 percent of total domestic demand. The country has long been relying on cattle imported from mainland Tanzania, to meet its ever-increasing domestic demand in meat due to increasing population and tourism industry. Livestock contributes over 12 percent (2002) to agricultural GDP.

I.11. The forestry sector is also important in islands’ ecosystems and the performance of other sectors such as agriculture, water, and tourism. It provides over 90 percent of the needed household energy and a greater proportion of the building materials, medicinal and other forest related products. The existing forest resources also offer an excellent opportunity of eco-tourism development. The islands attract thousands of tourists in search of destinations that are secluded from outside influences and forests are endowed with a wide variety of spice plants, fruits and other appealing flora and fauna.

I.12. Agricultural Performance. The poor performance of the agriculture sector since the mid 1970’s is primarily a result of declining exports of cash crops. Because of its dominant position in the economy, the weak performance of the agricultural sector has also resulted in a decline in overall GDP. From 1976 to 1987, agricultural output decreased by 25 percent mainly due to falling clove production, which declined from about 12,000 tons in the 1970’s to some 4,500 tons in 1987. Clove production fluctuated dramatically in the 1990’s with a peak of just over 16,000 tons in 1991 to a low of 41.5 tons in 1998. While clove is still the main export crop, Zanzibar has experienced falling demand in world markets and increasingly stiff competition from Brazil, Indonesia and Madagascar. Production of other traditional export crops (coconuts and chilies) has also declined during the past two decades. Copra production has declined to negligible quantities mainly due to low demand of coconut oil following development of substitute products. Current average annual chilies production averages only 0.5 metric tons a year, down by 98 percent from a high the 1980s. Major food crops performance is also not encouraging, with current average productivity of rice, cassava, bananas, sweet potatoes standing at 0.8 t/ha, 10 t/ha, 5 t/ha, 6 t/ha against potentials of 2.5 t/ha (rainfed), 25 t/ha, 15 t/ha, 15 t/ha respectively.

I.13. Generally, production and productivity has remained low in the entire agriculture sector (crops, livestock, fisheries and forestry) for a variety of reasons including the continued use of traditional technologies (non-mechanized tools, unimproved seeds and planting materials), inadequate agricultural service support (extension, research, rural financing), decline of soil fertility, and removal of subsidies (which lowered input use). Other reasons include the low purchasing power of rural farming communities, undefined land tenure systems, rural–urban youth migration and HIV/AIDS pandemic, which has been the latest threat to agriculture sector development. Low soil fertility is further reinforced by population pressure, which has placed the natural resource base under stress leading to land degradation from continuous cropping and non-replenishment of nutrients taken from the soil by crops. Agricultural induced soil erosion also contributes to the depletion of soil fertility and depression of yields. The reduction of agricultural area due to expansion of human settlement has also caused encroachment on the once untouched marginal land of the coral rag areas and natural forests reserves, which poses considerable threat to the environment and biodiversity. Innovative measures to redress the situation of declining soil fertility and land degradation are needed for the longer term sustainability of agriculture in both plantation and coral rag areas.

I.14. Though the agriculture sector is considered as an engine of growth of the Zanzibar economy and a priority sector for poverty reduction, this has not always been reflected in resource allocations. Whilst the sector contributes about 35 percent of the GDP, and employs over 65 percent of population, it receives less than 8 percent of annual total government expenditures. Low budgetary allocation to
the sector has constrained sector growth and development, core activities of agricultural research and extension have critically suffered from lack of funding.

I.15. **Agriculture and the private sector.** The withdrawal of the government from direct production and service delivery in anticipation of creating a room for private sector involvement has not had its anticipated result. Substantial private sector entry into the sector has not materialized and has left agricultural producers inadequately supplied with the necessary inputs for production. Under the reform process, agricultural producers have continued to have limited access to market and financial services which are necessary elements for accelerating agricultural growth and reduction of poverty. In addition, removal of subsidies has resulted to low use of modern inputs and agriculture technology due to low purchasing power of the agriculture producers. Reasons for low private sector participation in agriculture are complex but some constraints hindering the off–take of private sector development are discussed below:

- **Credit.** The availability of financial resources from relevant institutions is a serious bottleneck in private sector development. Credit facilities that could empower these associations both small and medium livestock enterprises of producers and processors are not easily accessible and are associated with substantial bureaucratic procedures. The general business environment, based on significant losses from investments on non–viable projects, has resulted in a risk averse behaviour by financial institutions.

- **Policy environment.** The policy environment, which includes complex tax regimes and bureaucratic procedures, may create high transactions costs for businesses and discourage private investment.

- **Investment instruments.** The availability of appropriate investment instruments is linked to the issue of available credit facilities discussed above. Often agricultural related loans are given a short duration to recover the loan and the rates applied often discourage investments in commercial farming and agribusiness because agricultural projects require a longer time to realize benefits and are highly dependent on various factors (biotic and abiotic) for success.

- **Capacity to deliver agricultural services.** The long term public involvement in service provision and subsidies, plus the absence of technical know how in the private sector has hindered the few initiatives and attempts to privatize agricultural services. In this context, the private sector has been hesitant to take over the business of service provision from the public ownership.

- **Linkages between producers, processors and agri–business.** Access to land and natural resources; credit and direct financial support to production, improved technology and post–harvest storage methods, market infrastructure and a favourable policy environment are fundamental requirements for improved agricultural production. For smallholders, access to these can be greatly facilitated by linkages to between producers, agro–processors and agri–business. Currently, there is relatively little coordination between different parts of the production system.
II. PROGRAMME AREA

II.1. This programme would be implemented in the entire area of Unguja and Pemba Islands, however, some components may target select geographic areas. Zanzibar is the most densely populated part of East Africa, and based on 2002 National Population Census, its population stands at 984,531 people, (370 per km²), with an annual population growth rate of 3.1 percent. The Islands are dominated by a tropical lowland humid type of climate. The mean maximum temperature is 23.5°C and 21°C for Unguja and Pemba, respectively. The average total rainfall received in Zanzibar is about 1,700 mm per annum. Zanzibar has two main rainy seasons: the long rain season, Masika (March–June) and the short rain season, Vuli (October–December).

III. PROJECT RATIONALE

III.1. The Zanzibar Government is currently undertaking various reforms aiming at improving the economy and achieving the ZPRP targets through effective community involvement and private sector participation. The need for changes in service delivery approaches is based on past experience of fragmented efforts, mainly within the public sector, which have not stimulated agricultural production or achieved its poverty reduction objectives. In the past, services have generally focused on increasing production through short–term technical packages, without paying attention to farmers’ circumstances, markets or long–term sustainability. Despite various attempts, the linkages between research, extension and training and between public and private partners have not been effective. The institutional framework was designed for supply–driven approaches, and was not well suited to respond to a client–oriented approach, now emerging through various ongoing or proposed interventions. Farmers/clients were only marginally involved in the planning and provision of the services they received. Agricultural services also largely failed to address the important needs of women and vulnerable groups, who form the majority of the resource–poor farm population. In addition, grossly inadequate funding and staff incentives have further reduced the capacity to adjust to and implement effectively the new approaches.

III.2. The government is slowly moving towards a more client focused approach and away from public delivery of services. In recognition of the role of the private sector for the growth of the agriculture in the country, the proposed investment program would empower the private sector to take an active role in the provision of agricultural related services through a coordinated mechanism between MANREC with other relevant line ministries, private sector, farmers organizations, NGOs, CBOs and other partners in fostering development. The program would support the development of private sector capacity to carry out agricultural production role including marketing, value adding and other relevant aspects.

III.3. Although participation from the private sector in the agriculture sector has thus far been limited, it is likely it can perform better if empowered and facilitated accordingly. Utilizing the NEPAD initiative this programme would provide support to develop a better understanding of the fundamental constraints and provide foundations to stimulate future development of private sector participation in agriculture.
IV. PROGRAMME OBJECTIVES

IV.1. The programme’s overall objective is to create an enabling environment for increased small, medium and large-scale investment in the agricultural sector. The programme also aims to build partnerships between processors, traders and primary producers and link the public and private sector in the provision of information, policy adjustment and technical support.

IV.2. Specific objectives are:

- To build capacity of Cooperative Societies/Farmers’ Organizations and CBOs in communities in a manner that would allow them to be active players in the development of the Agriculture Sector and its sub sectors;
- To improve conservation status of spice trees and herbs, sustain research and training aspects and raise community awareness in spice farms development in line the with recently adopted agricultural sector policy in which agriculture, research and training have been given high priority rating;
- To support the development of new small and medium size enterprises in the livestock and fisheries sub–sector;
- To harmonize and facilitate small, medium and large–scale producers, processors and traders to enhance and improve their role as service providers in the development of the agricultural sector;
- To facilitate trade through establishment of plant and animal pest–and diseases–free Zanzibar, and at the same time improve the health status of the general public and tourists through controlling the quality of imported and exported agricultural (plant and animal) products and by–products;
- To increase mango production quantity and quality through controlling mango fruit flies (particularly Ceratitis cosyra and Bactrocera dorsalis), in a sustainable and economical IPM package so as to increase income and alleviate poverty in Zanzibar;
- To build the capacity of MANREC in facilitating the process and continue to develop and maintain a favourable macro–economic policy environment conducive for private sector participation in the proposed interventions.

V. PROGRAMME DESCRIPTION

V.1. This profile comprises four components which focus on empowering the private sector by improving technical skills and managerial ability, improving services, implementing institutional reforms, and capacity building of public and private partners. The program is closely linked with the PADEP, PAPLIDEV, MACEMP and ASSP programmes that focus on client empowerment, improved services, institutional reforms, and capacity building of public and private partners. The program interventions are summarized as follows:
Component 1: Agricultural Services

V.2. The proposed investment programme would support provision of agricultural services to improve the market orientation of small scale producers, increase their capacity to engage in agro-processing, reduce post harvest losses, and access market information. This would be accomplished by providing the requisite training, development of farmer organizations and advising on quality standards and marketing. Where possible, farmers organizations would be facilitated to form sustainable Savings and Credit Associations (SACAs) and Savings and Credit Cooperatives (SACCOs). Participatory extension tools such as farmer to farmer training and farmers field schools would also be used.

V.3. Agricultural services would be provided by public and private agricultural service providers with an emphasis on encouraging greater private sector participation in providing services. In addition to responding to specific requests for services in crop and livestock production, processing and marketing,1 service providers would also target specific thematic areas where there is potential to expand or significantly improve commercial production. These areas would include:

- **Integrated beekeeping as part of a biodiversity conservation strategy.** This initiative would promote the sustainable development of beekeeping industry through improving knowledge, skills and technical know how in harvesting, processing, packaging and marketing of the products. The programme would cover all the villages encompassing the National Protected Areas namely Jozani–Chwaka Bay National Park in Unguja and Ngezi–Vumawimbi Nature Forest Reserve in Pemba.

- **Improvement of germ–plasm conservation of spice trees and herbs.** This intervention would cover the entire areas of Unguja and Pemba Islands and target 100 selected private spice and herbal growers; fifty in Unguja and fifty in Pemba. Priority would be given to most progressive farmers especially women (both in groups and individuals).

- **Support to the rural community tree seedling production.** This initiative would focus on improving knowledge and skills of the rural community in acquiring means of collection, processing, maintaining and distribution of plant germ–plasm to ensure adequate supply of quality seedlings public. An estimated 100 selected private nursery establishments or sites in Unguja and Pemba would be targeted.

- **Reducing post harvest losses.** It is estimated that post harvest losses total up to 30 to 40 percent of food produced. The programme would support private sector development in post harvest management techniques and agro–processing services.

- **Mango fruit fly control.** In Zanzibar, smallholder production of mango is very significant and mango fruit flies pose a threat to increased production. Services would be provided to build capacity for surveillance and undertake feasibility studies on control measures. Application of attractants, Bait Application Techniques (BAT) and Male Annihilation Technique (MAT) with integration of cover spraying of fruit trees, soil drenching under fruit trees and intensive fruit clean up would also be tested.

---

1 The means by which requests for technical assistance would be obtained would need to be developed during project preparation but would most likely involve the some of the participatory approaches already employed by PAPLIDEV and PADEP.
**Component 2: Establishment of Quarantine and Quality Control Systems**

V.4. The risks of pests and diseases introduction have increased dramatically with the current trade liberalization initiatives as well as with the expansion of transport links to many other countries. The accidental introduction of major pests and diseases could occur due to weak sanitary legislation and poor landing facilities; in addition, inadequate quarantine and quality control facilities and qualified personnel (trained inspectors) increase the risk of spread of pests and diseases. Establishment of plant and animal pest- and disease-free Zanzibar is essential to facilitate trade, and at the same time improve the health status of the general public and tourists through controlling the quality of imported and exported agricultural (plant and animal) products and by products. The program would support the Governments initiative in enforcement of Quarantine and Quality regulations by strengthening plant and animal quarantine and food quality control capacities through training in basic aspects of plant and animal quarantine measures, diagnosis, contemporary practices and international standards. The private sector would also be equipped with the necessary knowledge to enable them to participate actively in the development process.

**Component 3: Livestock and Fisheries SME Development**

V.5. The livestock sub-sector is expanding rapidly both in rural households and peri-urban areas of Zanzibar due to the huge potential for livestock development to meet domestic demand, including the expanding tourism sector. The majority of livestock owners in Zanzibar have shown great desire and interest to venture into small-scale investment in livestock products due to its value-adding potential. The sub-sector is, nevertheless, constrained by a lack of market oriented production systems as well as technical skills and managerial ability in operating small and medium livestock enterprises. Under the proposed investment programme, this component would enhance the formation and strengthening of small and medium livestock enterprises by establishing and encouraging contract farming in livestock activities; establishment of partnership between small–holder out growers and agribusinesses; and training of farmers in new market opportunities; and facilitation of input delivery and marketing information systems. These activities are in conformity with the PADEP, PAPLIDEV and ASSP programmes that emphasize a private sector enterprise development with a sound commercial orientation. The program would initially focus in the areas of high potential in livestock industry, which include three Districts of Unguja (Urban, West and Central) and two districts of Pemba (Wete and Chake Chake).

V.6. This component would also support the development of more profitable and sustainable fisheries enterprises. The fisheries sub-sector in Zanzibar is operating below its potential, daily fishing practices are supported by the use of very small vessels that can operate only within inshore territorial waters catching small fish for their own use and income. This situation has depleted inshore stocks and left the offshore grounds with relatively untapped resources. The use of destructive fishing practices such as dynamiting are destroying the marine ecosystem and seriously threatening the sustainability of the fisheries resources. Over-fishing in inshore waters and inadequate law enforcement in preventing the use of destructive fishing gear and techniques have also reduced fish catch. This component would fill the gaps in implementing an integrated coastal area management plan within different fishing communities both in Unguja and Pemba through supporting the private sector with technical advice, extension services and assistance in achieving more productive and sustainable fishing operations.

V.7. The programme would also support activities to create a favourable environment for the commercial development of the fisheries sector. This would include support for training and business development services, development and provision of private sector fisheries services, and, possibly,
support for fisheries SMEs to access financial resources to expand fleet size and access offshore resources.

**Component 4: Strengthening of Institutional and Policy Framework for Development of Farmer Organizations**

V.8. Currently there are no strong organizations offering essential services to the multitude of smallholder producers in Zanzibar. The government has disengaged from economic activities and removed farm input subsidies, but private sector participation remains thin and most farmers’ secondary cooperative associations are relatively weak. This has left a vacuum in the supply of essential services to farmers, livestock keepers and fisher folks in the areas of input credit, marketing, food crops processing, and marketing. The absence of small–scale farmer organizations, especially in food crops has greatly contributed to the weakness of farmers, especially food producers, in their fight against poverty.

V.9. Current policies may constrain agricultural growth and private sector development by not providing an appropriate policy environment. The government is interested in formulation of an enabling policy framework and guidelines to bring the sector in line with the macro–economic reforms. This component would support the development of a policy framework to strengthening farmers’ organizations, this would be achieved by supporting: (i) formulation of an enabling policy that will bring the sub–sector in line with the macro–economic reforms; and (ii) analysis and dialogue to develop a better understanding of the fundamental constraints facing the private sector and provide foundations to stimulate future development and realize the significant impact in social and economic benefits.

**VI. INDICATIVE COSTS**

VI.1. A preliminary financial budget estimate for 5–year period is US$10.8 million. Cost Summary by component is indicated in the table below:

<table>
<thead>
<tr>
<th>Component</th>
<th>Amount (US$)</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Agricultural Services</td>
<td>5,173,000</td>
</tr>
<tr>
<td>2. Establishment of Quarantine and Quality Control Systems</td>
<td>1,800,000</td>
</tr>
<tr>
<td>3. Livestock and Fisheries SME Development</td>
<td>3,396,815</td>
</tr>
<tr>
<td>4. Strengthening of Institutional and Policy Framework for Development of Farmer Organizations</td>
<td>400,000</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>10,769,815</strong></td>
</tr>
</tbody>
</table>

**VII. PROPOSED SOURCES OF FINANCING**

VII.1. This programme is expected to be financed largely by donors (92 percent). The government would grant all facilities necessary for the successful implementation of the programme. In particular the government’s role would be to provide a National Programme Coordinator (NPC) who would ensure the smooth implementation of programme activities. It would also provide services and other technical personnel needed to ensure successful running of programme activities and make available office space and facilities for use by the staff to conduct the training courses and other programme activities.
VII.2. The beneficiaries would contribute through time and work provided for performing the various tasks deemed necessary for the well performance of the various programme activities. This could include husbandry practices related to different enterprises, construction of suitable premises and housing conditions for the different interventions and arranging for organizational tasks related to farmers and women groups and management of their affairs (revolving funds, marketing of products etc.).

VII.3. Additional funding from donors amounting to US$9.9 million would be required to support the program implementation. The support of NEPAD Secretariat to the Zanzibar government is essential to identify a suitable source for this incremental finance.

VIII. PROGRAMME BENEFITS

VIII.1. The change of approach in agricultural services delivery from public to gradual involvement of more private service providers is expected to result in improved responsiveness and efficiency of services, which would have substantial benefits to the farming community and to the nation as a whole. The program aims to address the core problem of low agricultural productivity and production through strengthening the agricultural service delivery system using a pluralistic approach. This would enhance farmers’ adoption of improved agricultural technologies and would need to be accompanied by improved input supply and marketing facilities. The economic benefits expected from the programme are an increase in agricultural output, the improvement of farm incomes and reduction of poverty in farming communities. In addition, due to increased production, the programme is expected to create more job opportunities in production, processing and marketing of agricultural outputs; ensure food security and improvement of nutritional status.

VIII.2. Through participatory approaches, emphasizing gender concern, rural communities would be empowered in decision making processes in identifying problems, finding solutions and explore opportunities including contracting/subcontracting the private sector (NGOs, private companies or individuals, etc.) in service delivery. Involvement of the private sector in service delivery would relieve the burden of the public sector in agriculture support services and would create room for increased public support to other pressing public goods and services. In addition, ASSP would foster public–private sector partnership in service delivery and would enhance effective institutional coordination and networking to better serve the farming communities in a more comprehensive manner to improve performance in the agriculture sector.

IX. IMPLEMENTATION ARRANGEMENTS

IX.1. The programme design uses a pluralistic approach in delivery of support services for agriculture development. This approach, which aims to empower farmers and farming communities and foster public private partnership in service delivery, requires effective institutional coordination and networking at all levels of programme implementation. The roles and responsibilities of all stakeholders would need to be clearly defined and their capacities enhanced to facilitate coordination and networking and improve the service delivery system.

IX.2. The MANREC is the core ministry in the implementation of this program. Its role and responsibilities would be to coordinate all other relevant ministries to provide support to the programme implementation, particularly for critical cross–cutting issues of gender, youth employment, nutrition and HIV/AIDS. MANREC would also have the responsibility of fostering
collaboration of the private sector in service delivery. A Programme Steering Committee (PSC), chaired by the Principal Secretary of MANREC, would be established with the NPC as Secretary. This committee would involve representatives of all stakeholders. Since investments would be spread across all MANREC departments, including other Ministries involved with joint activities, the programme would be placed under the Department of Planning and Administration of MANREC. There would be, however, a need to review the functions of the Cooperative Department, to make it responsible for supporting all types of farmer organisations, and become more involved in marketing, storage and financial guidance and training for farmer organizations.

IX.3. At the district level, the program would adopt in its implementation the same District Management Team (DMT) structure used by PADEP to oversee programme implementation at the district level. The DMT would be chaired by the District Administrative Officer (DAO), with the District Agricultural Development Officer (DADO) as Secretary, and would include as representatives all stakeholders, both public and private as well as farmer representatives. At the shehia level, farmer groups’ leaders, Extension Officers and participating NGO staff would be involved in programme planning and implementation. Activities within groups will be controlled by the Farmers Group Association or Cooperative Committees working in concert with field staff, or the farmer leaders of farmer field schools (FFS).

IX.4. A critical feature at field level would be the emergence of stronger farmer groups, and the increasing role to be played by their associations at first jimbo and then district levels. They would gradually have a stronger say in directing needed service support, and drawing it from both the public and private sectors improving coordination between them, through setting up joint committees at jimbo level and through the DMT at district level.

IX.5. **Flow of funds.** MANREC, being the main implementing agency, would operate a US$ account in a reputable onshore commercial bank into which donor funds shall be deposited and withdrawal of funds shall be made by MANREC for programme implementation. The PCU shall have full responsibility of allocating fund resources for the various programme activities in MANREC departments and other relevant institutions based on work plans and budgets that have been approved by respective heads of departments and endorsed by the PSC.

IX.6. **Monitoring and Evaluation.** The Planning Department of MANREC, RADOs and DADOs would establish a comprehensive programme monitoring system; special attention would be given to both strengthening M&E at district level, and developing participatory M&E systems for beneficiaries, including all the necessary training. An effort would be made to develop a participatory monitoring and evaluation system consistent with the National Poverty Monitoring System. Farmers and communities would be empowered to design their own log frame and impact analysis framework that would form the basis for monitoring and evaluation of the system. Farmers themselves would be assisted to develop basic indicators which would help them to assess programme performance. With participatory monitoring and evaluation data would be collected at the farmers level and aggregated at district and central government levels for monitoring the programme progress and complementarities with other ongoing development programmes.
X. TECHNICAL ASSISTANCE REQUIREMENTS

X.1. The programme would require both long-term and short-term TA inputs. The long-term TA would be in the fields of: (a) Programme management, (b) Agricultural credit and rural finance, and (c) Quality control and standardization of agricultural products. Short-term TA would include (a) consultancy to review the statutory framework relevant to the establishment and legal functioning of farmers associations (FAs) and formulation of subsequent National Policy, legislation and model by-laws; (b) marketing entrepreneurship; (c) networking of FAs; and (d) conducting an environmental impact assessment.

XI. ISSUES AND PROPOSED ACTIONS

XI.1. The Bankable Investment Profile (BIP) outlined here requires further analysis and preparation work in order to develop a more detailed proposal. Areas that would need to be examined in detail as part of further processing of this programme are:

XI.2. Review of potential service providers. The programme would require an extensive network of government, non-governmental bodies, private sector partners and individuals if it is to be effective in reaching its goals. Different specialist service providers with experience in dealing with rural enterprises and developing various development schemes would be needed. There is a need assess potential partner institutions, their current activities and plans, and their capacity and willingness to collaborate in the programme. Assessment of the use of private sector providers in on-going projects such as PAPLIDEV and PADEP would be useful in determining lessons learned and guiding programme design.

XI.3. Current markets and market trends of agricultural products. Zanzibar produces a wide range of products of animal, crops, forestry and marine origin. Much of these products could be sold not only locally or nationally but regionally and internationally. This programme is likely to increase production of products which would need markets and hence face competition. Current knowledge of markets is very limited, particularly in specific sub-sectors such as livestock exports, or regional or international markets. There is need to access markets for a wider range of products so that smallholder producers can improve incomes, however, further study would be required to identify high potential markets and products.

XI.4. Stakeholder Participation. Full participation by government, private sector and producers is crucial to successful implementation of the programme. Further work should be done to ensure all stakeholders are involved in programme design and are committed to participating in various activities.
XII. POSSIBLE RISKS

XII.1. The table below reflects the identified risks and mitigation measures. The main risk factors identified are weak institutional capacity, especially at the lower government levels, ineffective partnerships between government and the private sector and ineffective response from research/extension staff to farmers needs. To mitigate these risks, programme funds will be allocated for capacity building and improved coordination. Use of participatory approaches, promotion of improved demand-responsive mechanisms and increased private sector involvement through result-based contracts would also improve delivery and outreach of services. On the macro-level the Government continues to undertake reforms eliminating market distortions for input and output marketing to improve efficiency.

<table>
<thead>
<tr>
<th>Identified Risks and Mitigation Measures</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Risk</strong></td>
</tr>
<tr>
<td>Weak institutional capacity, particularly at district and shehia level may hinder smooth programme implementation.</td>
</tr>
<tr>
<td>Lack of or ineffective partnership between Government and the private sector to improve services delivery.</td>
</tr>
</tbody>
</table>
| Ineffective response on the part of Research and Extension staff to farmers needs. | • Use of participatory approaches in research and extension would increase farmers – research and extension staff interactions.  
• Technical backstopping to research and extension staff.  
• Training of research and extension staff and provision of working tools to motivate them. |
| Other institutions not willing to collaborate effectively. | • Stakeholders’ awareness and consultations together with capacity building would create conducive environment for active participation of relevant institutions in the programme.                                           |
| Unfavourable weather conditions may demoralize farmers to collaborate in adoption of technologies. | • Encourage use of technological innovations to minimize the impact of bad weathers such as integrated pest management, conservation tillage, water harvesting for agriculture, etc.                           |
| High instability of prices (for input and outputs) may be a big disincentive for farmers and the private sector to effectively participate in the programme implementation | • Government to continue with the process of eliminating market distortions for agriculture inputs and outputs by removing subsidies and leave the market forces to determine prices. |
| Social and cultural barriers may prevent women to effectively participate in economic groups and in decision making processes. | • Government would continue with its gender awareness campaigns and advocacy to bring gender balance in development processes. |