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<tr>
<td>BDS</td>
<td>Business Development Services</td>
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<tr>
<td>BRN</td>
<td>Big Results Now</td>
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<td>BSF</td>
<td>Belgian Food Security Fund</td>
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<tr>
<td>EU</td>
<td>European Union</td>
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<td>FFVs</td>
<td>Fresh Fruits and Vegetables</td>
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<tr>
<td>GAP</td>
<td>Good Agricultural Practices</td>
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<tr>
<td>IDH</td>
<td>Initiatief Duurzame Handel (Initiative for Sustainable Trade)</td>
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<tr>
<td>IMM</td>
<td>Inclusive Modern Markets</td>
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<tr>
<td>IPM/ICM</td>
<td>Integrated Pest Management/Integrated Crop Management</td>
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<tr>
<td>JICA</td>
<td>Japanese International Cooperation Agency</td>
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<td>KAHECOSO</td>
<td>KAHE Cooperative Society</td>
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<tr>
<td>KPIs</td>
<td>Key Performance Indicators</td>
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<tr>
<td>LOMIA</td>
<td>Lower Moshi Irrigators Association</td>
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<tr>
<td>MOU</td>
<td>Memorandum of Understanding</td>
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<tr>
<td>MRLs</td>
<td>Maximum Residue Levels</td>
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<tr>
<td>MUCOS</td>
<td>Moshi University of Cooperatives</td>
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<tr>
<td>PLA</td>
<td>Planning Learning and Accountability</td>
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<tr>
<td>QMS</td>
<td>Quality Management System</td>
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<td>SACCO</td>
<td>Savings and Credit Cooperative</td>
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<td>SCA</td>
<td>Structural Change Agenda</td>
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<td>SCAMM</td>
<td>Structural Change Agenda Modern Markets</td>
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<td>SCASS</td>
<td>Structural Change Agenda Sub Sector Development</td>
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<tr>
<td>SIFAV</td>
<td>Sustainable Initiative for Fruits and Vegetables</td>
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<td>SRI</td>
<td>System of Rice Intensification</td>
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<tr>
<td>SSD</td>
<td>Subsector Development</td>
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<tr>
<td>SUA</td>
<td>Sokoine University of Agriculture</td>
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<td>TAHA</td>
<td>Tanzania Horticulture Association</td>
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<tr>
<td>Tancert</td>
<td>Tanzania Certificate</td>
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<tr>
<td>USD</td>
<td>United States Dollars</td>
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<tr>
<td>VECO</td>
<td>Vredeseilanden Country Office</td>
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<td>VECO EA</td>
<td>Veco East Africa</td>
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INTRODUCTION

The VECO East Africa (EA) Tanzania programme was undertaken against the backdrop of implementation of far reaching changes in the strategy and administration of VECO EA. The changes in strategy were informed by an assessment of the appropriateness of the 2006 Vredeseilanden strategy, which guided the implementation of the 2008-2013 programmes worldwide. This assessment articulated the need to redefine the focus and strategy of Vredeseilanden. Within the new strategic framework (2014-2019), the role of Vredeseilanden and VECO EA was redefined as that of enabling and supporting smallholder farmers to take up their role in rural poverty alleviation and to contribute to feeding a growing world population in a sustainable way. As part of the strategy, value chain development was appreciated and integrated as a promising pathway in this overall pursuit of better livelihoods and poverty alleviation.

With the exception of the food security programme funded by the Belgium Survival Fund (BSF), the new shift in focus necessitated led to a comprehensive overhaul of the previous implementation strategy, towards one that is value chain development driven and in which local level pilot interventions generate experiences and concepts that contribute to pre-defined structural changes. This transformation included the selection of new program areas, new commodities (rice and FFVs), new partner organizations and additional stakeholders and/or actors. Concurrently, around mid-2013, programs that were not in line with the new strategy were phased out in Dar-es-Salaam, Mbeya (Chunya), and Simanjiro.

The first six months of 2014 entailed transition and inception activities which included:

- Closing Country Offices in Dar-es-Salaam and Kampala and opening a Regional Office in Arusha.
- Closing Antenna Offices in Chunya (Mbeya region), Mkuranga (Pwani) and Same (Simanjiro).
- Employment and induction of new staff.
- Seeking acquaintance with the proposed project partners, coming into agreements, and joint planning.
- Validating original baseline information generated from primary and secondary sources, by conducting research among farmer households in the pilots concerned; and subsequently re-defining KPIs at pilot level.
- Inception meetings and workshops to introduce the programmes to stakeholders, farmers, government and the communities in the programme areas.
- Identifying and meeting private and public actors for mutual acceptance, and coming into agreements on areas of synergy.
- Re-organizing the finance and administration systems to enhance transparency, efficiency and quality control for better compliance with national as well as donor requirements.

The aforementioned activities delayed the start-up of implementation of activities in the rice and FFVs programs.

Nevertheless, the transition, inception and start-up phases were completed successfully and full implementation started in the second half of 2014. It was envisaged that time invested in constructing the basic foundations and pre-conditions for take-off would pave way for higher effectiveness and efficiency, thus leading to accelerated implementation.

Once starting up, we have made huge progress. The first results, in this report for your consideration, are so promising that we even have to lower expectations of the numerous farmers knocking our doors to become engaged with VECO.

Preliminary results are especially so exciting, because they have been reached within only a few months and with farmer organizations that still had to start up. In Tanzania, we had to deal with farmer organizations in a very early stage of development. In Inclusive Modern Markets, Moshi pilot, respectively three and four primary farmer organizations were found to be interested in getting organized and formed two apex-organizations in the course of 2014 (KAHE Horticulture Cooperative Society – KAHOCOSO - and KIBO Horticulture Cooperative). The apex organization in Arumeru, MUVIKIHO, was legally established in 2011, but for the purpose of contract farming and therefore not counting with any structures. In the case of Sub Sector Development, the selected partner Lower Moshi Irrigation Scheme (LOMIA) was once established for the purpose of administrating an irrigation scheme and till 2014 not focused on nor equipped for production and marketing management.

It is against this background that the sections and chapters in this report are presented.
A. CHANGES IN CONTEXT

Tanzania’s economy grew by 7.1% in 2014 largely driven by investments in the oil and gas sectors as well as by significant investments in energy infrastructure. Other growth areas were Information Communication Technology (ICT), financial services, construction, trade and mining sectors. According to the World Bank, this growth created a limited number of jobs, except for construction activities, as opposed to agriculture which is a labour-intensive sector. Agriculture employed three quarters of the workforce and contributed approximately 25% of GDP. The growth of agriculture remained lower than that of the overall economy resulting in slow decline of poverty in rural areas and an accelerated pace of migration from rural to urban areas (http://www.worldbank.org/en/country/tanzania/overview).

The rate of inflation continued to decline during the year from 6.1% in March 2014 to 5.1% in December from a high of 20% recorded in December 2011. Under the ‘Big Results Now’ initiative (BRN) that took off in 2013, Tanzania focuses on accelerating development in six sectors of its economy, one of which is agriculture. One of the flagship projects under this initiative is the Southern Agricultural Growth Corridor of Tanzania (SAGCOT) aiming to facilitate the establishment of linkages between small-holders and large commercial farms, thus promoting productivity gains. At the same time, it aims to increase use of modern irrigation systems and modern inputs (seeds, fertilizers) in order to increase productivity.
## B. SPECIFIC OBJECTIVE

**General objective:** A decent living for smallholder farmers (m/f) in South and North so that they can take up their role in contributing to reducing poverty, feeding the world and relieving the pressure on the planet.

**SPECIFIC OBJECTIVE:** Agricultural food chains in Tanzania are sustainable and inclusive for smallholders (m/f).

**Hypotheses:** 1) Weather conditions are favourable for producing agricultural crops. 2) There are no price fluctuations affecting agricultural products. 3) Public policy is favourable for smallholders.

### SOUTH COMPONENT

<table>
<thead>
<tr>
<th>Indicators</th>
<th>Baseline</th>
<th>Y3</th>
<th>Verification sources</th>
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<tbody>
<tr>
<td>1. Number of market chains (pilot chains) in which family farmers (m/f) foresee their livelihood in a more sustainable way (SSD – IMM)</td>
<td>All baseline data for the 5 livelihood outcomes for all pilot chains are available as annexes to the submitted logical framework</td>
<td>1/ Increased income in the FFV and rice chains 2/ Strengthened position in the FFV and rice chains 3/ Better resilience in the FFV and rice chains 4/ More sustainable use of natural resources in the FFV and rice chains 5/ Improved food security/sovereignty in the FFV and rice chains</td>
<td>Impact Assessment Report; impact assessment, data collection tools</td>
</tr>
<tr>
<td>2. The market share of smallholders (m/f) in local rice markets has increased by 5 % (SSD)</td>
<td>80% market share in 2012 85% market share in 2016</td>
<td>Government statistics, Reports of national studies</td>
<td></td>
</tr>
<tr>
<td>3. Number of companies that through their sourcing practices and/or policies demonstrate a greater inclusion of smallholders (IMM)</td>
<td>- Total number of companies: 5 - Number of companies that show indications of an inclusive sourcing policy/practice: 0</td>
<td>SCAMM reports, websites, promotion material companies, IMM report</td>
<td></td>
</tr>
<tr>
<td>4. Share (in %) of family farmers (m/f) that are organised in economical farmers’ organisations to collectively market their products (SSD – IMM)</td>
<td>- Vegetables and Fruits: 5% - Rice: 0%</td>
<td>- Vegetables and Fruits: 30% - Rice: 20%</td>
<td>Government statistics, research reports, IMM- and SSD report</td>
</tr>
<tr>
<td>5. Number of new and improved institutional environmental factors that stimulate the inclusion of family farmers (m/f) (SSD – IMM) at the level of: 1. government: through policies and regulations 2. service providers: public and private service provision (BDS)</td>
<td>See context analyses in, respectively, the SCAs and SCAMMs for FFV and rice</td>
<td>There are 5 new and improved policy documents (provided by government and/or private actors) stimulating the inclusion of small-scale family farmers producing FFV and rice</td>
<td>Government policy documents, context analyses, IMM- &amp; SSD report</td>
</tr>
</tbody>
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1. The quality of the Livelihood is measured with the Vredeseilanden impact assessment tool (baseline study incl.). The concrete data for each of the 5 livelihood outcomes can be consulted in the relevant impact assessment reports and Chain Intervention Frameworks.
1. STATE OF AFFAIRES & EVOLUTION TOWARDS THE SPECIFIC OBJECTIVE
This section details the transition towards meeting the specific objective defined as ensuring ‘agricultural food chains in Tanzania are sustainable and inclusive of smallholders.

EVOLUTION PILOT LEVEL

1.1. Indicative illustration of progression towards better livelihood
Notwithstanding the delays owing to time spent setting up the programmes, several initiatives have been put in place and there are clear indications that the end results will be better livelihood of for farmers. The following describe the actions and early indicators of progress.

Rice
a) increased income
In order to increase the competitiveness of the Lower Moshi Rice, some interventions have been undertaken by VECO in partnership with the Lower Moshi Irrigators Association (LOMIA). In first instance, lower input and transaction costs will lead to higher incomes. In order to bring down these costs, VECO has partnered with a number of private service providers to provide business development services. YARA, BAYER, and Kibo Trading, private sector service providers of fertilizers, have identified the high use of fertilizers per hectare, use of non-specific crop fertilizers, and a general lack of knowledge and skills as key challenge faced by farmers. YARA has established demonstration plots to prove that farmers can save up to 64% of the total cost if they use the right fertilizers for the right crops and in the right soil types. They have also facilitated enabling conditions for farmers to collectively procure and purchase inputs, thus reducing input costs significantly. Furthermore, VECO has identified and entered into fruitful negotiations with a rice miller (Masawe millers) and two buyers (RAHA rice company and Marenga Investments) who are willing to mill and buy the farmers’ rice, thus eliminating the middlemen and ultimately ensuring that farmers receive better prices.

Secondly, a gender focus will provide for higher incomes of women. VECO intends to promote gender equity and inclusiveness within the rice scheme. This is informed by the realisation that with more male than female members of LOMIA (426 M/174 F), patriarchal land property rights, women bearing the brunt of labour in the farms, and a tradition of male dominance in sales, an increase in income may not necessarily benefit women in the same way as men. Therefore, beginning this year, VECO will work with LOMIA on the development and implementation of a gender strategy to enhance equity and inclusiveness. Efforts to integrate the youth will also be undertaken through needs assessment and joint planning.

  b) position in the chain
Progress has been made with regards to improving the position of farmers within the chain. This relates to empowering them with market information and improving their bargaining power to enhance their inclusion and better incomes. To this end, a comparative analysis of various farmers’ organizational and governance models was done and consensus reached on how to streamline operations through training and skills building. To increase the market share, a participatory market survey was done to identify quality requirements and potential buyers. Raha rice company made a clear commitment to purchase 6 tons of rice on a weekly basis with prices based on prevailing market prices and the quality of produce supplied. To improve bargaining power on access to inputs, linkages with YARA and Bayer have been made, resulting in offers of discounted prices if inputs are bought in bulk directly from the companies or accredited dealers. YARA and BAYER are keen on offering training and conducting demonstrations on appropriate use of inputs.

  c) sustainable use of natural resources
LOMIA in collaboration with Sokoine University of Agriculture (SUA) has mobilized its members to adopt the new and promising practices of System of Rice intensification (SRI) and Integrated Crop Management (ICM). This is an environmentally sustainable rice production approach which combines efficient water, soil and plant management to produce higher yields. The use of SRI and appropriate use of organic and inorganic fertilizers (ICM) by farmers will have a positive impact on the environment in the long term.

e) food security and vulnerability
Overall, the interventions being undertaken in Lower Moshi will not only impact on income but also boost food security and reduce vulnerability. With increased and stable incomes, farmers will be able to save and purchase produce that they do not grow in the scheme. Moreover, the SRI, ICM, and assured markets will reduce their climate and markets related vulnerabilities and risks respectively.
Fresh Fruits and Vegetables (FFVs)

1. Increased income
It is important to note that farmers in previously depended on coffee as their main source of income. After the collapse of the sector, they resorted to planting FFVs for the local market, that are associated with high price volatility risks of losses when market linkages are not stable, and post-harvest losses if not well handled. The introduction by VECO of passion fruits and French beans as commercial crops for local and international markets, has given further options of ensuring that farmers reduce market risks and have income security. Significant progress was achieved in promoting passion fruits and French beans particularly in the second half of 2014:

- Kahe Cooperative Society: 32 farmers supplied 12,775 kgs of French beans valued at Tsh 9,581,250 (USD 5,241.38) to Frigoken Ltd
- Kibo Horticulture Farmers Association (commonly referred to as Kibo Hort): 33 passion fruits farmers earned Tsh 32,989,500 (USD 18,019.4) from 14,662 kgs sold in the local markets. 10 farmers additionally earned Tsh 1,200,000 (USD 656.45) from the first commercial shipment of 500kg to Special Fruit, an importer from Belgium. Once shipments begin to take place on a weekly base, the farmers will have a monthly net profit of 176 USD produced on 0.2 hectares.

VECO and the Belgian importer Special Fruit are implementing a project financed by Sustainable Initiative for Fruits and Vegetables (SIFAV) which is part of the Initiative on Sustainable Trade (In Dutch: Initiatief Duurzame Handel – IDH), to develop sustainable and inclusive passion fruit chains. The project foresees year round weekly supply of produce in compliance with international quality standards, leading to stable incomes. Within the Memorandum of Understanding specifying the long term principles of the collaboration, a study will be carried out to give an indication of the price to be paid to the farmers that should be adequate to provide for the needs of the farmer’s household regarding food, education, health care among others.

With regards to gender equity and inclusion of women, some strides have been made since women are well represented in the farmer business organizations, equally involved in sales and overrepresented in hired labour - being engaged in harvesting, grading and sorting. However, it remains to be seen how the gender dynamics at household level play out, in terms of decision making on use of land and labour.

2. position in the chain
Several interventions are in place aimed to enhance the position of the farmers within the FFVs chain. These are:

1. To reduce market risks and ownership of the chains, VECO and its private partners Special Fruit and Frigoken Ltd created awareness of the quality requirements of passion fruits and French beans. As a result, there is increased appreciation of the quality standards and consistency in volumes delivered to customers.
2. To increase the voice of the farmers and ownership of the chains, 3 apex/secondary farmer groups have been formed to maximize economies of scale and to strengthen their capacity to engage with the buyers, input suppliers and provide business services to members. These are Kahe Cooperative Society with 138 farmers (61 female, 77 male), Kibo Horticulture Farmers Association with 96 farmers, (36 female, 60 male), MUVIKIHO with 225 (90 female, 135 male)
3. Kibo Hort has signed an MOU with Special Fruit (Belgian importer), Serengeti Fresh (Tanzanian exporter), Colruyt (Belgian supermarket), Vredeseilanden, and VECO EA as chain coordinator and support partner. The MOU embraces Inclusive Business Principles, thereby aiming at a stronger position of the farmer organization within the chain.
4. Kahe Cooperative Society and MUVIKIHO have signed a contract to supply Frigoken Ltd with French beans for processing.

3. sustainable use of natural resources
To address environmental degradation, VECO has initiated a number of eco-friendly initiatives. These are:

1. Global gap standards compliance and integrated pest management (IPM)/ integrated crop management (ICM). Stick to Global Gap standards and increased awareness of the environmental impact of crop protection products (pesticides, fungicides etc), application of inorganic fertilizers as well as other harmful agronomic practises, will in the long term lead to sustainable use of natural resources. Guidance on appropriate use and introduction of organic protection products and fertilizers will further enhance the sustainability of use of natural resources.
2. Piloting sea shipment of passion fruits to promote economies of scale and reduce the carbon footprint and in greenhouse gas emissions.
3. **Piloting of water efficient irrigation technologies and training of farmers on water management.** This is aimed at reducing the water footprints of the commodities as well as demonstrating sustainable water use. A study is ongoing and will be completed in 2015. 4 Pilots have already been earmarked to be implemented in 2015 funded under the DGD supported Synergy project.

4. **Vulnerability**

Diversification of income sources, access to savings and credit systems and use of water efficient irrigation will reduce the vulnerability of farmers to unpredictable weather. New sources of income, controlled production in terms of volumes and quality and increased savings will reduce their vulnerability to brokers and shylocks, boosting competition among buyers. With the full implementation of most of these measures in 2015, the farmers will be the masters of their own destiny.

e) **Food security.**

Income instability and unpredictable weather are the main causes of food insecurity in Arumeru and Moshi, the regions VECO is working. As reported earlier, diversification of income sources, access to savings and credit systems and use of water efficient irrigation methods will go a long way in addressing the main causes of food insecurity. Farmers will not only be able to grow crops throughout the year but also purchase what they do not grow in the market.

1.2. **Access and control of benefits by men and women**

Baseline surveys were conducted reflecting all aspects of value chain development, with a gender and inter-generational lens. A study of the inclusive farmers’ business models included specific aspects of inclusion of youth and gender. The baseline survey was aimed at identifying various constraints along the chains with gender and inter-generations (age) and coming up with strategies to address each of them to ensure gender and intergenerational equity. In the rice sector, initial findings indicate that women provide most of the labour and time required for rice production, harvesting and storage, while the men actively pursue the sale of rice. It is yet to be determined how the financial benefits are shared and how decision making is done; a gender analysis is planned for the first quarter of 2015 to delve deeper into gender dynamics in rice production and marketing. In the FFV chains, women and men are involved in production and sales and represented in the governing bodies. Gender strategies will be developed with all groups involved.

**EVOLUTION SCA LEVEL**

1.3. **Progress towards structural changes**

To inform structural changes, two studies were commissioned towards the end of 2014 to look into: 1) inclusive farmers’ business models including inclusion of youth and gender and 2) agri-finance value chain finance models with a focus on small holder farmers. The studies are ongoing and intended at supporting/strengthening the models that VECO is already using at the pilot level. Additionally, VECO will evidence generation for stimulating the institutional environment. This includes the institutional environment for organizing small holder farmers into economical viable entities for collective marketing, and increasing the market share of local rice- and horticulture farmers to participate in the modern markets. The studies are expected to be completed in the first quarter of 2015 and implementation started in earnest thereafter.

VECO has identified several partners including:

1. Agricultural Research Institute, Tanzania which has been developing new varieties for the market
2. Sokoine University which has been testing the System of Rice Intensification technology aimed at improving productivity, quality, water management and reduction in transactional costs.
3. JICA that is working on improving irrigation infrastructure and boosting data collection and management at scheme and national levels.
4. The Rice Council, an apex body formed in June 2014 to primarily advocate for rice issues and improve the efficiency of the rice value chain.
5. NGOs and development partners; Agricultural Non State Actors Forum (ANSAF), USAID’s SERA project, and RUDI to advocate and lobby the government around importation, crop cess tax, and laying down procedures for importation.

This institutional landscape provides unique opportunities for VECO to streamline its structural change agendas and operations in Tanzania and collaborate with like-minded institutions.
1.4. Significant changes in external context

**Rice**

The Tanzania government has shown a lot of support for the rice sector and the development of value chains to promote food security and rice sovereignty in the country. The Agriculture policy has undergone review to give it better focus and validity. The particular national rice development strategy has been revised with the new one to be released in 2015. The strategy seeks to look into increasing awareness and access of farmers to improved rice seeds; provision of improved agronomic skills and enhancement of farmer organizations; innovative marketing and business linkages with private sector market actors; networking for synergy and cooperation with other facilitators; and technology development and access.

Tanzania has several development organizations funding various rice initiatives across the country. These include JICA, NEPAD, FARA, AGRA, IRRI, FAO, Africa Rice and the World Bank. Under the Big Result Now project, the government aims to achieve rice sovereignty through extension service provision, building irrigation infrastructure, better seeds, SRI, value addition and market linkages. The programme is already rolled out in 78 rice schemes and a handful of rice centers of excellence mimicking ideal value chains have been established. There are efforts to bring in more schemes into the centers of excellence status. Some major challenges affecting the rice sector at national level include importation of rice from Pakistan and Thailand, cess tax and lack of credible production data to inform decision making. The Rice Council was formed in June 2014 as an apex body with broad representation to advocate for better trading conditions and value chain efficiency in the rice sector.

**Fruits and vegetables**

Data from Tanzania Horticulture Association (TAHA) indicate that the horticulture industry earned the economy over $155 million from January to June 2014, compared with $83.4 million accrued from the same period in the previous year. Overall, horticulture exports were forecasted to reach $414 million in 2014, which was a growth of $39 million compared with the $375 million earned in 2013. The main reason behind the high increase was the improving economy in the EU. Another key reason was the lifting of the ban by Kenya of airfreighting of flowers from the Jomo Kenyatta International airport and the scrapping of the charges levied on Tanzanian fruits and vegetables. Tanzania vegetables and fruits now enjoy the same status as the local Kenyan produce.

1.5. Evolution or adjustments of partners in SCA

**Rice**

As reported earlier, until mid-2014, Tanzania did not have an apex organization to deal with the development of the rice sector. To fill this gap, VECO has held discussions with MVIWATA and ANSAF to assess areas of cooperation but it was evident the organisations’ mandates were much broader than the rice crop. Thus, the Rice Council, a relatively new body was approached to fill in the gap. In addition to partnering with the Rice council, VECO will also work with JICA, USAID’s SERA project, RUDI, AGRA and ANSAF for the common interest of realizing structural change.

**Fruits and vegetables**

No adjustments in partnership are needed as the selected partner TAHA is the best fit for the programme. Moreover, the major donor in the horticulture sector, USAID prefers to fund TAHA to implement programmes in the sector. Studies were undertaken to generate evidence required for action.

1.6. Methods

- Research on farmer business models, value chain financing for smallholders, water efficient technologies and consumption (includes water footprint assessment).
- Value chain analysis
- Gender in value chains
- Analysis Inclusive Business Models
- LINK-methodology on transparent governance of inclusive supply chains.

1.7. Synergies

VECO worked with several organizations in the country. These are:

- Nelson Mandela University/VLIR. The focus is to exchange ideas and information on efficient water use based on the ongoing long term studies being undertaken in the Pangani River Basin (covers most
of northern Tanzania) by the institute in collaboration with Leuven University under a project funded by the Belgian government.

- Moshi Co-operative University. Capacity building of farmer business organizations.
- TRIAS. Collaboration on the implementation of the synergy project particularly in the field of land and water management and the onions value chain, value chain methodologies, agri-finance among others.
- Agri-profocus network—VECO participates in various thematic areas including agrifinance, farmers’ organizations and in the organization of exhibitions.
- FERT. Coordination on development of saving and saving—and credit-organizations.

### 1.8. Over-all lessons learned related to this objective

Scrutiny of the structural change agendas for both rice and vegetables revealed that some of proposed SCAs were very broad thus making most of them difficult to achieve or measure. These have been reviewed to make them more focused and demarcated. After dedication to research, matchmaking and subsequent adjustments to the SCA goal definitions, VECO has now a better understanding of the chains it is working in and is better equipped to implement the programme full throttle in 2015.

### REMARKABLE STORY

Significant increases in income have been witnessed among producers of passion fruits and French beans, as illustrated by the story of Mr. John Alphonce Ngowi and Mrs. Calister John. From their orchard of 0,5 acres (0,2 hectares) with 320 plants, they sold 840 kgs for Tsh 3000 (USD 1.64) per kg, earning Tsh 2,520,000 (EUR 1260) in the first season alone in the local market. This enabled them to send their 2 daughters to private secondary schools in Kenya.
C. RESULTS

Result 1: In Tanzania pilot (market) chains of rice are set up, for which innovative practices and models are elaborated and implemented for the benefit of smallholders.

Hypotheses: 1) Public policy, regulation and the private sector are favourable to sustainable production and inclusive business models for smallholders in Tanzania. 2) Weather conditions are favourable for the production of agricultural crops

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<tr>
<th>Indicators</th>
<th>Baseline</th>
<th>Target 2014</th>
<th>Achievements</th>
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<tbody>
<tr>
<td>Increase of productivity (tons/ha paddy and %)</td>
<td>18bags/acre</td>
<td>18bags/acre</td>
<td>18bags/acre</td>
</tr>
<tr>
<td>2</td>
<td>% of the (processed) products that meet the quality standards of the formal market</td>
<td>0%</td>
<td>10%</td>
</tr>
<tr>
<td>3.</td>
<td>Progress (on a scale of 4²) of the pilot chains on: 1. ecological or climate adapted production and processing 2. gender equality in the chain 3. integration of youth in the chain</td>
<td>1. 0 2. 0 3. 0</td>
<td>1. 1:4 2. 1:4 3. 1:4</td>
</tr>
<tr>
<td>4.</td>
<td>Volume (in %) sold collectively by farmers’ organisations under long-term agreements with (in)formal buyers, compared with the total volume sold</td>
<td>0</td>
<td>10%</td>
</tr>
<tr>
<td>5</td>
<td>Progress (on a scale of 4³) in the pilot chains concerning financial service provision in and for the chain</td>
<td>1</td>
<td>1</td>
</tr>
</tbody>
</table>

Reasons for not reaching the target
Lower Moshi Irrigators Association (LOMIA) was primarily set up to manage water distribution and maintenance while CHAWAMPU was to deal with marketing, inputs sourcing and access to finance. However, CHAWAMPU was faced with allegation of mismanagement of the organisation, especially of the warehouse receipt system that led to their inability to pay loans and meet their obligations towards their members. This led to lack of trust by farmers in the management of the organisation. Over the period under review, VECO’s efforts have been focused on facilitating discussions among the various stakeholders aimed at reaching a consensus on whether to revive CHAWAMPU or have LOMIA form a subsidiary to take up the roles earlier managed by the former. Due to loss of faith in CHAWAMPU by farmers, it has been decided that VECO works with LOMIA to form a new arm that will be engaged in marketing, input supply, extension services, and access to finance for farmers. Formation of this arm and development of the business management strategies including gender and youth integration are scheduled for the 1st quarter of 2015.

VECO in partnership with LOMIA and with the participation of farmers, have identified market quality requirements and market segments they wish to supply rice to. LOMIA has entered into a tentative agreement with RAHA Rice Product Company (a miller and wholesaler) to supply 6 tons of rice on a weekly basis. The actual transactions are scheduled for the next harvesting season which starts in April 2015. With regards to access to finance, LOMIA has been linked to potential agri-finance providers and efforts are in place to promote savings through initiation of VICOBAs as a first step towards starting a new SACCO. A study on suitable agri-finance institutions and products is currently ongoing and the findings will conclusively determine which financing institutions the SACCO will be linked to. At the moment, NMB bank is already working towards offering an alternative financial product.

---

² 1/ no progress; 2/ initial progress; 3/ moderate progress; 4/ great progress
³ 1/ no progress; 2/ initial progress; 3/ moderate progress; 4/ great progress
Result 2: In the Tanzanian sub region pilot (market) chains of high-value crops are set up, in which innovative practices and models are elaborated and implemented that stimulate the inclusion of smallholders (m/f) in the modern markets.

**Hypotheses:**
1) Companies and farmers’ organisations are willing to commit themselves sustainably in a chain logic.
2) Weather conditions are favourable for agricultural production.
3) Creditors can be convinced to invest.

<table>
<thead>
<tr>
<th>Indicators</th>
<th>Baseline</th>
<th>Target 2014</th>
<th>Achievements</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. The number of private companies in the pilots that demonstrate sourcing practices and/or policies that are more inclusive for smallholders</td>
<td>0</td>
<td>1</td>
<td>2</td>
</tr>
<tr>
<td>2. % of the farmers (in the supported organisations) complying with the quality requirements of buyers (Global Gap and Tancert)</td>
<td>Moshi: 0 Arumeru:20% (100/500)</td>
<td>Moshi: 2% (10/500) Arumeru:25% (125/500)</td>
<td>Moshi: 2.8% (14/500) Arumeru: 25% (125/500)</td>
</tr>
<tr>
<td>3. Progress (on a scale of 4*) in the pilot chains towards: 1. ecological or climate adapted production and processing 2. gender equality in the chain 3. integration of youth in the chain</td>
<td>1. 0 2. 0 3. 0</td>
<td>1. 0 2. 0 3. 0</td>
<td>1. 1:45 2. 1:4 3. 1:4</td>
</tr>
<tr>
<td>4. Volume (%) sold through collective marketing by farmers’ organisations to the modern market, compared with the total volume sold</td>
<td>Moshi: 5% Arumeru: 5%</td>
<td>Moshi: 10% Arumeru: 10%</td>
<td>Moshi: 32% Arumeru: 10%</td>
</tr>
</tbody>
</table>

**Reasons for not reaching the target**
VECO managed to work with two companies instead of one during the reporting period; Serengeti Fresh Ltd (passion fruits) and Frigoken Ltd (French beans). Already, companies have been supportive in training farmers on compliance with global gap standards and on good agricultural practices. Efforts are ongoing to install traceability systems.

It is worth noting that the two Moshi pilot groups are less than two years old while those of Arumeru are over five years old. However, the old groups are not organized as business organizations with professional management structures; intensive training and coaching will be needed to reach this goal. VECO has started facilitating the groups in business modelling and developing business plans to enable them make informed decisions on appropriate marketing strategies, management structures and systems among others.

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* 1/ no progress; 2/ initial progress; 3/ moderate progress; 4/ great progress
* Scores valid for 3 partners; see section 3.3. on adjustments of partners
Result 3: In Tanzania farmers’ organisations in the pilot (market) chains have strengthened their management and business capacities to meet the requirements of the market.

**Hypotheses:** 1) The authorities and the private sector are interested in businesses of smallholders and support their development. 2) All partners that support the market chains join forces. 3) Presence of and access to financial and non-financial service providers.

<table>
<thead>
<tr>
<th>Indicators</th>
<th>Baseline 2014</th>
<th>Target 2014</th>
<th>Achievements</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Number of farmers’ organisations that have improved their economic viability (based on the operating profit margin % (OPM))</td>
<td>0</td>
<td>1/11</td>
</tr>
<tr>
<td>2</td>
<td>The number of farmers’ organisations in the pilot chains that have strengthened their business capacities on: 1. Group management 2. Business management 3. Marketing 4. Sustainable production and natural resources management 5. External relations See FO business development matrix</td>
<td>1.1/11</td>
<td>1.4/4</td>
</tr>
<tr>
<td>3</td>
<td>The number of farmers’ organisations in the pilot chains that make use of locally available 'Business Development Services' (BDS), particularly concerning: 1. agro-finance 2. agro-technical aspects 3. business management</td>
<td>1.1/11</td>
<td>1.1/11</td>
</tr>
</tbody>
</table>

**Reasons for not reaching the target**
Access to agro-technical services from external sources has exceeded expectation due to the fact that the fruits and vegetables groups are accessing extension services from the buyers (Frigoken and Serengeti) and five primary groups have been receiving inputs on credit from Frigoken. The rice farmers have been linked to agro input dealers (YARA, Bayer) who are offering this as an embedded service.

As reported in the previous result area, Lower Moshi Irrigators Association (LOMIA) was designated to take up the roles of CHAWAMPU by availing BDS and organizing itself into a business organization towards the end of the year. In FFVs chains, the business capacities of the farmer groups are still very low with poor professional management structures. For both rice and FFVs, Intensive training and coaching will be needed to enable the farmer organisations to offer this business function.

VECO in conjunction with the government is facilitating the process of development of good business management strategies including strategies on gender and youth integration. This will be completed in the 1st quarter of 2015. Already, strides have been made towards identifying market segments and buyers. Additionally, business modelling and business planning will be facilitated by VECO in the first quarter of 2015.

Result 4: In Tanzania evidence from the pilot (and other market) chains is used for up-scaling, in order to contribute to structural changes.

**Hypotheses:** 1) There are sufficient means for capitalisation from the pilots and for documentation. 2) Partners and other sectors are open to (and see the added value of) documentation and capitalisation.

*See section 3.3., adjustments to the partners.*

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6 Economic viability according to a predetermined formula of the Operational Gross Margin %

6 The business capacities are monitored with the ‘Business Development Matrix’ for farmers’ organisations

8 Originally, we would work with eleven primary organizations. We will now strengthen four apexes that will provide services to a growing number of primary farmer business organizations, members of and represented in the apex body. The four apexes have been strengthened, but they of course in no way “strong”, as they are of recent set-up and strengthening by VECO has just started. See also section 3.3.: adjustments to the partners.

9 See section 3.3., adjustments to the partners.
and are willing to cooperate actively.

3) Authorities and donors recognise the pertinence of an evidence-based approach and open their minds to it.

<table>
<thead>
<tr>
<th>Indicators</th>
<th>Baseline</th>
<th>Year1</th>
<th>Achievements</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Number of practices, models and experiences in pilot chains supported by Vredeseilanden (or other market chains) that are capitalised</td>
<td>0</td>
<td>2</td>
</tr>
<tr>
<td>2</td>
<td>Number (and type) of chain related studies and analyses organised by partner organisations and VECO to support evidence</td>
<td>0</td>
<td>4</td>
</tr>
<tr>
<td>3</td>
<td>Number of improvements of learning-oriented data collection and reflection processes in cooperation with chain actors (PLA)</td>
<td>0</td>
<td>2</td>
</tr>
</tbody>
</table>

**Reasons for not reaching the target**

Learning-oriented data collection and reflection with chain actors took only place in the framework of the baseline study under rice producing families in Lomia, when also Participatory Rural Appraisal methods were used.

Lessons learnt in the on-going pilots together with the studies initiated on water management, farmer organisation, value chain finance and inclusive business models are expected to generate lessons in 2015. The newly constituted actors’ coordination forums are expected to generate areas of interest that will be the source of new studies. Areas identified by the rice actors include a study on the rice quality along the whole value chain to determine the most critical control points and the actors involved.

VECO has identified various forums within which to share practices, models and experiences in the pilot chains it supports. These include agri-profocus, the Rice Council and the members meetings organized by TAHA.

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**Result 5:** In Tanzania a dynamic and social base is created between and with actors, networks and alliances in the region, which contributes to the inclusion of smallholders and to structural changes.

**Hypotheses:**

1) External actors and networks appreciate the added value of putting the inclusion of smallholders on the agenda and of taking joint action. 2) Also other donors are active on this theme and provide extra funds to help support the dynamic.

<table>
<thead>
<tr>
<th></th>
<th>Baseline</th>
<th>Year1</th>
<th>Achievements</th>
</tr>
</thead>
<tbody>
<tr>
<td>5.1</td>
<td>Number of people reached by VE and its partners through digital / printed publications (case studies, best practices, lessons learned, videos, ...) and face-to-face events (seminars, conferences, round tables, ...) about innovative practices and models on inclusion of small-scale farmers</td>
<td>0</td>
<td>1000</td>
</tr>
<tr>
<td>5.2</td>
<td>Number of times that VE and its partners are asked as an external resource person for their expertise with regard to inclusion of small-scale farmers</td>
<td>3</td>
<td>10</td>
</tr>
<tr>
<td>5.3</td>
<td>Number and type of networks, round tables, conferences and (learning) alliances in the region around inclusion of small-scale farmers set up (facilitated/supported or not by Vredeseilanden and/or partner organisations)</td>
<td>1</td>
<td>3</td>
</tr>
<tr>
<td>5.4</td>
<td>Number of concrete joint actions and interventions (campaigns, lobbying, dialogues, ...) undertaken by societal actors (civil society, knowledge institutions, private companies) and/or their</td>
<td>0</td>
<td>2</td>
</tr>
</tbody>
</table>
Reasons for not reaching the target
In 2014, VECO was active in the activities of Agriprofocus and visited conferences in the region. This year filled with transition, inception and set-up activities didn't dedicate more resources to institutional growth. Activities on learning, sharing and (well documented) exposure, are planned for 2015, in a bid to improve VECO’s visibility and influence in the region.

RESULT 1: SET-UP OF INNOVATIVE RICE PILOT CHAINS (SSD)

1.1 State of affairs of the result
a. Increase of productivity and reduction of production costs
In order to increase productivity and reduce production costs, interventions have been made to understand the causal factors of low productivity and high production costs. Linkages to BDS providers will be instrumental in achieving this objective. So far,

- Linkages have been established between farmers’ organization, LOMIA and input suppliers; YARA, BAYER and Kibo Trading Company.
- Business linkage was established between smallholder farmers and JRT Agri Services Company, dealing with hiring of tractors, power tillers and combined harvesters.
- BAYER helped farmers to identify the counterfeit chemicals.
- YARA has offered training and skills development to equip farmers with requisite skills especially in input application.

YARA trained 86 farmers on appropriate use of fertilizers and also carried out demonstrations in the field. Initially, farmers were using 5 bags of fertilizer (1DAP, 4 UREA) instead of the recommended 3 bags, thus incurring unnecessary costs. Using the correct amount and right type of fertilizers would reduce the costs by 64%. Special discount prices were offered to farmers if they bought the inputs in bulk.

b. Quality demands are met
A participatory rice market appraisal helped farmers identify potential market segments, and quality requirements of each market. Farmers are now aware that the foremost quality requirements demanded by the market include: low percentage of broken rice, no mixture of varieties and no impurities.

c. Evolution towards more ecological and climate adapted production and processing
YARA conducted soil testing to determine required soil nutrient interventions for better targeting of input use and good agricultural practices. The company has also undertaken training activities to improve farmers’ awareness of input use. In addition, 543 farmers have been trained on the use of SRI initiated by Sokoine University of Agriculture (SUA) as an environmentally sustainable rice production approach that reduces water use, promotes plant and soil health, and increases crop yield.

d. Evolution towards gender equality and youth integration.
A baseline study conducted on individual households provided an indication of the need for gender and youth targeted interventions. A more profound gender analysis will be carried out in the first quarter of 2015 in order to encourage gender equity and youth inclusion in the rice value chain.

e. Collective marketing
Given the importance of collective marketing in reducing transactional costs, VECO and the Moshi district council engaged farmers in deliberations on how to revive collective marketing, a function previously carried out by CHAWAMPU. It was agreed that LOMIA will initiate a new marketing arm to take up this function. The marketing by LOMIA is expected to pick up in earnest in the coming year as the organization has identified a buyer and VECO will support them in business organizational skills among others.

f. Long term agreements with buyers and private service providers
Farmers have agreed to partner with RAHA Rice Company through LOMIA, to supply RAHA with 6 tons of rice on a weekly basis. The company is involved in milling and wholesaling. RAHA will provide transport on credit, to enable farmers to bring produce from the farms to the milling factory.

g. Engagement of local governments
VECO has maintained a close working relationship with the Ministry of Agriculture and Cooperatives, through the Moshi Rural District Council. The council staff supports the farmers with extension services and also provides technical backstopping in the management of irrigation schemes.

h. Engagement of financial service providers
Discussions have been going on with the farmers of the best modalities of supporting them to access credit based on what works best in the region. While some prefer to have a combination of SACCOs and VICOBAs, the majority prefer the former only. VECO will continue supporting this process in ensuring the linkages are strengthened and farmers receive the necessary technical support.

1.2 Lessons learned and programme adjustments
During the programme planning period, it was envisaged that the programme would support the farmers to lobby for funding to increase the area under irrigation from 400 ha to 500 ha over the 3 years period. VECO later realized that this was not feasible in the medium term due to inadequacy of water in the catchment as a result of competition among upstream users of River Rua and the seasonality of water flows. The only reliable and permanent source of water is Mbogoni Springs capable of irrigating 400 ha throughout the year. This has forced VECO to adjust the acreage from the targeted 500 ha to 400 and subsequently the number of farmers to 600 down from 3750. Another emerging dynamic is the shift towards other crops away from rice or in combination with rice. This will inform future interventions geared towards diversification.
1. RESULT 2: SET-UP OF INNOVATIVE FRUITS AND VEGETABLES PILOT CHAINS (IMM)

2.1 STATE OF AFFAIRS OF THE RESULT

a. More inclusive purchase practices and/or policy of private companies for family farmers
   
   VECO is working with two private companies rather than the initially targeted one company. The programme is actively working in 2 value chains in the Moshi and Arumeru pilots. These are:
   
   - **Passion fruits value chain in Moshi; the actors involved are Kibo Horticulture Farmers Association (Kibo Hort), Serengeti Fresh of Tanzania, Special Fruit and Colruyt Supermarket both Belgian companies.**
   - **French beans; Frigoken Ltd is the private company based in Kenya that contracts small holder farmers to produce French beans for processing and export to Europe.**

b. Increase in productivity
   
   Interventions such as training on good agricultural practices and new passion fruits management methods have led to an increase in production from an average of 8kg per vine (plant) to 12.5kg. This is expected to further increase to 15kg per vine as farmers improve their skills on the use of manure and fertilizers.

c. Quality demands are met
   
   The programme aimed at improving the quality of passion fruits that met the demand of Special Fruit in Belgium. The quality demands targeted size, taste, color, and maximum pesticides residue levels (MRLs). The following was achieved;
   
   - All 3 samples sent to the buyer were found to have very good taste, number of brix\(^{10}\) (Bx 14-16), good size and consistent color of pulp.
   
   - 10 farmers out of the 33 who had planted passion fruits met the threshold required for the export market including safe pesticide use, the postharvest intervals required per pesticide, documentation and traceability of the produce. However, this is not consistent enough as some low levels of MRLs were found in one consignment. With intensive training leading to global gap certification scheduled to start in the first half of 2015, this problem is expected to be overcome and the number of compliant farmers increased.

d. Evolution towards more ecological, climate adapted production and processing
   
   Activities addressing efficient water use and energy were initiated in the 2\(^{nd}\) half of 2014 and tangible results are expected in 2015. 100 farmers gained skills in IPM/ICM, safe use of pesticides and required maximum residue levels (MRLs) after training facilitated by VECO. Trials on the use of biological pesticides are planned through collaboration among Special Fruits, KOPPERT Biological Systems and VECO.

e. Evolution towards more gender equality and integration of youth
   
   Initial findings from a baseline conducted on FFV farmers indicate that although women are actively involved in production of passion fruits, they also bear the brunt of labour in all stages of production. Women are also involved in sales although it is not clear whether they participate in deciding how the sales are used at household level. A deeper analysis of the gender and youth dynamics will be done in the first quarter of 2015 to inform the development of a gender and youth inclusion strategy.

With regards to collective marketing, the pilots performed as follows:

1. Moshi pilot
   
   - **Kahe Cooperative Society-32 farmers supplied 12,775 kgs of French beans valued at Tsh 9,581,250 (USD 5241.38) to Frigoken Ltd. The cooperative has a signed contract with the farmers to supply the beans throughout the year.**
   
   - **Kibo Hort: So far, over 33 farmers have planted 7012 passion fruit vines which are in various stages of production. A first shipment exporting to Europe revealed the the fruits were found to be of good quality in terms of color, number of brix (14-16). The farmers earned Tsh 32,989,500 (USD 18,046.77) from 14,622 kgs sold in the local markets. 10 Farmers also earned Tsh 1,200,000 (USD 656.45) from the first commercial consignment of 500kg sold to Special Fruit.**

2. Arumeru
   
   - **The five primary groups of Muvikiho managed to sell 25 tons of French beans to Frigoken**
   
   - **The farmers were linked to a fruit tree nursery provider and 3050 passion fruit vines were planted in 2014 by 19 farmers, 9 being women. They celebrate their first harvest in February 2015.**

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\(^{10}\) Brix (Bx) scales are being used for indicating sucrose content.
1.2 Lessons learned and programme adjustments

a) Capacity of Farmer organisation to comply with Global gap quality requirements - the cost of maintaining and management of the global gap system in passion fruits was found to be 36.2% of the total production and 63.7% of the management cost. This calls for a much more focused intervention plan but most importantly, adequate financial rewards as the cost of implementation of the systems and processes is quite high. In addition to the costs, the technical requirements are challenging. While the market is very desirable as it is high paying, it is crucial that VECO remains alive to the fact that most farmers may not be able to meet these high standards. It is therefore imperative that VECO maintains a balance between the export market, the local and the processing sector as the last two are less demanding.

b) Roles of the private companies - most of the companies invest the minimum possible in the farmers and little if any on farmers’ organizations. Experience so far has shown that VECO should not expect the farmers to rely fully on the companies for technical skills and inputs. VECO can address the shortfall by investing more in building the capacities of farmers to manage their own technical teams, the global gap quality management system among others. This model is further strengthened by the fact that farmers’ organizations have contracts with more than one company. This is unlike other countries where supply would spread to thin due to high levels of side selling. Autonomy will increase the farmers’ influence in the chains. For future sustainability of farmer organization preparation for high end markets, VECO will support training capacity in TAHA.

c) Selection of partner companies/private sector - selection of the private sector partners is very challenging in less developed value chains like export of fresh fruits and vegetables in Tanzania. The choices of companies are very limited, thus increasing the risk of companies dishonouring MOUs with VECO. This reality forces VECO to apply close monitoring and contingency planning.

2. RESULT 3: CAPACITY BUILDING OF FARMER ORGANISATION

3.1 State of affairs for the results
3.1.1 Number of farmers’ organisations that have improved their economic viability (based on the operating profit margin % (OPM))

Generally, FFVs and rice farmer groups are weak and inefficient in meeting the demands of modern markets. VECO has identified Moshi University of Cooperatives (MUCOS) to do an initial assessment and start the training, mentoring and coaching of farmer groups in management and leadership, financial management, record keeping, and entrepreneurial attitude building. VECO and MUCOS will support the farmer organizations in the development of a business plan, good governance and management structures, and financial management systems. An approach developed by VECO and partners in Uganda will be tested and applied to enhance record keeping on production, harvest and sales, as part of operational management control and planning. With all systems in place, it will therefore be possible to re-assess the groups later on in 2015 and plan towards final targets of mature and competitive business organizations.

Rice

3.1.2 Farmers’ organisations in the pilot chains that have strengthened their business capacities

As stated earlier, LOMIA’s will now take up the marketing function on behalf of the farmers and to this end, the following has been achieved in strengthening its business capacities:

1. Group management – MUCOS has been identified to conduct a needs assessment and to come up with an action plan to strengthen group’s management capacity.
2. Business management - VECO has initiated the facilitation of the group to develop a business model and later a business plan for the organization.
3. Marketing-potential market segments and buyers were identified; RAHA Rice Product Company, a miller and wholesaler were identified as potential partners.
4. Sustainable production and natural resource management. LOMIA is actively working with SUA to demonstrate and promote the use of SRI as a sustainable production and natural resources management method.
5. External relations - with the support of MUCOs and VECO, the organization will be supported to identify key partners and put in place strategies to deal with external relations.

---

11 Economic viability according to a predetermined formula of the Operational Gross Margin %
12 The business capacities are monitored with the ‘Business Development Matrix’ for farmers’ organisations
3.1.2 Farmers’ organisations in the pilot chains that make use of locally available ‘Business Development Services’ (BDS), particularly concerning:

1. Agro-finance – VECO has identified a service provider to work with the farmers to develop the SACCOS and VICOBAS in the coming year. This is aimed at installing the capacity of LOMIA to offer this service and link the farmers to the existing banks as savings is a prerequisite to accessing credit. Farmers will make contributions to go into the VICOBA’s and SACCOS as shares that will allow them to borrow in future.

2. Agro-technical aspects - business linkages have been established between smallholder farmers and JRT Agri Services Company, a private service provider based in the Lower Moshi who is dealing with rental of tractors, power tillers and combined harvesters. Other linkages include input suppliers i.e. YARA, BAYER and Kibo trading who supply inputs and also provide free training on appropriate input use.

3. Business management - with increased capacity in management installed by MUCOS, it is expected that the farmers’ organization will be able to offer business management services and or link the farmers to private or public service providers. Over time, the organization will afford to procure services of agronomists and extensionists at fee paid by farmers.

Fruits and Vegetables

3.1.1 The number of farmers’ organisations in the pilot chains that have strengthened their business capacities on:

1. Group management - despite the fact that some of the groups in the FFs chain have been in existence for over 5 years, which is the case with some of the first tier organizations under MUVIKIHO, group management systems are still poor. This has largely been due to the contract system that they have used over the years that allow buyers to micro-manage the groups. As in the rice sector, VECO has identified MUCOs to build the capacities of the groups.

The groups under KAHE Horticulture Cooperative Society and KIBO Horticulture Cooperative that have started up in 2014, will start up as independent farmer business organizations from scratch, which means that they will be strengthened to become independent business organizations capable and willing to negotiate contracts with buyers, without being compromised as contract farmers for one particular firm.

2. Business management - VECO has initiated the facilitation of the groups to develop a business model and later a business plan. Already, 1 draft business plan and business model is ready for review and adoption by the members of Kibiu (one of the groups making up MUVIKIHO) and Kibo Hort. VECO is in the process of building the capacity of the groups in business management including installing managers/agronomists to ensure that they meet the standards set for global gap certification.

3. Marketing. The groups in MUVIKIHO have been working with a number of buyers including Serengeti Fresh and Homeveg. VECO has linked MUVIKIHO, Kahe and Kibo to Frigoken to produce French beans for processing. As already stated above, VECO is in the process of building the capacity of the groups to manage quality and maintain the existing markets.

4. Sustainable production and natural resources management. VECO has started up with building the capacity of the farmers’ organization to manage the global gap systems. This includes continuous training in environmental issues particularly the pesticides, fertilizer and water management.

5. External relations. With the support of MUCOs and VECO, the organization will be supported to identify key partners and put in place strategies to deal with external relations.

3.1.2 The number of farmers’ organisations in the pilot chains that make use of locally available ‘Business Development Services’ (BDS), particularly concerning:

1. Agri-finance - just like in the rice chain - VECO is in the process of establishing saving and credit schemes to enable the members mobilize funds as a prerequisite to accessing credit internally and externally through linkage to banks and other financial services.

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13 The business capacities are monitored with the ‘Business Development Matrix’ for farmers’ organisations

21 | P a g e
2. Agro-technical aspects - VECO is in the process of supporting the group develop appropriate structures and also supporting them to recruit agronomists/managers. Recruitment in Kibo and Kahe was initiated in 2014 and the staff are expected to be in place early 2015. This will increase the capacity of the groups to provide extension and business management services to their members. Linkages have been established with private service providers including YARA, BAYER and Syngenta.

3. Business management - with increased capacity in management installed by MUCOS, it is expected that the farmers' organization will be able to offer business management services and or link the farmers to private or public service providers.

### 3.2 Evolution target group

<table>
<thead>
<tr>
<th></th>
<th>Total nr of farmers (female) Dec 2013/Dec 2014</th>
<th>Total nr of farmers (male) Dec 2013/Dec 2014</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Moshi IMM: Kahe Cooperative</td>
<td>0/61</td>
<td>0/77</td>
<td>0/138</td>
</tr>
<tr>
<td>Moshi IMM: Kibo Hort</td>
<td>0/36</td>
<td>0/60</td>
<td>0/96</td>
</tr>
<tr>
<td>Arumeru: IMM MUVIKIHO</td>
<td>90/90</td>
<td>135/135</td>
<td>225/225</td>
</tr>
<tr>
<td>Moshi SSD: LOMIA</td>
<td>174/174</td>
<td>426/426</td>
<td>600</td>
</tr>
<tr>
<td>Total nr</td>
<td>361</td>
<td>698</td>
<td>1017</td>
</tr>
<tr>
<td>Total %</td>
<td>34</td>
<td>66</td>
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### 3.3 Evolution and adjustments of partners

In Fruits and Vegetables, it was envisaged that VECO would work with 11 farmers’ organizations. While this is the ultimate aim if not more, the new strategy is to work directly with 4 secondary organizations namely Kahe and Kibo under the IMM Moshi pilot, MUVIKIHO under the IMM Arumeru pilot and LOMIA, SSD pilot. These apex organizations currently count with twelve associated primary groups, but will be open to work with new primary groups.

In Rice, initially, the Kilimanjaro Paddy Hulling Company had been identified as private partner in the rice programme. The company has been found unsuitable as its processing machines are too old and thus not fit to produce the quality required. RAHA Company will therefore take over, as it has been found suitable because of being financially stable and having modern equipment.

**REMARKABLE STORY AT PILOT LEVEL**

It is postulated that the necessary systems have been put in place and a remarkable story will be reported in 2015.

### 4. RESULT 4: EVIDENCE FROM THE INNOVATIVE PILOT CHAINS

#### 4.1 State of affairs of the result

The programme activities were focused on setting the stage for implementation at the pilot level. At the structural change level, several studies were initiated with the aim of gathering evidence and at the same time add some inputs in the pilots. These are;

1. A study of inclusive farmers’ organization models. The aim of this study is to document these models to support learnings and as evidence to influence change geared towards sustainable smallholder inclusion of smallholder farmers in the dynamic modern markets.

2. A study of small holder agri-finance value chain models. Findings will serve to 1) establish good practices and experiences on rural financial services targeting the small holder (savings and credit models); and 2) promote innovative small holder agri-finance value chain finance initiatives in east Africa.

3. Identification and assessment of climate smart irrigation technologies for small holder farmers. The aim is to assess the various technologies in relation to their level of efficiency and to document and disseminate information on best practices of small holder irrigation regionally and nationally to i.e. the farmers, the technology service providers, the government, NGOs among others.

### 4.2 Reasons for not reaching the target
As mentioned before, the first half of the year was used to establish the staffing and inducting them and partners. With the programme having started in earnest in the second half of the year, the groundwork has been set to enable recovery of lost time and even surpass the targets.

4.3 Lessons learned and programme adjustments
Currently no changes are envisaged during the forthcoming period as there are presently few lessons learnt to warrant the same. As the programme implementation continues, closer monitoring and evaluation will be done to identify area that may require changes in approach and strategy.
5. RESULT 5: DYNAMICS AND SUPPORT BASE FOR INCLUSION OF SMALL-SCALE FARMERS

5.1. State of affairs of the result

As the level of implementation was almost the same in the rice, fruits and vegetables, the following addresses the state of affairs in both chains.

a. Publications made and face-to-face events organized by VECO and/or its partners and the number of people reached. Although the target of 1000 people was not reached through publications, studies were initiated during the project reporting period, but are yet to be completed and released to the public and stakeholders.

b. Consultations of VECO and/or its partners as expert external resource persons asked for by others. VECO was consulted by CORDAID and MicroSave Consultants; the programme implementing partners of the EU funded Agri finance - MicroSave- Cordaid Agricultural Finance Program that was undertaken in Kenya and Uganda. The value chain advisor carried out the following activities:
   - Dairy Value Chain Finance Study for Opportunity Kenya Ltd
   - Facilitated in the final CEOs workshop for closure of the programme

c. Networks, round tables, conferences and learning alliances set up in the country on inclusion of smallscale farmers.
   No progress.

d. Common actions and interventions by civil society actors in support of the SCAs. VECO EA in Tanzania has joined the agri-profocus network and it aims to use this forum and engage other stakeholders particularly in the thematic areas of agri finance and small holder farmers’ organizations.

1.9. Reasons for not reaching the target

As mentioned before, delayed start of the programme was the main reason and it is expected that the lost time will be recovered in the coming year.

1.10. Lessons learned and programme adjustments

No significant changes are envisaged in 2015.