


















## Support to Private Agricultural Sector Support (PASS) Trust on digitalisation of its services in Tanzania

<p><b>Key results:</b></p> <ul style="list-style-type: none"> <li>Platform for Digital Credit Guarantees developed and launched.</li> <li>1 million loans approved by banks based on a PASS digital credit guarantee - total value of loans USD 43 million.</li> <li>80% of PASS administrative processes shifted to on-line systems, leading to reduced processing time and cost savings for PASS and beneficiaries.</li> <li>Back-up power systems based on renewable energy solutions</li> <li>Knowledge Hub (KH) launched, making relevant information accessible for small-holder farmers and value chain stakeholders.</li> </ul> <p><b>Justification for support:</b> The project will capitalise on the rapidly increasing mobile connectivity in Tanzania. By digitalising PASS products and processes, the project will contribute to significantly accelerate PASS' ability to reach large number of beneficiaries who will benefit from access to finance. Furthermore, automation will significantly increase efficiency and reduce costs which contributes to operational and financial sustainability. The project is closely aligned to the objectives of the Danish TechVeloPMENT Initiative.</p> <p><b>Major risks and challenges:</b></p> <ul style="list-style-type: none"> <li>Cybercrime targeting the products for fraud attacks</li> <li>Banks providing loans to clients whose details are not sufficient for tracking in event of default</li> <li>Misalignment between technology investments and the Trust business and operations</li> <li>Capacity of PASS staff to handle digital credit guarantee operations</li> </ul>	<b>File No.</b>	2019-43699				
	<b>Country</b>	Tanzania				
	<b>Responsible Unit</b>	Dar es Salaam				
	<b>Sector</b>	Agriculture Sector, Private Sector				
	<b>Partner</b>	PASS				
		<i>DKK mill.</i>	<b>2019</b>	<b>2020</b>	<b>2021</b>	<b>Tot.</b>
	<b>Commitment</b>	20				20
	<b>Projected ann. disb.</b>		10	10		20
	<b>Duration</b>	2020 – 2021				
	<b>Previous grants</b>	BSPS phase IV (DKK 140.2 mio), BSPS phase III (DKK 135.9mio), ASPS II (DKK 43mio) & ASPS I (DKK 20mio)				
	<b>Finance Act code</b>	06.32.01.23				
	<b>Head of unit</b>	Mette Nørgaard Dissing-Spandet				
	<b>Desk officer</b>	Jema Jacob Ngwale				
	<b>Reviewed by CFO</b>	Yes				
<b>Relevant SDGs</b> [ <i>Maximum 1 – highlight with grey</i> ]						
						
No Poverty	No Hunger	Good Health,	Quality Education	Gender Equality	Clean Water, Sanitation	
						
Affordable Clean Energy	Decent Jobs, Econ. Growth	Industry, Innovation, Infrastructure	Reduced Inequalities	Sustainable Cities, Communities	Responsible Consumption & Production	
						
Climate Action	Life below Water	Life on Land	Peace & Justice, strong Inst.	Partnerships for Goals		

### Strategic objectives:

**BSPS IV Impact level objective:** To increase employment and income opportunities for farmers and micro, small and medium enterprises (MSMEs) through green inclusive growth.

**Overall PASS outcome:** Increased level of productive investments among agribusiness entrepreneurs that promotes green growth

**Project specific outcome:** Digitalisation of PASS processes and products increases efficiency and expands outreach

### Justification for choice of partner:

PASS is a well-known and trusted partner to the Danish Embassy and has over the years has produced convincing results in terms of access to finance for small-holder farmers in Tanzania. PASS has built up a solid name and branch network across Tanzania and this project can support PASS in further increasing efficiency and scaling its operation.

### Summary:

This support will allow PASS to accelerate the digitalisation of its operation. The work within this project is closely aligned to the overall Theory of Change and will contribute to further accelerate the existing work streams. The activities are organised in four outputs: 1) launch of the digital credit guarantee; 2) launch the knowledge hub; 3) revamp network, power back-up system, and upgrade IT system and 4) automation of key business processes. The latter two outputs are the foundation for successfully launching the two digital products (outputs 1 and 2).

### Budget:

Output 1		DKK 10.8 million
Output 2		DKK 1.3 million
Output 3	DKK 0.7 million (Swedish contribution)	DKK 2.3 million
Output 4		DKK 6.5 million
<b>Total</b>	<b>DKK 0.7 million (Swedish contribution)</b>	<b>DKK 20 million (Danish contribution)</b>

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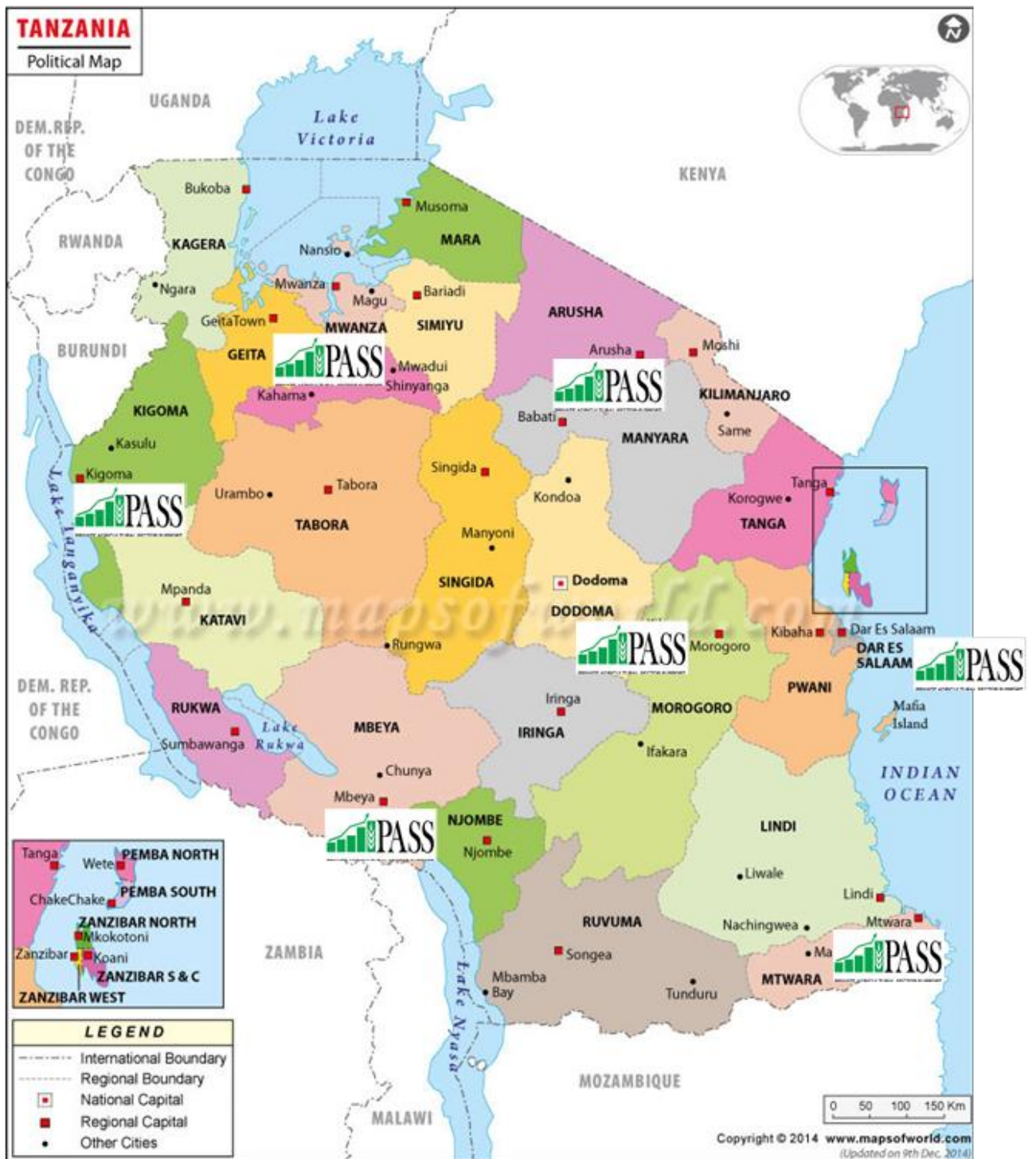
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## Abbreviations



AIC	Agribusiness Innovation Centre
ASPS	Agricultural Sector Programme Support
BDS	Business Development Services
BSPS	Business Sector Programme Support
COSTECH	Commission for Science and Technology
DANIDA	Danish International Development Agency
DKK	Danish Kroner
FAO	Food and Agriculture Organisation of the United Nations
FAPDA	Food and Agriculture Policy Decision Analysis
FSDT	Financial Sector Deepening Trust
FYD	Five Year Development Plan
GAP	Good Agricultural Practices
GOT	Government of Tanzania
HRBA	Human Rights Based Approach
ICT	Information & Communications Technology
MNO	Mobile Network Operator
MSME	Micro, Small and Medium Enterprises
NICTBB	National Information and Communications Technology Broadband Backbone
NYSIA	National Strategy for Youth Involvement in Agriculture
PANT	Participation, Accountability, Non-Discrimination, and Transparency
PASS	Private Agricultural Sector Support
SACCO	Savings and Credit Cooperative
SAGCOT	Southern Agricultural Growth Corridor of Tanzania
SDG	Sustainable Development Goal(s)
SEK	Swedish Kroner
SIDA	Swedish International Development Cooperation Agency
TAHA	Tanzania Horticultural Association
TDV	Tanzania Development Vision 2025
WFP	World Food Programme

# Map of PASS Operations



 **PASS Zonal Offices**

Source: PASS Five-Year Strategy 2018-2022 Document

# 1. Introduction

As part of the Danish Techvelopment initiative, the Danish Government has allocated DKK 20 million to support PASS in its endeavour to accelerate its use of digital technology in its product and service offerings in order to increase efficiency, expand its outreach and ultimately, increase its impact to the target beneficiaries.

The Private Agricultural Sector Support (PASS) Trust was jointly established in 2000 by the Government of Tanzania and the Government of Denmark as a pilot project facility under Danida's Agricultural Sector Programme Support (ASPS I). PASS was supported under ASPS II from 2003-2007 and PASS registered as an autonomous legal Trust in 2007. From 2008-2012 PASS was included as a sub-component of the Danida-funded Business Sector Programme Support III (BSPS III) and from 2013-2019 in the current BSPS IV. PASS is a non-profit organisation, but it operates on commercial terms charging commercial rates for its services. PASS facilitates access to finance for small scale farmers and agribusiness entrepreneurs through a technical support by offering a range of Business Development Services (BDS) in the form of, inter alia, feasibility studies and business plans for prospective bank clients; farmer group formation; farmer and agribusiness capacity development training, incubation and facilitation of contract farming. (Overleaf, an overview of PASS financial services is presented).

**PASS vision** is to improve the quality of life for small-scale agribusiness entrepreneurs.

**PASS mission** is to facilitate access to financial and business development services for agribusiness entrepreneurs in Tanzania.

The 2018-2022 PASS Strategy identified digitalisation<sup>1</sup> of PASS services and products as a key priority. The ambition is to embrace the rapid development in the ICT connectivity of the Tanzanian population including in the rural areas. With a continued strong focus on the needs of the end-beneficiaries, PASS explores opportunities to use ICT solutions to improve the efficiency and outreach of PASS.

In July 2018, Danida commissioned an evaluation of PASS, which found that PASS continues to be relevant and additional, and well-aligned to Danish development priorities as well as those of the Government of Tanzania. While the findings of the evaluation were overall quite positive, one area that the evaluation team found PASS could further explore was digitalisation, both in terms of improving the Trust's organizational processes and operational efficiency, and with regard to improving the client-PASS interface. The evaluation noted that, "*With further growth of the PASS organization, further digitisation is needed to improve effectiveness, as with this strong growth, the effectiveness of the internal organisational processes runs the risk of lagging behind.*"<sup>2</sup> FinTech solutions were consistently brought up by key stakeholders as an area of importance for PASS in the future. PASS' products and services have evolved over time to meet shifts in market demand, and developing FinTech products to meet a growing body of mobile money users in Tanzania will allow PASS to continue to evolve to meet shifting user needs.

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<sup>1</sup> This document pertains to both **digitalisation** and **digitisation** of PASS products, services and processes. Digitalisation refers to the use of digital technologies to alter a business model and processes, such as PASS offering new digital products to farmers. On the other hand, digitisation refers to converting from analogue to digital, which will form a part of PASS digitalising internal processes, for example through the conversion of key documents from paper form to digital.

<sup>2</sup> Evaluation of the PASS Trust, p. 10.

Figure 1: PASS Financial Services

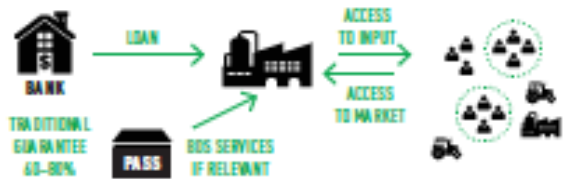
**TRADITIONAL GUARANTEE**

PASS' original product which has been fine-tuned and grown over the past 17 years. Based on a business plan, PASS provides banks with a 60% guarantee (up to 80% for women) of the loan amount. Beneficiaries can be individuals (SMEs or farmers) or farmer groups. PASS also provides BDS services such as conducting feasibility studies, support the development of business plans and conduct training for organized farmer groups.



**TRADITIONAL GUARANTEE – LARGE ENTERPRISES**

PASS has modified the traditional guarantee to serve demand in the market by also targeting large enterprises. In this case the need for BDS services is generally less. The criteria for servicing larger clients is that they should be important drivers in the value chains and smaller agribusiness entrepreneurs should benefit e.g. in the form of access to inputs or access to market.



**PORTFOLIO GUARANTEE**

Portfolio guarantee was introduced in 2012. In this case, the bank identifies a group of agribusiness entrepreneurs and PASS provides a portfolio guarantee based on an application submitted by the bank. An assessment of the individual farmer is done by the bank.



**INSTITUTIONAL GUARANTEE**

Smaller community banks/MFIs are closer to the farmers and see agriculture as an attractive market. In some cases, they are constrained by undercapitalisation. PASS guarantees a loan from a large commercial bank to a smaller financial institution which on-lends to agribusiness entrepreneurs. PASS can in parallel provide traditional guarantees to the smaller financial institution to agribusiness entrepreneurs and provide BDS.



**AGRIBUSINESS INNOVATION CENTRE AIC**

AIC was established in 2015 to incubate high potential SMEs and through mentorship and business development services to support the incubates in developing and growing.



Source: PASS Annual Report 2018

**1.1 Summary of PASS achievements**

PASS facilitates private investments in the agricultural sector to stimulate growth of commercial agriculture and agri-business in Tanzania, with the overarching goal of reducing poverty and improving quality of life for small-scale agribusiness entrepreneurs.

The following key achievements can be highlighted:

- 926,793 agricultural entrepreneurs have accessed financing guaranteed by PASS; in 2018 alone, more than 195,000 agricultural entrepreneurs have accessed loans

- In 2016, 11% of all bank loans (value) to the agricultural sector have been guaranteed by PASS<sup>3</sup>
- Since its inception in 2000, PASS has facilitated bank loans amounting to TZS 595 billion (USD 255 million in 2019 exchange rate)
- Non-performing loans are kept at a low level, and the guarantee fund (USD 36 million) is intact
- PASS has supported the development of 18,500 business plans to date.
- An Agribusiness Innovation Centre that supports agribusiness entrepreneurs in Tanzania was established in 2015.
- PASS is operationally self-sustainable, with 56 employees and six branches.

A key feature of the 2012-2017 strategy was to expand the PASS branch network. Today there are a total of six branches covering key agricultural zones and the Head Quarter in Dar es Salaam. The 2018 PASS Evaluation finds that the expansion to new branches has fuelled growth of both the number of loan applicants as well as number of partner financial institutions. Furthermore, the branches work in close cooperation, for instance sharing information on value chains and specialisms. However, the implication of the expansion in the number of branches is higher overhead costs, which makes it harder to break even. PASS has a clear objective that the individual branches should reach a break-even point operationally. This being said, in 2018 four of the six branches broke even<sup>4</sup>. PASS does not plan to open new branches, but rather to strengthen outreach through ICT.

## 1.2 Summary of PASS digitalisation components

In line with the 2018-22 Strategic Plan and the recommendations of the 2018 evaluation, the PASS Trust envisages leveraging digital technology to:

- increase the outreach of PASS activities by introducing a new PASS Digital Credit Guarantee with a mobile application interface; and PASS business development services through the creation of a digital Knowledge Hub for MSMEs and agribusiness entrepreneurs.
- increase the operational efficiency through the automation of internal processes and implementation of new and/or upgraded digital systems.

The two components on digitalisation are outlined further in the table below:

Digitalisation Outcome: Digitalisation of PASS processes and products <u>increases efficiency</u> and <u>expands outreach</u>	
Component 1	Component 2
PASS increases the outreach of activities by digitalising the guarantee products and the business development services	PASS increases operational efficiency through the automation of internal processes and implementation of new and/or upgraded digital systems

<sup>3</sup> BOT Annual and PASS annual report

<sup>4</sup> Annual report 2018, PASS

<ul style="list-style-type: none"> <li>- PASS introduces a digital credit guarantee with mobile application user interface. The digital credit guarantee will increase PASS' outreach significantly, and provide farmers with timely access to credit.</li> <li>- PASS establishes a knowledge hub which is an online databank collecting information on the agricultural sector. The knowledge hub will be the basis for the provision of digital business development support to farmers with focus on green solutions, and increase banks' awareness of agricultural practices.</li> </ul>	<ul style="list-style-type: none"> <li>- PASS invests in digital infrastructure to revamp network, set up a power back-up system, and upgrades Navision Core Enterprise system.</li> <li>- PASS automates key business processes, such as loan tracking, payment processing, the application process for business development services and credit guarantees etc. to increase efficiency of daily processes.</li> </ul>
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The digitalisation of PASS operations is an important factor in ensuring PASS's long-term sustainability and growth. However, digitalisation cannot stand alone and factors such as institutional and human resource needs must be integrated into the ICT intervention to realize the full potential of the digitalisation efforts. Therefore, a mapping of PASS work processes will be carried out in combination with a more holistic organisational needs assessment covering constraints and opportunities.

## 2. Strategic considerations and justification

### 2.1 Agricultural Sector in Tanzania

For the past decade, the Tanzanian economy has sustained a high growth rate. While the poverty rate has seen a gradual decline in the last decade, the absolute number of poor people has remained relatively stable due to high population growth<sup>5</sup> - hence, poverty remains widespread. Economic growth in Tanzania has primarily occurred in capital-intensive sectors such as mining and telecoms and the benefits have been limited mainly to the urban middle class.

The agricultural sector plays a significant role in the Tanzanian economy, considering approximately 74 percent of the country's population reside in rural areas and rely on agriculture for their livelihoods. For this reason, agriculture is an important priority area for the Government of Tanzania, with a strong focus on transforming the current low productive agricultural sector into a modern, semi-industrialised sector. Such a transformation will have a great impact on reducing income poverty in Tanzania, but it will require significant investments. Currently agriculture makes up nearly a fourth of the country's GDP (24 percent), compared to ca. 30 percent a decade ago. Likewise, agriculture made up almost half of Tanzania's exports (45 percent) a decade ago, but now accounts for only 24 percent of exports. The average growth rate in the agricultural sector between 2006-2014 was 3.9 percent, which is relatively low compared to the growth rates of the service sector (8 percent) and industry sector (7.8 percent) for the same period.

The FAO's Food and Agriculture Policy Decision Analysis (FAPDA) characterised Tanzania's agricultural sector as one of the least productive in sub-Saharan Africa – characterised by low productivity of land, labour and production inputs, underdeveloped irrigation potential, and limited access to capital and financial services.<sup>6</sup>

Financing is a key issue in the agricultural sector, and the majority of banks focus mostly or completely on corporate lending. Loans requested by MSMEs are not favoured by banks given the high transactional costs related to appraising them, particularly considering the loans typically are

<sup>5</sup> World Bank, Tanzania Country Overview. Updated September 30, 2019.

<sup>6</sup> FAO County Fact Sheet on Food and Agriculture Policy Trends, September 2014.

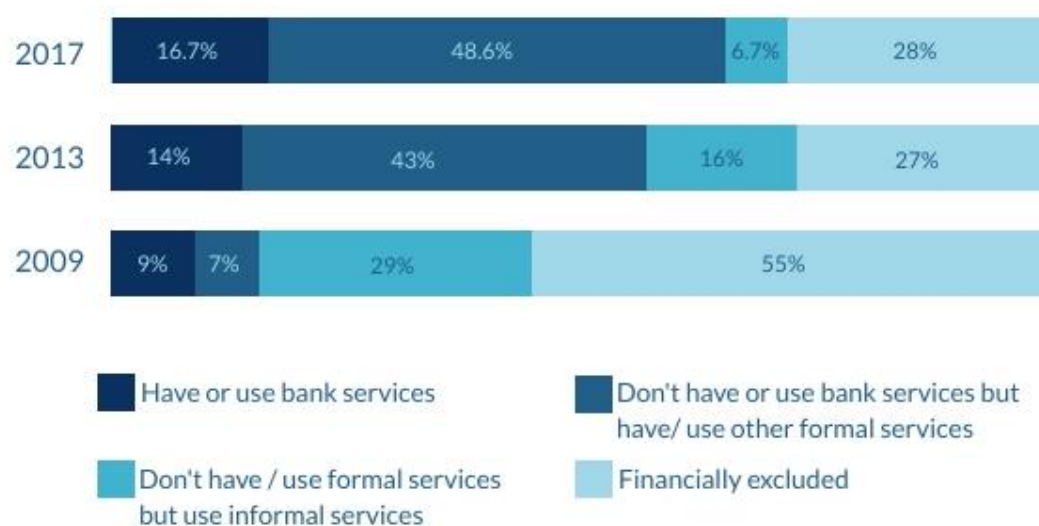


of a small size. Further, banks perceive lending to the agricultural sector as high risk due to uncontrollable factors such as weather and volatile market conditions. The collateral requirements set by the Government of Tanzania (up to 125 percent of loan value) present a challenge for MSMEs. When all these factors are combined, too little credit makes its way to MSMEs or the agricultural sector. A 2010 MSME National Baseline Survey found that there are approximately 3 million micro- and small enterprises in Tanzania, creating employment for over 5 million people. Of these, 66.4 percent were completely excluded from access to financial services, and a mere 10.6 percent had access to formal financial services such as banks.

## 2.2 ICT as a gateway for financial inclusion

The potential outreach of PASS activities stands to improve significantly through use of ICT and digitalisation of PASS products. Over the past decade, Tanzania has seen an immense growth in terms of access to and use of mobile phones – a FinScope 2017 representative survey estimates that 93 percent of adults in Tanzania have access to mobile phones, with 63 percent owning a mobile phone themselves. The Access Strand model from the FinScope 2017 study (Figure 2 below) presents how access to finance has evolved dramatically in Tanzania since 2009. A significant share of this development can be attributed to the spreading of mobile money. It is, however, important to note that the majority of mobile services relate to transfer of funds rather than opportunities to access credit.

**Figure 2: Access to Financial Services in Tanzania between 2009 - 2017**



Source: FinScope Tanzania 2017 April-July, FinScope Tanzania 2013, and FinScope Tanzania 2009

The emergence of mobile money has revolutionized the delivery of financial services in Tanzania by giving access to groups that have largely been excluded prior. The introduction and use of mobile money has increased access to financial services across rural areas in Tanzania so much so that in 2017, approximately 78% of adult Tanzanians in rural areas lived within a 5 kilometre radius of a formal financial access point, contra 86% at the national level.<sup>7</sup> Most of these financial service access points are in the form of mobile money agents. The uptake of mobile money has been exponential – in 2009, only 1.1% of adults in Tanzania used the service, but by 2013 roughly half of the adult population (49.9%) in Tanzania was using it.<sup>8</sup> Banks and mobile money providers are

<sup>7</sup> FinScope Tanzania 2017: Insights that Drive Innovation, p. 28

<sup>8</sup> AFI, Tanzania narrows the financial inclusion gender gap. Women's World Banking, 2016

already collaborating to provide banking services via the mobile platform, introducing digital credit models in the market.<sup>9</sup>

While only a fourth of the Tanzanian population has access to the internet, 95% live in areas with network reception.<sup>10</sup> Tanzania's National Information and Communications Technology (ICT) Policy from 2016 emphasizes the government's vision for ICT to spur socio-economic development in Tanzania, noting that efforts have already been made to improve ICT infrastructure nationwide. These efforts have served to reduce internet costs, and increase telecommunication network coverage.<sup>11</sup>

### 2.3 Sustainable Development approaches

PASS activities are relevant with regard to the UN Sustainable Development Goals (SDGs). Poverty reduction is at the heart of PASS activities, as the overall objective of reducing poverty in the agricultural sector (**SDG 1 No Poverty**, and **SDG 2 Zero Hunger**). By enabling agribusiness entrepreneurs' access to finance and BDS services, PASS supports livelihoods, increased income and employment (**SDG 8 Decent Work and Economic Growth**). PASS is aware that gender equality is necessary for sustainable development – therefore, a target has been set that 50% of PASS beneficiaries will be women (**SDG 5 Gender Equality**). In 2019 PASS formulated a Policy on Environmental and Social Sustainability that put even greater emphasis on developing a portfolio of greener projects (**SDG 13 Climate Action**). Finally, PASS will strengthen partnerships with relevant stakeholders to explore synergies, a focus area that will be even more important in the new phase with regard to digitalising PASS products (**SDG 17 Partnerships**).

#### Green growth

PASS is committed to achieving long-term and inclusive growth in the agricultural sector, reliant upon ensuring sustainable management of natural resources and minimizing damage to the environment. In 2012 PASS embarked on a process of strengthening its green profile, a workstream that was confirmed in the 2018-22 Strategy with the expectation that this work can be further accelerated. The Swedish Embassy contributes with support to PASS to succeed in this endeavour, amongst other through a full-time environmental and social sustainability advisor who will support PASS in 2019-2020.

In 2019 PASS developed a Policy on Environmental and Social Sustainability that commits the Trust to seeking opportunities to support sustainable production and responsible practices throughout the agricultural value chain, leveraging PASS' position as a partner to key stakeholders, from producers to off-takers and processors. Currently, PASS is finalising a Green Growth Strategy that, in greater detail will set the scene for PASS' work on environmental safeguards and climate change mitigation.

Given the width of PASS' work, the green growth entry points are multiple: green investment window, AIC, awareness raising, share experiences and align (branches, financial partners, and SAGCOT). Tentatively, PASS foresees three key entry points when dealing with clients:

1. Appraisal checklist linked to compliance env/ soc legislation for use when loan applications and projects are assessed. The current check list does comprise assessment criteria related to the potential negative implications, but a more comprehensive system is being developed.

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<sup>9</sup> FinScope Tanzania 2017: Insights that Drive Innovation, p. 43.

<sup>10</sup> World Bank Indicators 2017; FinScope 2017.

<sup>11</sup> National Information and Communications Technology Policy, May 2016. p. 18.

2. PASS has an ambition to go beyond *do no harm*. Increasingly PASS is building up knowledge, experience and examples of approaches to green projects by adjusting approaches and technologies applied. Hence work is foreseen to strengthen awareness and knowledge of PASS employees of green solutions when providing BDS services, awareness work, business plans and linkages. Green growth opportunities not covered under compliance could include energy efficiency and source, reuse/ cycling of waste, water efficiency, soil health, and GAP.
3. Leasing company as pathway to promote green technology. As PASS, in this model, owns the asset, it also controls which assets are being procured and can use leasing as a way to de-risk innovation for clients.

PASS' commitment to environmental sustainability is not limited to the agricultural sector, as PASS also endeavours to improve the organisation's internal practices to reduce its own environmental footprint, inter alia through Component 2 of the digitalisation programme.

### **Human Rights Based Approach**

The human rights-based approach is a key guiding principle for Danida development interventions. PASS' activities, which focus on financial inclusion of SMEs including women and youth in rural areas in Tanzania, fully integrates the PANT principles (Participation, Accountability, Non-Discrimination, and Transparency). Decent employment is not only important for the development of a society, it is a fundamental human right for the individual.

The HRBA is embedded in the concept digitalising PASS' activities, as the Digital Credit Guarantee will enable PASS to improve livelihoods, increase sustainable production, increase income and food security, and to reach far more small-scale and marginal farmers. PASS is committed to facilitating financial inclusion for vulnerable and hard-to-reach groups, as is exemplified in the provision of a higher guarantee percentage on loans for female-headed SMEs (cf. the Section below on Gender Equality) and the initiative to launch the Agribusiness Innovation Centre which is specifically targeting youth.

### **Gender Equality**

Women add up to more than half of the population in Tanzania but their contributions as food producers and entrepreneurs are not being recognised and is undervalued. They have limited access to resources such as land, income, credit, extension services. For the business and private sector, gender equality is an opportunity to achieve better performance and higher retention. The PASS Five-Year Strategy 2018-2022 is cognisant that gender equality is critical to sustainable agricultural development, and the use of digital products is regarded as an opportunity to increase women's financial inclusion. The strategy notes that, "*Expanding digital financial services is an important pathway for increasing women's financial autonomy and supporting women's participation in the formal economy. Mobile money platforms are in many cases the only financial services available to women.*"<sup>12</sup> Mobile money usage continues to be shaped by demographics, with rural women the least likely to use mobile money services.<sup>13</sup> However, the trend of increasing connectivity is expected to continue in coming years, encompassing more hard-to-reach Tanzanians such as women in rural areas.

In current strategy, the Trust sets a target that 50 percent of beneficiaries should be women, and there is an ambition to better understand the particular needs of women. The same policy of preferential guarantee rates will be adopted for the digital guarantee if the applicant lives up to certain criteria related to women's involvement (see figure below).

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<sup>12</sup> PASS Five-Year Strategy 2018 – 2022, p. 17.

<sup>13</sup> Alliance for Financial Inclusion Tanzania Narrows the Financial Inclusion Gender Gap

### Figure 3: PASS preferential guarantee promoting women's economic empowerment

PASS can offer a higher guarantee rate of up to 80 per cent if the applicant fulfills one or more of the following criteria:

1. A woman or a group of women who initiate, organize and run a business
2. A group loan where at least 60 per cent of the value of loan goes to women in the group
3. In the case of a company the majority shareholders (value) are women

#### 2.4 Aid effectiveness and alignment to national objectives and partner strategies

PASS' activities are well-aligned with the priorities of the Government of Tanzania (GOT) and its focus on modernising the agricultural sector. The Tanzania Development Vision (TDV) 2025 outlines the aim of further industrialising and modernising the agricultural sector to boost productivity, bolstered by industrial and service activities in rural and urban areas.<sup>14</sup> PASS' work likewise aligns with the Tanzanian Government's Five-Year Development Plan (FYD II) 2016/17 – 2020/21, which supports progress towards the Tanzania Development Vision 2025.

Digital technology plays an important role in addressing the development goals outlined in the TDV - a role which is further underscored in the FYD and the 2016 National ICT Policy, which envisage ICT to have a transformative role to play in supporting growth and productivity in the Tanzanian economy. Against a backdrop of a clear and well-defined vision, strategy and plan, Tanzania is already taking strides to support ICT-driven development, such as the deployment of the National ICT Broadband Backbone (NICTBB) which in 2010 reduced the cost of accessing the internet by more than 50 percent. The introduction of mobile money platforms in Tanzania is also touted in the National ICT Policy, as the increased access to banking services have given rise to new forms of employment and livelihoods.<sup>15</sup> In this vein, PASS' strategy for digitalisation plays directly into government priorities, and it can be expected that the national focus on ICT will bolster PASS' as the national ICT infrastructure improves and more people are connected.

All of the above key policy documents illustrate that agriculture is a key priority area for the Government of Tanzania, and there is already a strong focus on improving productivity and modernizing the sector. Further, there is an emphasis on gender equality as critical to sustainable development in the agricultural sector across policies and strategies. In fact, the Vision 2025 calls for inclusion of gender equality objectives and women's empowerment in national development agendas. PASS is well placed to facilitate private investments in the agricultural sector, and with the new components related to digitalisation, it is expected that the Trust's outreach will expand significantly, with greater financial inclusion of groups that have typically been excluded, such as women and youth.

Beyond PASS, the BSPS IV is also supporting the Financial Sector Deepening Trust (FSDT), that is also working to promote financial inclusion in Tanzania. This activity is highly relevant for FSDT and there are significant opportunities for synergies between this project and the work FSDT is doing with banks. PASS and FSDT are working closely together on the digitalisation agenda.

#### Danida Strategies and priorities

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<sup>14</sup> TDV section 1.2

<sup>15</sup> National Information and Communications Technology Policy, May 2016.

The overall work of PASS with the agriculture and agribusiness sector is closely aligned to the priorities in the World 2030 in the strategic goal on “Inclusive, sustainable growth and development”.

Relating to the digitalisation agenda, Denmark has positioned itself pro-actively by taking an initiative to combine technology and development – TechVelopment. Denmark has appointed the world’s first Tech Ambassador and has established global tech-representation with a presence in Silicon Valley, Copenhagen and Beijing.

The Sustainable Development Goals are ambitious and can only be achieved by making the best use of new technologies to accelerate development and ensure sustainable growth. Thus, digitalisation is a cross-cutting tool to implement the Danish strategy, “The World 2030”. It is necessary to be able to identify and harness the digital dividends and contribute to bridging the digital divides<sup>16</sup>.

The Danish TechVelopment engagement has defined an overall objective to: “**Accelerate the implementation of the SDGs through application of new technologies, address the challenges associated with adoption of these technologies and support efforts to bridge digital divides**”<sup>17</sup>. Furthermore, this initiative is closely aligned to two of the four key TechVelopment thematic areas: 1) Promoting digital skills, inclusive and sustainable economic growth and decent work, especially for the youth and 2) Addressing the digital gender divide.

The Danish TechVelopment initiative takes into account the nine Principles for Digital Development. The principles are globally recognised guidelines for international development practitioners on how to use technology in development projects and engage in continuous learning. PASS is working to align to these principles and has already solid information and lessons from a number of workstreams to prepare this initiative; including intensive consultations with the expected future partners – the banks and the Telecom companies, as well as future clients/beneficiaries. Furthermore, PASS has carried out an assessment of current ICT capacity and has had extensive discussions with Financial Sector Deepening Trust to better understand the landscape of mobile money and opportunities for ICT based rural financing.

#### The 9 Principles for Digital Development:

- 1) design with the user;
- 2) understand the existing ecosystem;
- 3) design for scale;
- 4) build for sustainability;
- 5) be data driven;
- 6) use open standards, open data, open source and open innovation;
- 7) reuse and improve existing tools;
- 8) address privacy and security;
- 9) and be collaborative.

Source: [www.digitalprinciples.org](http://www.digitalprinciples.org)

## 2.5 Key stakeholders / Partners

PASS is set up to facilitate a wide range of stakeholders and partners to engage with small holder farmers and agribusiness. Key stakeholders include:

**Donors:** Currently PASS is funded by Danida and the Swedish Embassy. Sweden is re-guaranteeing PASS guarantees and is providing technical support, in particular related to environment and gender.

**Financial institutions:** PASS works with 14 Banks and a large number of Savings and Credit Cooperatives (SACCOs).

<sup>16</sup> “Techvelopment : approach and narrative “, Thematic note

<sup>17</sup> Techvelopment : Approach and narrative, 2019, p. 4.

**Value Chain Stakeholders:** PASS engages with value chain stakeholders to identify joint solutions. Examples include a partnership with the Tanzania Horticulture Association (TAHA) and the World Food Programme (WFP). Furthermore, PASS plays an active role in mobilizing and supporting farmer groups.

For this particular project the increased ICT connectivity of target beneficiaries opens the space for a range of new products and services that have the potential to unblock constraints in the value chains. This agenda will be explored through a range of partnerships with e.g. IT Incubators, private sector partners, mobile network operators, Financial Sector Deepening Trust (FSDT) and the Tanzania Commission for Science and Technology (COSTECH).

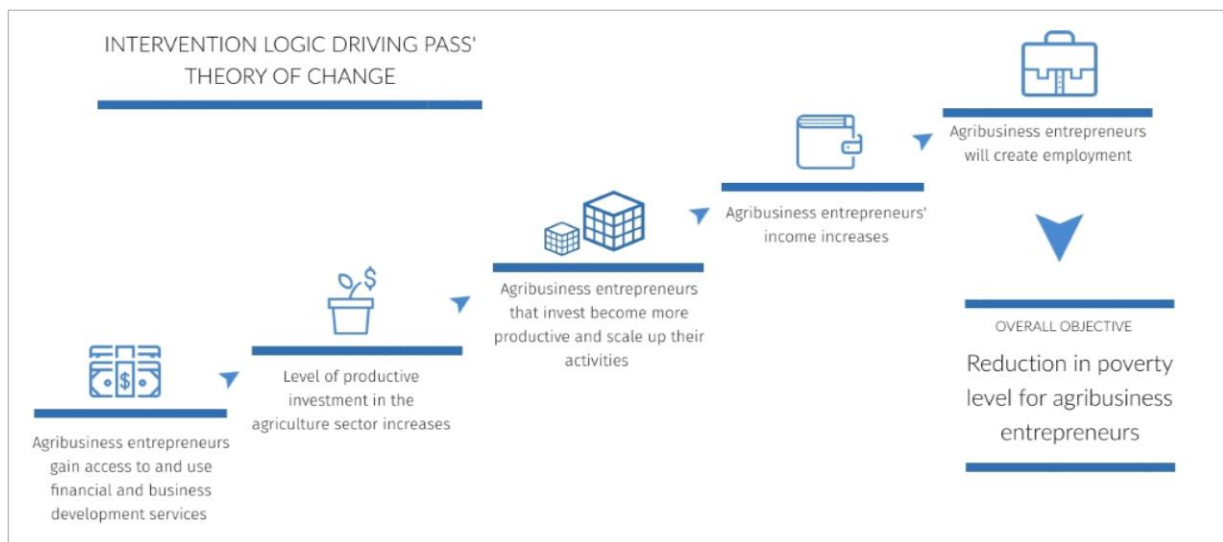
### 3. Theory of Change and key assumptions

#### 3.1 Structure of the PASS Theory of Change

The overall objective of PASS' work, including the strategy on digitalisation, is to reduce poverty levels for agribusiness entrepreneurs in Tanzania through improved employment, increased income opportunities, and inclusive green growth<sup>18</sup>.

The logic driving PASS' theory of change (represented in Figure 4 below) is that if agribusiness entrepreneurs gain access to and use financial and business development services, then their level of productive investments will increase. With an increased level of productive investment, the agribusiness entrepreneur will have a higher level of productivity, and activities will be scaled up. Thereby, agribusiness entrepreneurs will experience and increase in income, and will generate employment opportunities (i.e. full-time, seasonal, part-time and casual labour) in the agricultural sector, which ultimately will contribute to the objective of reducing poverty levels.

Figure 4: Logic behind the Theory of Change



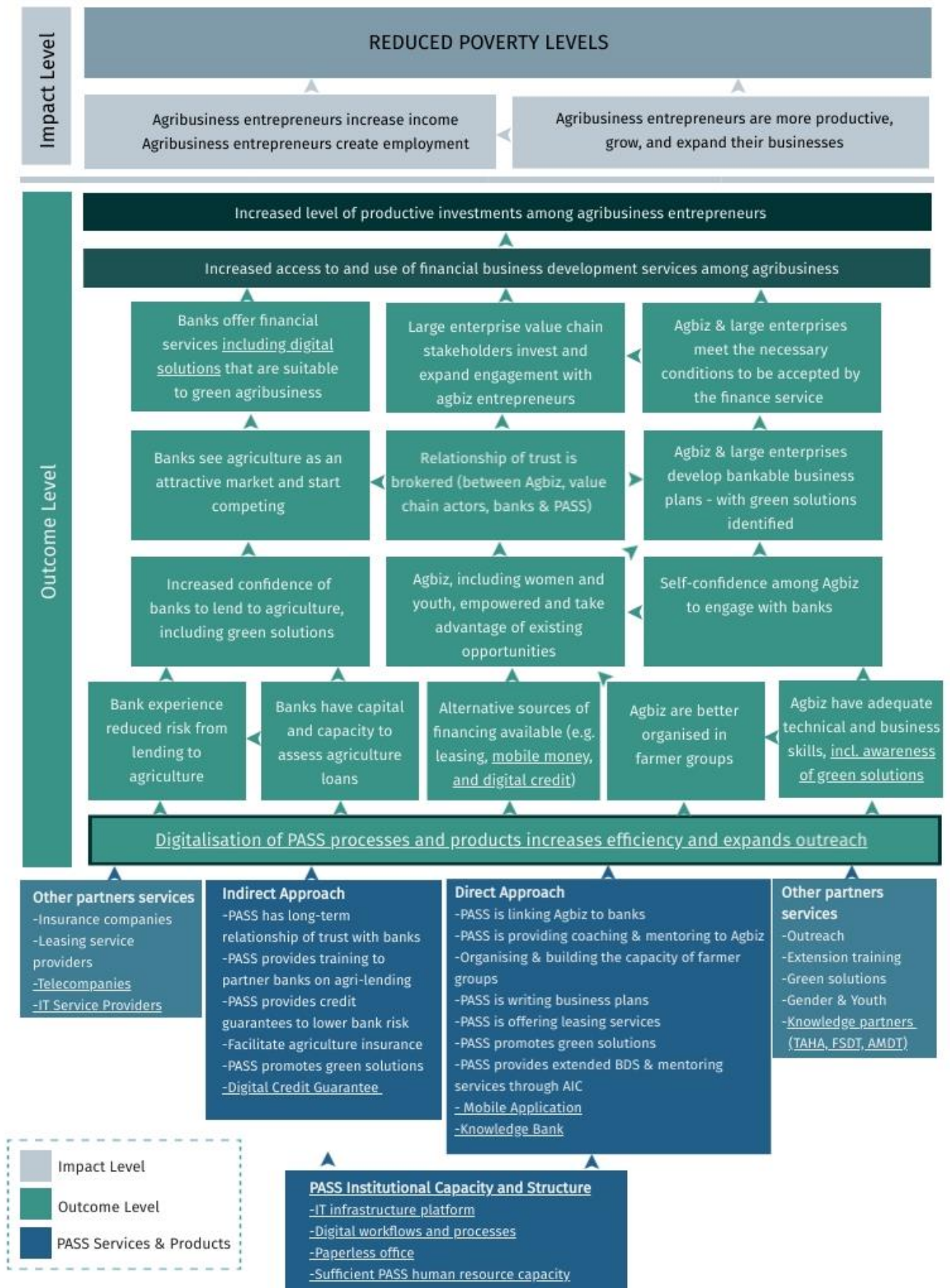
The overall PASS ToC, which is illustrated in Figure 5 on the following page, is built on two key pathways to achieving the intended outcomes – the direct and the indirect.

- **Direct approach:** Through its network of branches, PASS provides Business Development Services as a response to direct request from agribusiness entrepreneurs. Through partnerships, PASS facilitates access to extension services and support beyond what PASS resources allow for.
- **Indirect approach:** A more indirect approach to reaching agribusiness entrepreneurs is through PASS' work with the financial institutions who in theory should be providing credit to the agribusiness entrepreneurs. In practice, these institutions are hesitant to provide credit to the agricultural sector.

The workstreams on digitalisation are directly supporting the current ToC and as such these have been built into the overall PASS ToC. This is illustrated in the figure below where additional activities related to digitalisation are underlined.

<sup>18</sup> BSPPS IV – Programme Document

Figure 5: PASS Theory of Change





### 3.2 Outcomes

PASS' digitalisation strategy and related outcomes and outputs all feed into the exiting ToC at impact level, supporting the primary objective of reducing poverty among agribusiness entrepreneurs. Likewise, the digitalisation of processes and products feeds directly into the overarching outcome of PASS' work: **increased access to and use of financial business development services among agribusiness entrepreneurs.**

One new outcome has been added to the overall PASS ToC as a result of the two components on digitalisation, indicated in the table below and presented in the overall ToC graphic on the previous page (Figure 5).

<b>Digitalisation Outcome: Digitalisation of PASS processes and products <u>increases efficiency and expands outreach</u></b>	
<b>Component 1 - Outreach</b>	<b>Component 2 - Efficiency</b>
PASS increases the outreach of activities by digitalising the portfolio guarantee and the business development services	PASS increases the efficiency of internal processes through the automation of internal processes and implementation of new and/or upgraded digital systems
<b>Output 1:</b> PASS introduces Digital Credit Guarantee with Mobile Application user interface	<b>Output 3:</b> PASS revamps network, sets up a power back-up system, and upgrades core enterprise systems
<b>Output 2:</b> PASS establishes knowledge hub, an online databank hosting information on the agricultural sector	<b>Output 4:</b> PASS automates key business processes

Below is a description of how the outcome on digitalisation will feed directly into the other outcomes in the PASS ToC.

#### **Component 1 related to introduction of digital products and services**

- PASS is able to reach more beneficiaries, particularly more women, than with non-digital credit guarantee.
- PASS is able to support knowledge base of farmers on e.g. farming techniques, including green solutions and access to market.
- Agribusiness entrepreneurs build their capacity to meet necessary conditions to be accepted by the financial service providers.
- PASS supports knowledge base of banks on agricultural sector, which improves confidence to lend to farmers.
- Automation of processes through provision of digital credit guarantee improves efficiency of PASS service delivery.
- Beneficiaries gain timely access to finance helping farmers fulfil their needs at the right time.
- Seamless transfer of information between bank / MNO / PASS improves collaboration.

#### **Assumptions**

- PASS beneficiaries are making use of ICTs and mobile money, and PASS FinTech will therefore be relevant
- People will use the Mobile App and thereby access the digital credit guarantee (DCG).

- Banks and agribusiness entrepreneurs will use the databank (“Knowledge Hub”)
- PASS IT security safeguards user information / money.

### **Component 2 related to digitalising internal processes**

- An organisational review and needs assessment identifies key areas of improvement as well as requirements to organisation/ business processes / human resources from the planned digitalisation of PASS products and processes, ensuring interconnections between the two components.
- Workflow automation supports streamlining of work and elimination of redundancies.
- Increased visibility through digitalised workflow boosts transparency, accountability, reduces need for micromanaging, and supports improved communication.
- With automation of internal PASS processes, the overall efficiency and effectiveness of PASS increases, both internally and in greater outreach and delivery of BDS and guarantees.

### **Assumptions**

- PASS develops workflows that streamline the organisation’s work and eliminate redundancies.
- Efficiency gains and resource savings will strengthen PASS as an organisation and ultimately lead to savings for beneficiaries and/or further expansion of outreach activities.
- The rapid digital transformation has the implication that an increasing number of PASS clients will be online in the coming years.
- PASS has sufficiently strong human resources to fully harvest advantages of being a digital organisation.
- PASS will be able to integrate Bank’s core system with the Mobile Network Operators (MNOs) and PASS core system.

## **3.3 Outputs**

**Output 1: PASS introduces Digital Credit Guarantee with Mobile Application user interface**

PASS will develop a new and innovative product that will provide digital guarantees on loans for agri-business entrepreneurs - provided through a digital platform. The model is based on a tri-partite partnership where the MNO provides the communication platform, the financial institution provides the financing and PASS guarantees the loans.

The PASS digital credit guarantee (DCG) with its accompanying user interface through a mobile application is designed to promote digital credit by banks to further increase the outreach of PASS’ activities and to ensure greater financial inclusion. Simply put, the DCG will give farmers access to loans through mobile phones, with PASS instantly providing digital credit guarantees underwriting the loan.

The development of a Digital Credit Guarantee is projected to accelerate digital credit provided by banks and MNOs and the target is to reach an estimated 1,000,000 new beneficiaries in the lifetime of the project (2020-2021)<sup>19</sup>. It is assumed that the 1,000,000 additional clients tied to the

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<sup>19</sup> The current programme on digitalisation is expected to run from 2019-2021. However, the current overall PASS results framework operates with 2022 targets. As the roll-out of the digital credit guarantee is expected to continue after this project, the 2022 target of 1.5 million loans has been included in the results framework. The target for 2021 is 1 million loans.

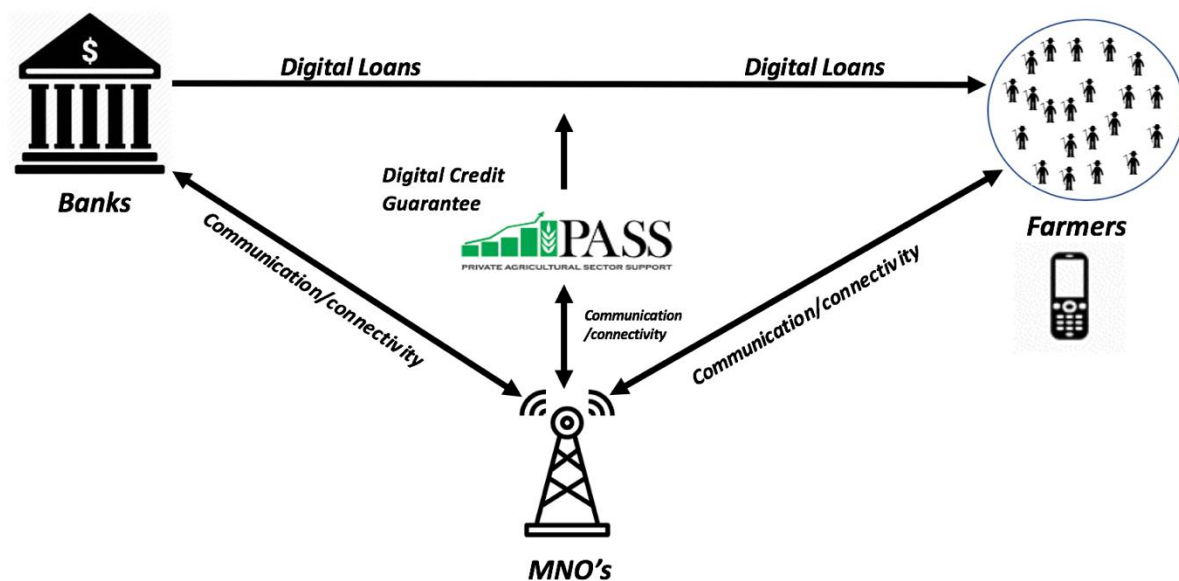
digital credit guarantee will access average loans size of TZS 100,000/USD 43. This equals USD 43 million loans and a USD 21.5 million guarantee commitment.

The DCG will allow PASS to reach far more beneficiaries with greater efficiency for both PASS and the end-client. Given that the guarantee is automated, it requires less involvement from PASS staff than the non-digital credit guarantee, and by instantly providing digital credit guarantees, beneficiaries will gain timely access to finance. The seamless exchange of information on the digital platform will support informed decision-making for all players, and stimulate digital credit lending in the banking industry.

Digital credits are to a large extent implemented along the lines of the principles for the existing portfolio guarantees – it is mainly the distribution channel that is changed. The loans will be relatively limited in size, but flexible, with limited collateral requirements and hence more accessible compared to traditional loans. The flexible nature of the digital credit makes it particularly relevant for women and youth which traditionally can have more outspoken challenges related to accessing finance.

A particular focus is related to ongoing work of establishing a check list for assessing environmental and climate change impact (cf. section 2.3). As the direct contact between PASS employees and the clients, as per the nature of this financial product, is less, there is a need to identify good solutions to environmental screening.

**Figure 6: The PASS Digital Credit Guarantee**



**Output 2:** PASS establishes Knowledge Hub, an online databank hosting information on the agricultural sector

The PASS Knowledge Hub is a new product that builds upon and complements the business development services PASS already provides. The Knowledge Hub is an online databank that provides farmers with access to up-to-date information related to the agricultural sector. The databank will host all sorts of data and information on agriculture as per PASS Trust focus areas. It will contain data on soils, weather patterns, crops distribution, production levels, and records on fishing, animal husbandry, information on markets, as well as financing matters including PASS interventions in the industry.

Given the profile of PASS beneficiaries, some of them may not be able to access the data bank through internet, but rather through mobile telephone calls. In order to cater for this PASS shall establish a call centre with two (2) staff and a dedicated toll-free telephone number. The call centre staff shall be accessing the databank on real time and instantly respond to beneficiary's queries. The queries may range from Good Agricultural Practices to Access to Markets, finance, etc

It is envisioned that the databank will be useful not only to targeted beneficiaries, but also to a variety of other users such as researchers, potential investors in the sector, financial services providers, and other stakeholders to whom the information may be of relevance. PASS shall also be able to document all lessons learned in the implementation of its program and share with the general public.

The knowledge hub is a key avenue where PASS can create awareness on climate change and environmental challenges and inspire small holder farmers of green solutions, technologies and approaches.

**Output 3:** PASS revamps network, sets up a power back-up system, and upgrades Navision Core Enterprise system

In 2019, PASS commissioned an Information and Communications Technology (ICT) Audit that was carried out by an independent consultant, and PASS' digitalisation programme addresses the recommendations put forth, particularly related to security systems.

PASS will revamp its network with a strong focus on improving data security and improving connectivity between the PASS head office and the six branches across the country. The improved network structure and the upgrade of PASS' current core system (Dynamics NAV 2017) to the latest version of the system (Microsoft Dynamics 365 Business Central), will shift PASS' work to a web-based operating system, which will allow for greater integration with third-party systems such as banks and telecoms.

As a safeguard for the availability of the ICT system, a reliable and clean power back-up system will be introduced based on solar power.

**Output 4:** PASS automates key business processes

Upgrading of the ICT infrastructure (cf. Output 3) provides PASS with a range of opportunities for automating processes internally which improve internal efficiency. Furthermore, the ICT and streamlining of processes is expected to generate a number of external benefits in the form of increased access and reduced costs (time and money) of small holder farmers and other stakeholders.

PASS has undergone an ICT audit and has already identified some processes that can be automated.. Furthermore, it is clear that PASS will need to also review and adjust its organisation, processes, and human resources at large to truly succeed with the digitalization agenda. PASS will therefore combine a comprehensive mapping of work processes with an holistic organisational review and needs assessment. This analytical work is important to ensure that key interconnections in implementation are ensured, and that challenges and risks are identified and addressed. Upgrading PASS' ICT infrastructure and digitalisation of work processes should thus be seen as a means to improve the overall organisation, and its systems and processes, rather than an end in itself.

### **Internal efficiency**

The backbone of a digital PASS is that the internal management systems are digitalised and sufficiently robust and flexible to handle a larger flow of data and a more complex portfolio of financial and BDS services. PASS systems are in need of upgrading to fully harvest the advantages of being a digital organization.

Financial management information systems will be reviewed and updated in line with modified and new products, including the portfolio and institutional guarantee. Likewise, the current Navision software will be reviewed and redesigned to meet the changes made in the operation of PASS, especially in the introduction of new products, the increased need for online interface with the financial partner institutions and the need for capturing M & E data. PASS will draw on specialists in ICT, financial management, monitoring and evaluation to tailor an up-to-date management information system.

### **Beneficiaries cost reduction**

With its six branches, PASS is present in all parts of the country – however, distances remain long for the agribusiness entrepreneurs to engage with PASS to obtain support. The rapid digital transformation has the implication that an increasing number of PASS clients will be online in the coming years. This offers a range of opportunities for streamlining PASS services to be more easily accessible for end-beneficiaries. Examples include online submission of applications, payment of fees with mobile money (e.g. M-Pesa) and access to market information.

PASS automates key business processes, in line with the recommendations of the 2018 PASS Evaluation, to increase efficiency of daily processes.

- Greater automation of loan tracking and credit monitoring allowing lenders and PASS to track clients' performance.
- Automation of product and service application process. Currently, PASS requires clients to physically visit the Trust office at each stage of the business interaction, which is time and resource consuming. Automation of the application process will reduce applicants needing to visit PASS' offices to obtain application forms, fill in, and return to the office for submission.
- Digital payment. Alongside the new digital application format, beneficiaries will have the option to make payment of fees automated – via mobile money services, or bank transfers.
- Navision will serve as a digital platform for business plans to be prepared or uploaded so that PASS can continue to support clients in the development of business plans to secure loan guarantees.
- Automation of the incubation program. PASS will automate activities under the Agribusiness Innovation Centre from the recruitment process, to keeping record and tracking activities throughout the incubation period.
- Digital workflow toward paperless office. PASS will work toward digitising documents from creation, to review and final approval. Creating digital records and shifting the workflow to a digital format will reduce paper usage, transport and waste, and increase accountability and oversight.

PASS commitment to environmental sustainability is reflected in Output 4, as PASS endeavours to improve the sustainability of the Trust's internal day-to-day practices, shifting to working paperless and investing in a green (solar powered) back-up power system.

## **4. Results Framework**

The results related to this project have been integrated into the overall PASS results framework presented in Annex 3.

An intermediary outcome on digitalisation has been added to the results framework to indicate how the digitalisation activities further the overall outcome of increasing the level of productive investments among agribusiness entrepreneurs that promote green growth. Rather than introducing a new outcome, the strategy on digitalisation is intended to leverage technology to improve efficiency, expand its outreach and ultimately, increase its impact to the target beneficiaries of the activities that PASS is already undertaking.

<b>Outcome</b>	Increased level of productive investments among agribusiness entrepreneurs that promotes green growth
<b>Intermediary Outcome (Digitalisation)</b>	Digitalisation of PASS processes and products increases efficiency and expands outreach, furthering <b>increased level of productive investments among agribusiness entrepreneurs that promotes green growth</b>

Targets related to digitalisation have also been included in the overall Results Framework. While these provide a first estimate of expected results, it is expected that a more solid basis for defining expected results will arise through the organisational process review and needs assessment. Therefore, the current additions to the results framework should be seen as preliminary and will be developed in their finality during the first year of the support.

## 5. Budget

The budget frame is DKK 20 million over two years (January 2020 – December 2021). Furthermore, SEK 1 million is allocated from the Embassy of Sweden.

The Embassy of Sweden approved Budget support for PASS operation under Agreement: 11076A01 PASS strategy development support in 2018 amount to SEK 1,000,000. This investment will be added to the DKK 20 million support from Danida to PASS for digitalisation, feeding into Component 2 on improving efficiency in processing credit guarantee applications and reports to stakeholders including Sida - also addressing the recommendations from the Danida Evaluation of PASS.

Funder	Budget
Sida	SEK 1,000,000 (DKK 700,000)
Danida	DKK 20,000,000
<b>Total Budget</b>	<b>20,700,000</b>

1 SKK = 0.7 DKK

OUTPUT	ACTIVITY	BUDGET (DKK)	OUTPUT BUDGET (DKK)
Output 1	Digital Credit Guarantee Fund	4,400,000	10,800,000
	Establishment of Digital Credit Guarantee product	6,400,000	
Output 2	Establishing a Knowledge Hub (Data Bank)	1,300,000	1,300,000
Output 3	Introduction of Paperless Systems	2,400,000	3,000,000

	Technical Assistance & Consultancies	600,000	
Output 4	Revamping of Network Infrastructure	1,900,000	5,600,000
	Upgrade of the PASS Core system (NAVISON)	2,500,000	
	Back-Up Power Systems for all ICT Installations	1,200,000	
	<b>TOTAL (Danida + Sida)</b>	<b>20,700,000</b>	<b>20,700,000</b>

The budget presented in the table above is to be considered as an indicative framework budget which will be finally defined based on the Implementation Plan (c.f. section 6 below).

## 6. Institutional and management arrangement

PASS is under the supervision of the **Founders Committee**, a three-person committee consisting of the Danish Ambassador to Tanzania (also representing other donors, including Sida), a representative of the Government of Tanzania i.e. from the Ministry of Finance, and a representative of PASS beneficiaries from the private sector. Together, their primary role on the Committee is to pass ‘no objection’ on strategy papers, regulations, policies, guidelines, management reports, business plans, budget, and the appointment of new board members and some managerial staff. Moreover, a donor technical committee, the **Funders Sub-Committee** is in place, consisting of donor representatives (currently Denmark and Sweden), which will serve to advise the Founder’s Committee.

The Board of Trustees has the responsibility to invest the Trust funds in the agricultural and agribusiness sector in small and medium-sized enterprises in Tanzania. The Board of Trustees currently consists of six members and two co-opted members – all representatives from the Tanzania private sector with particular focus on agribusiness. The management of the Trust is the responsibility of the Managing Director.

PASS has recently established an ICT Section, and an ICT Officer has been hired.

### Implementation plan and management arrangements

The four outputs are closely interlinked and, in particular, outputs 1 and 2 depend fully on a successful implementation of outputs 3 and 4. The digitalisation interventions are complex and cut across the entire organisation including its regional branches. As a framework for managing this task, a comprehensive **implementation plan** will be developed to guide the implementation and ensure a focus on the overall vision and expected outcomes. The diagnostic work which is foreseen to be carried out early in the process, will be important input to the implementation plan. The smart staging of the interventions based on how they depend on each other and may most effectively be implemented will be critical to achieving the expected outcomes. The plan will have key milestones to monitor, especially to allow stock-taking on progress and remedial actions on the development/rollout of the digital credit guarantee product.

The day-to-day management of the digitalisation drive will be the responsibility of the COO who will ensure coordination and involvement across the organisation. Furthermore, PASS foresees to hire consultancy support for two years, to get the digitalisation strategy off the ground. Focus areas will be on ICT systems and the other on business development related to the digital credit guarantee.

Given that the digitalisation outcome and associated targets rely on a digital products that currently have neither been developed, nor tested, extraordinary attention will be given by both PASS and the Embassy to follow the development and roll-out of the product closely and to build in the flexibility and readiness to adapt and shift course in case progress is not as expected.

## 7. Financial management, planning and reporting

The financial management, planning and reporting related to this grant will be implemented in line with the well-established procedures and arrangement agreed for the funding under BSPS IV.

## 8. Risk Management

PASS employed a Risk Manager in 2017 who also serves as internal auditor, and a comprehensive risk management system is established. This project will be implemented within the framework of the overall PASS organisation risk management framework. However, the nature of the project does give rise to a number of new risks that need to be considered. The risk matrix in Annex 5 presents in an overview form a range of risks to consider. Key risks are presented below:

**IT-Security:** A key risk related to the implementation of this project is ICT and data security. The system needs to handle large amount of data living up to strict requirements and be able to interface with a range of stakeholders. As part of this project, PASS will implement:

- its security policy as required, including password policy, central access control, security over data transmission and storage (e.g. synchronous/asynchronous encryption, hashing of sensitive data),
- approval workflows (abiding multi-eye principle), audit trails and reporting (COBIT<sup>20</sup>, Basel II & III compliant),
- authentication and many more.

As stated in Section **Error! Reference source not found.**, an ICT system audit was carried out early 2019 to assess the quality of PASS' ICT system. Such audits will be carried out on a continuous basis.

The system will be set-up to monitor the authenticity of user activity in real-time, evaluate the risk against unauthorized access (after considering parameters such as location, time and login history) and prompt the user for the appropriate authentication method as required (e.g. standard credentials, one time password (OTP), security questions etc.).

**Rapidly changing scene:** Digital solutions and Fintech evolve in a rapid pace. Other stakeholders in the market are also exploring opportunities for developing digital solutions. PASS must maintain flexibility to embrace developments in the ICT landscape and new stakeholders entering the market.

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<sup>20</sup> **COBIT** stands for Control Objectives for Information and Related Technology. It is a framework created by the ISACA (Information Systems Audit and Control Association) for IT governance and management.



## Annex 1: Context Analysis

### 1. Overall development challenges, opportunities and risks

*Briefly summarise the key conclusions from the analyses consulted and their implications for the programme regarding each of the following points:*

- **General development challenges including poverty, equality/inequality, national development plan/poverty reduction strategy, humanitarian assessment.**

For the past decade, the Tanzanian economy has sustained a high growth rate, however poverty remains widespread. Until 2007, the poverty rate in Tanzania remained at ca. 34 percent, despite an annual growth rate at approximately 7 percent.<sup>21</sup> Since 2007, the share of the population living in poverty, as well as the level of deprivation of those who have remained in poverty have both declined. The reduction in poverty has been coupled with improvements in living conditions – and while mainly less well-off households experienced this improvement, many continue to lack important assets and access to basic infrastructure (housing).<sup>22</sup>

**Other human development indicators such as education, health and nutrition have also seen marginal increases, however human development remains poor.**<sup>23</sup> Tanzania's Human Development Index score for 2017 was 0.538 – which put the country in the low human development category – positioning it as 154 out of 189 countries and territories.<sup>24</sup> While the poverty rate has seen a gradual decline in the past decade, the absolute number of poor people has remained relatively stable due to high population growth.<sup>25</sup> Economic growth in Tanzania has primarily occurred in capital-intensive sectors such as mining and telecoms, the benefits of which have been limited to the urban middle class.

**Poverty is particularly pervasive in rural areas – which is where ca. 70 percent of the population reside. In fact, a 2015 World Bank Poverty Assessment found that over 80 percent of those classified as poor and extremely poor in Tanzania live in rural areas – and over half of the rural poor depend on subsistence agriculture for their livelihoods.**<sup>26</sup>

#### **National Development Plan**

The guiding framework for poverty reduction and development is the Tanzania Vision 2025, which puts forth three target areas that will drive development in the country. The first, achieving high quality livelihoods for the Tanzanian population is underwritten by access to services such as education, health care, and SRHR, as well as the absence of poverty and food insecurity, and gender equality. The second target area is to achieve good governance and rule of law, supported by an anti-corruption framework. The third area pertains to the economy, characterized by stability, low inflation, high growth rates, and adequate infrastructure to support development across all sectors.<sup>27</sup> The Vision 2025 is supported by an array of national strategy documents in support of economic growth, poverty reduction, agricultural growth, youth employment and women's empowerment.

<sup>21</sup> World Bank Group, Tanzania Mainland Poverty Assessment. March 2015

<sup>22</sup> Ibid, 13.

<sup>23</sup> Ibid, 14.

<sup>24</sup> UNDP Tanzania HDI 2018 Statistical Update

<sup>25</sup> World Bank, Tanzania Country Overview. Updated September 30, 2019.

<sup>26</sup> WB Tanzania Poverty Assessment, p. 19.

<sup>27</sup> Government of Tanzania Vision 2025.

### Gender inequality

Tanzania was ranked 130 out of 160 countries in the 2019 Gender Inequality Index (GII), which reflects gender-based inequalities in three dimension – reproductive health, empowerment, and economic activity.<sup>28</sup>

Tanzania has a high fertility rate, and this may slow poverty reduction and undermine pro-poor growth prospects in the future. Women’s empowerment, both through education and employment support, as well as family planning services, could stagnate fertility and support economic growth.<sup>29</sup>

### - Development in key economic indicators

As has been mentioned above, Tanzania has sustained a relatively high growth rate – growing at an annual average rate of over 6-7 percent for the past decade.<sup>30</sup> In fact, Tanzania’s economic performance has been stronger than that of most other countries in the East African region. Investment has been key to the economic growth, as GDP trends have corresponded to investment growth. Natural resources are the basis of many of Tanzania’s industries, with a large spread of fertile land that can support agriculture.

### The Agricultural Sector

The agricultural sector plays a significant role in the Tanzanian economy, considering approximately 74% of the country’s population reside in rural areas and rely on agriculture for their livelihoods. Agriculture made up 28.7% of Gross Domestic Product in 2017.<sup>31</sup> While it accounted almost half of Tanzania’s exports (45%) a decade ago, the agricultural sector now accounts for only 24% of exports. The average growth rate in the agricultural sector between 2006-2014 was 3.9%, which is relatively low compared to the growth rates of the service sector (8%) and industry sector (7.8%) for the same period.

The government’s efforts to support the agricultural sector are concentrated in the Agricultural Sector Development Programme II (ASPD II), which has the objective of transforming the agricultural sector towards higher productivity, commercialisation, and improving smallholder farmers’ income, livelihood, food security and nutrition.<sup>32</sup> PASS’ focus on financial inclusion in the agriculture sector supports these objectives, as their achievement relies on substantial investment in the agricultural sector. Similarly, the agricultural sector is a priority of the Government of Zanzibar, and features as one of three sectorial cornerstones of the Mkuza III strategy for Growth and Poverty Reduction.<sup>33</sup> The expected outcome is for a more modernised agricultural sector with higher yield and value of products, with a focus on improving irrigation, infrastructure development and greater mechanization of agriculture on Zanzibar.

The FAO’s Food and Agriculture Policy Decision Analysis (FAPDA) characterised Tanzania’s agricultural sector as one of the least productive in sub-Saharan Africa – characterised by low productivity of land, labour and production inputs, underdeveloped irrigation potential, and limited access to capital and financial services.<sup>34</sup> While the government has spent significant

<sup>28</sup> UNDP Tanzania HDI 2018 Statistical Update

<sup>29</sup> WB Tanzania Poverty Assessment, p. 25-26.

<sup>30</sup> World Bank Group, [Jobs Diagnostic Tanzania](#) 2018

<sup>31</sup> World Bank Country Indicators 2017

<sup>32</sup> ASPD, May 2016. p. 36.

<sup>33</sup> Mkuza III (2016-2020)

<sup>34</sup> FAO County Fact Sheet on Food and Agriculture Policy Trends, September 2014.

resources in efforts to improve social sectors, support to agriculture and other productive sectors has historically been lacking. Investment into the agricultural value chain in the form of processing of food or other forms of manufacturing is limited in rural areas, and therefore additional employment opportunities are scarce. As a result, young people are migrating from rural areas with low productivity agriculture to urban informal sectors equally characterised by low productivity. In an effort to engage youth in agriculture, promote development in rural areas, and reduce poverty, the Government of Tanzania has put forth a National Strategy for Youth Involvement in Agriculture (NSYIA) 2016-2021 which identifies inadequate credit support as a barrier to entry.<sup>35</sup>

Financing is a key issue in the agricultural sector, and the majority of banks focus mostly or completely on corporate lending. Loans requested by MSMEs are not favoured by banks given the high transactional costs related to appraising them, particularly considering the loans typically are of a small size. Further, lending to the agricultural sector is perceived as high risk by banks due to uncontrollable factors such as weather and volatile market conditions. The very high collateral requirements set by banks, reaching up to 125 percent of loan value, present a significant challenge for MSMEs. These factors provide an effective barrier that results in very little credit making its way to MSMEs or the agricultural sector. A 2010 MSME National Baseline Survey found that there are approximately 3 million micro- and small enterprises in Tanzania, creating employment for over 5 million people. Of these, 66.4 percent were completely excluded from access to financial services, and a mere 10.6 percent had access to formal financial services such as banks.

### Employment

Tanzania's positive growth rates were reflected in the employment rate up until 2007, after which employment rates have declined, despite the GDP growing. "Employment rates in 2007 stood at 87 percent of WAP ["working age population"], but fell to 76 percent by 2013, and have remained on those levels ever since."<sup>36</sup> Unemployment affects female workers the most, regardless of whether they reside in urban or rural areas, while unemployment for men typically is an urban phenomenon.<sup>37</sup> Underemployment, on the other hand, affects rural areas, so much so that in 2014, three in every four workers were underemployed in rural areas.<sup>38</sup> Unpaid work is common in Tanzania, particularly in the agricultural sector where unpaid work accounted for nearly 52 percent of employment in 2014.<sup>39</sup> Informal work, which accounts for 91 percent of employment in the agricultural sector, is linked to far lower earnings.

### Women

Women add up to more than half of the population in Tanzania but their contributions as food producers and entrepreneurs are not being recognised and is undervalued. Instead, they have limited access to resources such as land, income, credit, extension services. For the business and private sector, gender equality is an opportunity to achieve better performance and higher retention.

### Youth

62 percent of the population in Tanzania are under the age of 25<sup>40</sup>. Engaging the youth represents a potential resource for accelerating the development and growth needs of the nation. Yet this potential

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<sup>35</sup> National Strategy for Youth Involvement in Agriculture (NSYIA) 2016-2021. p. 2.

<sup>36</sup> Ibid, p. 17.

<sup>37</sup> Ibid, p. 37.

<sup>38</sup> Ibid, p. 38.

<sup>39</sup> Ibid, p. 27.

<sup>40</sup> UNFPA

is largely untapped. 900,000 young people enter the job market in Tanzania every year, and as formal employment is scarce, the vast majority of them will depend on either self-employment or jobs in the informal sector. Youth entrepreneurs face particular challenges accessing credit, as their ability to provide collateral is limited, as is their track record in terms of establishing and running businesses. PASS has an ambition to explore avenues for making a special effort to reach out to youth agribusiness entrepreneurs.

#### Status and progress in relation to SDGs, particularly those that are Danish priorities

In Denmark's strategy for development cooperation, World 2030, Tanzania is classified as a poor, stable country – in line with Danida's strategy for this group of countries, Denmark prioritizes working on the following eight Sustainable Development Goals: 1, 3, 5, 8, 10, 16, and 17.<sup>41</sup>

The United Republic of Tanzania is part of the 2019 Voluntary National Review (VNR) of the High-Level Political Forum (HLPF) on Sustainable Development. The Review found that the SDGs have been integrated into national medium-term plans through which they will be implemented. This includes the “National Five-Year Development Plan 2016/17 – 2020/21 in the mainland, and the Zanzibar Strategy for Growth and Reduction of Poverty 2016-2020. “In general, the review indicates that of the 17 Goals, the United Republic of Tanzania is doing reasonably well in addressing eight goals (2, 3, 4, 5, 6, 8, 10, and 16). With commensurate domestic partnerships, efforts and international support, four goals (7, 9, 11, 12) are likely to be achieved by the target year 2030. Five goals (1, 13, 14, 15, 17) will need extra efforts to be achieved.”<sup>42</sup>

The status and process on selected SDGs that are Danish development priorities and relevant for the PASS Trust is outlined further below:

**Goal 1: End poverty in all its forms everywhere.** As has been noted in the previous sections, the latest data regarding poverty (Goal 1) indicates that Tanzania is moving in the right direction – however, with over a fourth of the population below the basic needs poverty line (national average) in 2017, a lot of work is still needed. “A notable intervention to reduce poverty has been an increase in the proportion of government budget allocated to pro-poor sectors albeit marginal. The incidence of poverty will decrease faster if more investments are channelled to the pro-poor sectors, especially targeted productivity increases in the sector of agriculture.”<sup>43</sup>

**Goal 5: Achieve gender equality and empower all women and girls.**

Both in terms of employment and financial inclusion, women are face far more constraints than men. Women who reside in rural areas are often worse off than those who reside in urban centres. The government and other actors recognize these gender and geographical disparities and have sought to address them through interventions aimed at increasing women's economic empowerment, and opportunities for women to hone their entrepreneurial skills and capacity.<sup>44</sup>

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<sup>41</sup> World 2030, p 8-10.

<sup>42</sup> Voluntary National Review (VNR) on the SDGs, 2019. p. xvi.

<sup>43</sup> Ibid, p. 39.

<sup>44</sup> Ibid, p. 75.

The National Financial Inclusion Framework (NFIF) 2014 underscores the importance of financial inclusion of the large rural population, youth and women. Mobile phones facilitate digital financial services are seen as a key driver of financial inclusion to meeting. “Increased access to mobile phones and rural electrification has promoted financial and economic inclusion, especially among the rural population.”<sup>45</sup>

**Goal 8: Promoting sustained, inclusive and sustainable economic growth, full and productive employment and decent work for all.** In both the Mainland and in Zanzibar, high growth rates have been sustained for a decade. The unemployment rate has also declined to 9.7% in 2018 (from 10.3% recorded in 2014), a trend that is true of the male, female and youth unemployment rates.<sup>46</sup>

“In order to accelerate the achievement of the SDGs, the United Republic of Tanzania has prioritized a few areas to be addressed in an innovative way. These include financing, where reforms on the business environment and investment climate are expanding scope for current mechanisms of financing and opening innovative means of resource mobilization.”<sup>47</sup>

**Goal 10: Reduce inequality within and among countries.** Affirmative action has taken strides toward reducing income and social service access inequality in Tanzania. Redistributive policies have further improved access and quality to social services and registered a decline in inequalities. The income inequality (Gini coefficient) was 0.38 in 2017. The situation can partly be explained by the nature of the country’s recent economic growth, which has primarily occurred in urban-centric, capital-intensive sectors of the economy (mining, manufacturing, construction, communication and financial services), where rural-oriented, more labour-intensive sectors such as agriculture remain stagnant.<sup>48</sup>

#### - Political economy analysis, including drivers of change

A political economy analysis (PEA) commissioned by the Norwegian Ministry of Foreign Affairs (March 2018) described three key drivers of change in Tanzania to be “1) an increasingly state-led approach to development with greater centralization of decision-making; 2) a focus on anti-corruption; and 3) the increasing denial of expression to political opposition, civil society, and the media”<sup>49</sup>. In its analysis of the political environment, the PEA notes that Tanzania is undergoing a reconfiguration of state/private sector relations – in part due to an increasingly political environment – that is impacting what has otherwise been a “long-standing symbiotic relationship between politics and business”.<sup>50</sup>

There are several challenges to effective state-led development. First off, Tanzania lacks political and administrative capacity to enact longer-term developmental change, which is in part attributed to the development of factions within the dominant ruling party in Tanzania, Chama Cha Mapinduzi (CCM). Secondly, the state’s capacity to formulate and implement policy is limited, and the current focus on cutting back public expenditure (with a direct

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<sup>45</sup> Ibid, p. xvii.

<sup>46</sup> Ibid, p. 46.

<sup>47</sup> Ibid.

<sup>48</sup> Ibid, p. 48.

<sup>49</sup> Sundstøl Eriksen, S. p. 34

<sup>50</sup> Ibid.

impact on civil servants' salaries) and putting in place stringent anti-corruption measures has given rise to resistance within the public service.<sup>51</sup>

In Freedom House's 2019 Freedom in the World, Tanzania was awarded an aggregate freedom score of 45/100 (according to the status of 'partly free'). According to the 2018 Ibrahim Index of African Governance, Tanzania is ranked 14 out of 53, with a 2017 score of 58.5 out of 100 in overall governance.<sup>52</sup> The Freedom House report highlights the government's increasing clampdown on critics, the press and civil society.<sup>53</sup>

*List the key documentation and sources used for the analysis:*

- Government of Tanzania, Ministry of Agriculture, Livestock and Fisheries: [National Strategy for Youth Involvement in Agriculture](#) (NSYIA) 2016-2021.
- Government of Tanzania, Agricultural Sector Development Programme II.
- Government of Zanzibar, Mkuza III (2016-2020) – (Strategy for Growth and Poverty Reduction)
- Government of Tanzania Vision 2025.
- Freedom House 2019 Freedom in the World Report
- Transparency International Anti-corruption Helpdesk – [Overview of corruption and anti-corruption in Tanzania](#). September 2019.
- World Bank, Country Indicators 2017
- World Bank Group, [Jobs Diagnostic Tanzania](#) 2018
- World Bank Group, [Tanzania Mainland Poverty Assessment](#). March 2015
- United Republic of Tanzania, [Voluntary National Review \(VNR\) 2019: Empowering People and Ensuring Inclusiveness and Equality](#). A report on the Progress of the SDG Implementation submitted to the High-Level Political Forum (HLPF), United Nations.
- UNDP Tanzania [Human Development Indices and Indicators](#): 2018 Statistical Update
- Sundstøl Eriksen, S. Norwegian Institute of International Affairs (NUPI) [Tanzania: A Political Economy Analysis](#). Commissioned by the Norwegian Ministry of Foreign Affairs. March 2018.

## 2. Assessment of human rights situation (HRBA) and gender<sup>54</sup>

*Briefly summarise the key conclusions and implications for the programme of the analysis of the below points:*

### Human Right Standards (international, regional and national legislation)

The Government of Tanzania has made strong commitments in the field of human rights – including ratifying several core human rights conventions and enacting national policies that favour a human rights based approach to developing the country.<sup>55</sup> In 2015 Government of

<sup>51</sup> Ibid.

<sup>52</sup> Transparency International Anti-Corruption Helpdesk – Overview of Corruption and Anti-corruption in Tanzania. September 2019.

<sup>53</sup> Freedom House 2019 Freedom in the World Report

<sup>54</sup> The purpose of the analysis is to facilitate and strengthen the application of the Human Rights Based Approach, and integrate gender in Danish development cooperation. The analysis should identify the main human rights issues in respect of social and economic rights, cultural rights, and civil and political rights. Gender is an integral part of all three categories.

<sup>55</sup> <https://tz.one.un.org/what-we-do/9-core-comittments/15-human-rights>

Tanzania enacted legislation for the promotion of human rights and fundamental freedoms, such as: the Cyber-crimes Act of 2015, the Statistics Act of 2015, the Disaster Management Act of 2015, the Oil and Gas Revenue Management Act, **the National Youth Council Act of 2015, the Electronic Transition Act of 2015, and the Tanzania Extractive Industry (Transparency and Accountability) Act of 2015, to name a few.**<sup>56</sup> The Tanzanian Constitution considers women's rights and provides both genders with equal rights in terms of succession, inheritance and land issues.

**While there are anti-discrimination laws in place related to employment, women face many disadvantages in terms of gainful employment. Gender-insensitive legal frameworks combined with restricted access to technology that supports production, processing, storage and distribution of raw materials constrict women and youth's economic capacity and participation in Tanzania. In line with Danida priorities, engaging women and youth will be a priority for PASS, as is unfolded further in the section below.**

#### **Business and Human Rights**

**“Tanzania has signed a number of soft law instruments relevant to business and human rights, including the Abuja Declaration, the Beijing Platform for Action and the Africa Mining Vision. Tanzania is also a voluntary member of the Extractive Industries Transparency Initiative (EITI), entailing that companies and the Government publicly report their payments and revenues, respectively.”**<sup>57</sup> The Government has however not taken steps to implement the FAO Voluntary Guidelines on the Responsible Governance of Tenure of Land, Fisheries and Forests in the Context of National Food Security and the African Union (AU) Guidelines on Large Scale Land Acquisition, despite the predominance of the agricultural sector in Tanzania.

#### **Universal Periodic Review**

**A key UPR Recommendation of relevance for the programme is on put forth by Namibia, Malaysia, Japan and Senegal, all calling for measures to ensure gender equality and promote women's participation in all aspects of life, including economic empowerment.**

**PASS' activities directly work toward gender equality and promoting women's participation and economic empowerment, through the delivery of business development services and supporting access to finance. As is described further below, PASS is working to ensure that 50% of beneficiaries are women, and PASS offers a preferential guarantee rate if the applicant lives up to certain criteria related to women's involvement. The digital credit guarantee platform is expected to reach out to Tanzanians in rural areas who have lower rates of financial inclusion – with women and youth in rural areas being particularly financially excluded. The lack of a collateral requirement will allow PASS to reach out to poorer agribusiness and MSMEs.**

#### **Human Rights Principles (PANT)**

##### **Participation**

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<sup>56</sup> National Report submitted in accordance with paragraph 5 of the annex to the Human Rights Council resolution 16/21. United Republic of Tanzania.

<sup>57</sup> Danish Institute for Human Rights and the Tanzania Commission for Human Rights and Good Governance (CHRAGG) [National Baseline Assessment of the Current Implementation of Business and Human Rights Frameworks in the United Republic of Tanzania](#). November 2017. P. 10.

Reducing poverty levels through financial inclusion and access to livelihoods in the agricultural sector is at the heart of PASS' activities. The overall outcome of the PASS Trust's work is for agribusiness entrepreneurs and farmers to gain access to and use financial and business development services. This is borne out of a recognition that growth, investments and participation in the agricultural are restricted by challenges facing the cash crop value chain, such as poor transportation infrastructure; inadequate storage, packaging and processing capacity/ facilities; lack of technology; and lack of access to finance. Particularly the last challenge, regarding access to finance, severely restricts investments in the agricultural sector which could improve infrastructure, processing capacity etc.

The majority of banks focus mostly or completely on corporate lending, excluding the agricultural sector from access to finance. Loans requested by MSMEs are not favoured by banks given the high transactional costs related to appraising them, particularly considering the loans typically are of a small size. Further, lending to the agricultural sector is perceived as high risk by banks due to uncontrollable factors such as weather and volatile market conditions. The collateral requirements set by the government of Tanzania (125 percent of loan value), present a challenge for MSMEs. These factors provide an effective barrier that results in very little credit making its way to MSMEs or the agricultural sector. A 2010 MSME National Baseline Survey found that there are approximately 3 million micro- and small enterprises in Tanzania, creating employment for over 5 million people. Of these, 66.4 percent were completely excluded from access to financial services, and a mere 10.6 percent had access to formal financial services such as banks.

PASS provides Business Development Services that improves agribusiness entrepreneurs' technical and business skills, including awareness of green solutions. This increases agribusiness entrepreneurs' confidence to seek financing from financial institutions, and their ability to meet the necessary conditions for accessing credit. Simultaneously PASS works with financial institutions to reduce their wariness to lend to the agricultural sector, both through the provision of different forms of guarantees and by improving their understanding of the agricultural sector. The digital credit guarantee and knowledge hub expands PASS' outreach significantly, and particularly in terms of reaching women, whose access to finance largely is linked to the use of mobile financing solutions ("Mobile Money").

#### Accountability

The digitalisation and automation of internal processes is in fact intended to improve the internal accountability of PASS. PASS wishes to establish digital workflows that support timely access to credit for farmers, and simultaneously ensures that PASS has a worklog of each case, that can be found in PASS' archives.

#### Non-discrimination

The previous phase of Danish support to PASS under the thematic programme on Business Sector Support (Phase 4) was formulated with inputs from the Danish Institute for Human Rights. As such, the main focus of PASS is on *inclusive* growth in line with the principles of non-discrimination and inclusion.

PASS' digital products and services rely on users' access to mobile phones and network, and to a lesser degree, access to the internet. Tanzania has come far in this regard – in fact, 63 percent of the population had mobile phones in 2016, and in 2013 half the population was using mobile money services. The trend of greater ICT usage is projected to continue. Disaggregated data is available on ICT usage and access to finance covering the urban/rural divide, gender, age, etc.



## Transparency

The idea behind the Knowledge hub is to make relevant information on the agricultural sector readily available to farmers, in order for them to be as informed as possible about financing opportunities and best practices in support of a more sustainable agricultural sector. Likewise, the digital credit platform will expand PASS' outreach, so that more farmers, including women and youth, have access to credit.

## Gender

The Tanzanian law ensures that men and women have the same legal status and rights – however, it also recognizes customary practices that typically favour men. In this regard, women face discriminatory treatment before the law in the areas of marriage, divorce, inheritance and nationality.<sup>58</sup> While overt discrimination is uncommon, women, particularly those who live in rural areas, face significant disadvantages due to historical and socio-economic factors. In 2017, World Economic Forum published a report that found that Tanzanian men earn 39% more than women.<sup>59</sup>

Women add up to more than half of the population in Tanzania but their contributions as food producers and entrepreneurs are not being recognised and is undervalued. Instead, they have limited access to resources such as land, income, credit, extension services. For the business and private sector, gender equality is an opportunity to achieve better performance and higher retention. It's smart economics and smart business. Research within private sector show significant correlations between gender equality and economic performance such as Companies with a higher share of women at top levels deliver strong organisational and financial performance.

With this new strategy PASS wishes to set a target that 50 per cent of beneficiaries should be women, and there is an ambition to better understand the particular needs of women. Concrete steps to be taken will include:

- Continuous training of staff in gender equality issues
- Developing a gender framework (policies and strategies)
- Appointing a gender focal point
- Initiatives to study and better understand the particular needs of women in relation to business development services and accessing finance. Approaches to improve access for women will be explored
- Establishing partnerships with financial institutions that have a particular focus on reaching out to women
- Partnering with high-profile organizations which have experience working with female entrepreneurs.

Women are more often financially excluded than men in Tanzania, and expanding digital financial services is an important pathway for increasing women's financial autonomy and supporting women's participation in the formal economy. Mobile money usage continues to be shaped by demographics, with rural women the least likely to use mobile money services<sup>60</sup> - however, the trend of increasing connectivity, with more hard-to-reach Tanzanians getting connected,

<sup>58</sup> United States Department of Justice. Tanzania Human Rights Report 2018. p. 26.

<sup>59</sup> Ibid.

<sup>60</sup> Alliance for Financial Inclusion Tanzania Narrows the Financial Inclusion Gender Gap

is expected to continue in the coming years. PASS' 2018-2022 strategy, the organisation sets a target that 50 percent of beneficiaries should be women, and there is an ambition to better understand the particular needs of women. **PASS gives a preferential guarantee rate if the applicant lives up to certain criteria related to women's involvement, which the digital credit guarantee also will adopt.**

### **Youth**

62 per cent of the population in Tanzania are under the age of 25<sup>61</sup>. Engaging the youth represents a potential resource for accelerating the development and growth needs of the nation. Yet this potential is largely untapped. 900,000 young people enter the job market in Tanzania every year, and as formal employment is scarce, the vast majority of them will depend on either self-employment or jobs in the informal sector.

**Youth entrepreneurs face particular challenges accessing credit, as their ability to provide collateral is limited, as is their track record in terms of establishing and running businesses. PASS has an ambition to explore avenues for making a special effort to reach out to youth agribusiness entrepreneurs.**

The following activities are foreseen to enable to expand PASS outreach to young people:

- Initiating studies (if relevant in partnership with e.g. FSDT) of the particular challenges of the young agribusiness entrepreneurs in relation to accessing finance and understand the extent to which the current PASS products reach out to the younger segments of the population.
- Proactively identifying and working with partner financial institutions that have a particular focus on youth, e.g. Yosef.
- Proactively exploring smart partnerships with organizations that target youth.
- Developing a dedicated scheme Through AIC, targeting young university graduates.

The success criteria of this initiative are to have youth featuring more strongly in PASS' way of doing business, and that at least 10 per cent of the portfolio can be documented to be young agribusiness entrepreneurs.

### *List the key documentation and sources used for the analysis:*

- Danish Institute for Human Rights and the Tanzania Commission for Human Rights and Good Governance (CHRAGG) [National Baseline Assessment of the Current Implementation of Business and Human Rights Frameworks in the United Republic of Tanzania](#). November 2017.
- United States Department of Justice , [Tanzania 2018 Human Rights Report](#)
- National Report submitted in accordance with paragraph 5 of the annex to the Human Rights Council resolution 16/21. United Republic of Tanzania
- Universal Period Review (UPR) processes and analysis
- OHCHR country reporting, Tanzania ([www.ohchr.org](http://www.ohchr.org))

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<sup>61</sup> UNFPA

### 3. Inclusive sustainable growth, climate change and environment

*Briefly summarise the key conclusions and implications for the programme of the analysis of the below points:*

- Assess the overall risks and challenges to inclusive sustainable growth and development from the impact of climate change and environmental degradation; Assess the status of policies and strategies in the country / thematic area / organisation to ensure that development is inclusive and sustainable, avoid harmful environmental and social impacts and respond to climate change; and assess the political will and the institutional and human capacity to implement these policies and strategies.

#### Global Framework

Worldwide there is growing attention of the risks and impacts related to climate change. The 2015 Paris Agreement, signed at the UN Framework Convention on Climate Change Conference of Parties (UNFCCC COP) 21 meeting, presented a milestone in the global commitment to cooperation between countries to tackle challenges related to climate change. The central aim of the agreement is to strengthen the global response to the threat of climate change by controlling the current global temperature rise. This can only be achieved by collaboration between countries toward a substantial reduction in greenhouse gas (GHG) emissions. The agreement further aims to support countries' ability to deal with impacts of climate change by supporting adaptive mechanisms.

#### National Framework

Due to growing international awareness and attention, most countries have developed national policies and strategies that address the issues of sustainable development and climate change. In this respect, Tanzania is no different. The Government of Tanzania recognizes the relationship between environmental sustainability, growth, and poverty reduction, and to this effect has developed multiple policies and management strategies that address them. The Tanzania Development Vision 2025, described in more detail in Section 1 above, is a policy framework which guides economic and social development efforts in the country. The Vision 2025 is built upon the idea of sustainable economic growth, that avoids loss of environmental resources.

The National Environmental Policy (1997) sets out the objective to ensure sustainability, security and equality in the use of natural resources. The policy calls for the identification of mitigation measures to alleviate effects of climate change. A number of other relevant sector-specific and/or thematic policies have also been developed – namely the Agriculture and Livestock Policy (1997), the National Fisheries Sector Policy and Strategy Statement (2006) and the National Forest Policy (1998).

There are also several legal and regulatory frameworks of relevance to the environmental management of the country, including:

- The Environmental Management Act (2004), which provides a legal and institutional framework for the management of environmental resources
- The National Strategy for Growth and Reduction of Poverty (NSGRP II/ MKUKUTA) (2010) which describes constraints to rural growth as predominantly related to those in the agricultural sector and sets out to ensure that development activities today do not negatively affect development needs of the future. Emphasis is on sustainable use of the

country's natural resources to avoid negative impacts on the environment and livelihoods.

- The National Environmental Action Plan (NEAP) (2013), which aims to mainstream environmental issues into development policies and strategies as a top priority in Tanzania's sustainable development agenda. The NEAP highlights key environmental concerns such as land degradation, water and aquatic resource degradation, pollution and waste accumulations, loss of biodiversity and deforestation. The NEAP includes targets and indicators to track progress.

Tanzania is also committed to collaborating with other countries through several regional initiatives and multilateral agreements, including the Southern African Development Community (SADC), the East African Community (EAC), the African Union (AU), and the Indian Ocean Rim-Association for Regional Cooperation (IOR-ARC).

#### Private Sector – Responsible Business Conduct

In addition to efforts made by the public sector, social and environmental impacts of agricultural production are increasingly scrutinized in the private sector. The government has set legal frameworks and compulsory standards in place that the private sector must adhere to, but companies are also to a larger extent committing to voluntary sustainability standards that address and drive social and environmental sustainability in operations. Examples of voluntary standards for agricultural production and sourcing that are becoming mainstream include the Roundtable on Sustainable Palm Oil (RSPO), the Round Table on Responsible Soy (RTRS), Bonsucro (sugarcane), Fairtrade and Organic standards.

Financial institutions and investors are increasingly adopting due diligence procedures to manage risks related to Environmental, Social and Governance (ESG) issues and often require investee to have policies and strategies in place that ensure environmental and social responsibility practices. Internationally recognized standards for sustainable investment and risk management include the International Finance Corporation's (IFC) Principles for Responsible Financing and the Equator Principles which help identify, assess and manage environmental and social risks in support of responsible investment.

- Identify opportunities for mainstreaming support to inclusive green growth and transformation to a low-carbon and climate resilient economies in the programme thematic areas and DEDs.

In order to achieve long-term and inclusive growth in the agricultural sector, attention is needed to ensure sustainable management of natural resources and to minimize damage to the environment. Green growth has gained momentum in international development and among PASS' development partners. PASS recognizes that challenges related to sustainability in agricultural value chains and the responsibility to contribute to a greener agricultural sector. Supporting numerous value chains in Tanzania, PASS is uniquely positioned to drive sustainable practices and increase awareness of the concept of green growth among agribusiness entrepreneurs and MSMEs. PASS aims to drive long-term sustainability in the projects it supports by encouraging improved efficiency of resource use, reducing negative environmental impacts, and facilitating use of innovative and sustainable technologies. PASS further aims to mitigate the climate change impact on supported projects by introducing methods of adaptation.

- Identify potential risk and negative impacts related to environment and climate change from the proposed thematic areas and DEDs and consider how these may be mitigated in the design of the programme and the relevant DEDs.

Negative environmental impacts can arise in several parts of the agricultural value chain. PASS strives to address such issues from the off-set, through its position working with numerous industry sectors from producers to off-takers and processors.

- Prior to supporting new projects, PASS will assess environmental and social sustainability risk and determine need for action focusing on the greatest risks in relation to potential impact. To streamline this process, sector-specific guidance will be developed to empower and support PASS staff in assessing risk of core issues related to PASS supported projects. PASS already have key knowledge partners that can support PASS expertise in specific agricultural value chains.
- Through PASS' Traditional Guarantee, the Trust will work directly with clients to meet identified requirements for sustainability and support development of action plans, highlighting key risks, mitigation measures and opportunities. This will form part of PASS' business development service portfolio. Wherever possible, PASS will help identify and link clients to local experts for additional support.
- As part of the Portfolio Guarantee, PASS will work on implementation indirectly through partner banks by strengthening their internal capacity to identify key sustainability risks and opportunities for green growth in supported projects.
- PASS recognizes the importance of collaboration between multiple actors, including government, private sector and CSOs, and will proactively engage in partnerships that can contribute to an expansion of the green growth agenda in the agricultural sector – and to finding solutions to particularly complex issues, such as deforestation, land tenure, and land use planning.
- PASS will seek collaboration with other suitable initiatives.

- Consider rights and access to key natural resources: land, water, energy, food and agriculture, including impacts on employment for youth, women and indigenous peoples, etc.

In the PASS Policy on Environmental and Social Sustainability (2019) opportunities to support sustainable production and responsible practices throughout agricultural value chains are outlined. A priority issue for all PASS-supported projects is “respect for legal and customary land rights, and the promotion of participatory processes and stakeholder consultation in land acquisition and development.” In general, PASS strives to ensure environmental and social safeguards in all of its work, and the area of environmental and social sustainability has become a priority area, that will be streamlined into all of PASS' products and services.

*List the key documentation and sources used for the analysis:*

- International (Paris Agreement) and national strategies and frameworks for environmental and social responsibility, such as Vision 2025, The Environmental

- Management Act (2004), National Strategy for Growth and Reduction of Poverty, National Environmental Policy (1997), the Agriculture and Livestock Policy (1997), the National Fisheries Sector Policy and Strategy Statement (2006) and the National Forest Policy (1998), and The National Environmental Action Plan (NEAP) (2013)
- PASS Policy on Environmental and Social Sustainability, May 2019.

## 5. Capacity of public sector, public financial management and corruption

*Briefly summarise the key conclusions and implications for the programme of the analysis of the below points:*

- Capacity of the public sector for policy making, enforcement and service delivery.

As was noted in Section 1 related to the political economy analysis, there are several challenges to effective state-led development in Tanzania. First off, Tanzania lacks political and administrative capacity to enact longer-term developmental change, which is in part attributed to the development of factions within the dominant ruling party in Tanzania, Chama Cha Mapinduzi (CCM). Secondly, the state's capacity to formulate and implement policy is limited, and the current focus on cutting back public expenditure (with a direct impact on civil servants' salaries) and putting in place stringent anti-corruption measures has given rise to resistance within the public service.<sup>62</sup>

High levels of corruption impact on all aspects of public administration and remain a constant reality for Tanzanians in interactions with the state, particularly when it comes to the delivery of public services.<sup>63</sup>

- Quality and capacity of PFM, including budget credibility, comprehensiveness and transparency as well as control and external scrutiny / audit in all phases of the budget process as well as participation of citizens / CSOs in monitoring public budgets and corruption;

In the World Bank 2018 Country Policy and Institutional Assessment (CPIA), Tanzania scored 3.5 (1= low, 6=high). The CPIA score reflect the country's performance measured against four clusters (a total of 16 criteria) that represent the policy and institutional dimension of an effective poverty reduction strategy. The four clusters are a) economic management; b) structural policies; c) policies for social inclusion and equity; and d) public sector management and institutions.

Cluster D, public sector management and institutions, was the lowest performing cluster in Tanzania, scoring an average of 3/6 across indicators. Transparency, accountability and corruption in the public sector rated as poorer (2.5/6) than the regional average (2.7/6). Quality of Budgetary and Financial Management was rated 3/6, on par with other countries in the region.<sup>64</sup>

- The corruption situation and relevant anti-corruption measures and reforms.

<sup>62</sup> Ibid.

<sup>63</sup> Transparency International Anti-Corruption Helpdesk – Overview of Corruption and Anticorruption in Tanzania. September 2019. p. 8.

<sup>64</sup> World Bank Group. Tanzania Country Policy and Institutional Assessment (CPIA) 2018

The Tanzanian government under President John Pombe Magufuli, has kick-started a crack-down on corruption. “President Magufuli has made fighting corruption a key theme of his administration, and there have been instances of unprecedented action. A human resources audit of the public service saw over 16,000 ‘ghost workers’ removed from the government payroll in 2016. [...] A subsequent audit of public employees’ educational qualifications saw approximately 10,000 removed for not being able to present qualifications”.<sup>65</sup>

Despite the focus that the regime has had on anti-corruption, political, petty and grand corruption, “the deep structural issues that fuel Tanzania’s endemic corruption have not been fully addressed by such programmes”.<sup>66</sup> The third phase of Magufuli’s National Anticorruption Strategy and Action Plan is currently being enacted, and the Prevention and Combating of Corruption Bureau has been ordered to tackle corruption head-on and with no bias, even if it results in CCM party members being indicted.<sup>67</sup> While the crusade on corruption has brought with it noteworthy anti-corruption victories, “authoritarianism is creeping into the state and shrinking political spaces,”<sup>68</sup> restricting freedom of peaceful assembly and association through bans. Tanzania ranks 99 of 180 countries on Transparency International’s 2018 Corruption Perceptions Index (CPI) – scoring 36/100.<sup>69</sup>

The business environment in Tanzania is classified as vulnerable due to the regulatory framework. The country’s 2019 Doing Business rank is 144/190, with an Ease of Doing Business that puts Tanzania slightly higher than the regional average for Sub-Saharan Africa (Tanzania’s score is 53.63).<sup>70</sup> “The current administration has made several provisions to intervene in the working of the private sector, especially the mining industry. Many argue that while the government’s move may revolutionise the economy, it may also scare away foreign investors.”<sup>71</sup>

#### **PASS Governance Structure**

Governance within PASS enables its management to track and trace developments in the wider financial and development field. Different authority levels are set within PASS for the approval of payments, procurement and credit guarantee applications, and have been stipulated in policies and reviewed regularly. The Evaluation of PASS found that “PASS is best-in-class when it comes to governance”.<sup>72</sup>

#### ***List the key documentation and sources used for the analysis:***

- Sundstøl Eriksen, S. Norwegian Institute of International Affairs (NUPI) [Tanzania: A Political Economy Analysis](#). Commissioned by the Norwegian Ministry of Foreign Affairs. March 2018.
- Transparency International Anti-corruption Helpdesk – [Overview of corruption and anti-corruption in Tanzania](#). September 2019.
- **Freedom House 2019 Freedom in the World Report**
- **World Bank Group. [Tanzania Country Policy and Institutional Assessment \(CPIA\) 2018](#)**

<sup>65</sup> Sundstøl Eriksen, S. p. 13.

<sup>66</sup> Transparency International Anti-Corruption Helpdesk – Overview of Corruption and Anticorruption in Tanzania. September 2019. p. 4.

<sup>67</sup> Ibid.

<sup>68</sup> Ibid. p. 4.

<sup>69</sup> Ibid.

<sup>70</sup> Ibid., p. 12.

<sup>71</sup> Ibid., p. 13.

<sup>72</sup> Danida Evaluation of PASS. p. 71.

- Danida Evaluation of PASS 2019.

## 6. Matching with Danish strengths and interests, engaging Danish actors, seeking synergy

*Briefly summarise the key conclusions and implications for the programme of the analysis of the below points:*

Identify:

- where we have the most at stake – interests and values,
- where we can (have) influence through strategic use of positions of strength, expertise and experience, and
- where we see that Denmark can play a role through active partnerships for a common aim/agenda or see the need for Denmark to take lead in pushing an agenda forward.

PASS works in the agricultural sector which traditionally is an important sector for Denmark with many potential partners and stakeholders. However, as many of the beneficiaries are small-holder farmers, partnerships would have to be with a long horizon built in.

PASS is interested in a potential partnership with IFU. There is a potential good match IFUs long standing international experience in development finance and PASS's network and outreach in Tanzania.

- Brief mapping of areas where there is potential for increased commercial engagement, trade relations and investment as well as involvement of Danish local and central authorities, civil society organisations and academia.

N/A

- Assessment of the donor landscape and coordination, and opportunities for Denmark to deliver results through partners including through multilaterals and EU;

PASS has been very hesitant in approaching other donors as focus has been on building a viable organisation. In 2017 Swedish Sida came on board and there could very well be other donors that could be interested in collaborating with PASS. However, the challenge will be to engage in partnerships with donors without allowing specific donor requirements jeopardising the PASS implementation model.

*List the key documentation and sources used for the analysis:*

N/A

## 7. Stakeholder analysis

*Briefly summarise the key conclusions and implications for the programme of the analysis of the below points:*

- Who are the stakeholders that may be interested in or affected by the program, including donors?



Beyond Danida, the Swedish Embassy also funds PASS. Sida's focus on gender and environment in their development programming has translated into PASS developing a stronger gender and environmental and social responsibility focus. This aligns well with Danida's priorities.

- Who are the key stakeholders and what are their main interests, capacity and contributions?

PASS is set up to facilitate a wide range of stakeholders and partners to engage with Small holder farmers and agribusiness. Key stakeholders include:

**Donors:** Currently PASS is funded by Danida and the Swedish Embassy. Sweden is re-guaranteeing PASS guarantees and is providing technical support, in particular related to environment and gender.

**Financial institutions:** PASS works with 14 Banks and a large number of Savings and Credit Cooperatives (SACCOs). Their role is to support financial inclusion of farmers and agribusiness entrepreneurs through the provision of credit. PASS activities will support greater confidence in financial institutions to lend to the agricultural sector.

**Value Chain Stakeholders:** PASS engages with value chain stakeholders to identify joint solutions. Examples include a partnership with the Tanzania Horticulture Association (TAHA) and the World Food Programme (WFP). Furthermore, PASS plays an active role in mobilizing and supporting farmer groups. Value Chain Stakeholders will support key business development services, such as the Knowledge Hub, that will support agribusiness entrepreneurs' and farmers' knowledge of sustainable farming practices.

**Additional potential partners:**

For this particular project the increased ICT connectivity of target beneficiaries opens the space for a range of new products and services that have the potential to unblock constraints in the value chains. This agenda will be explored through a range of partnerships with e.g. IT Incubators, private sector partners, mobile network operators, Financial Sector Deepening Trust (FSDT) and COSTECH.

- How have key stakeholders been involved during the preparation and formulation process?

PASS has been in communication with telecom companies and financial institutions in the preparatory and formulation process, who are in support of the digitalization strategy.

- Which stakeholders are likely to support the programme and who, if any, are likely to hinder the program? (Who stands to gain and who stands to lose?)

PASS already engages financial institutions in the current set-up of PASS activities (through non-digital guarantees) and has therefore consulted these partners in the formulation of the new digital products and services. The financial institutions are in support of the idea, which also is seen to promote their interests.



## **Annex 2: Partners**

### **Summary of stakeholder analysis**

See Annex 1 – Stakeholder analysis

### **Criteria for selecting programme partner**

PASS is a well-known and trusted partner to the Danish Embassy and has over the years has produced convincing results in terms of access to finance for small-holder farmers in Tanzania. PASS has built up a solid name and branch network across Tanzania and this project can support PASS in further increasing efficiency and scaling its operation.

### **Brief presentation of partner**

This project will be implemented by PASS. PASS was established in 2000 as a joint project by the Government of Tanzania and the Government of Denmark under the Danish funded Agriculture Sector Programme Support (ASPS) and started its operation in 2001. After successful completion of the initial project phase in 2007, PASS Project was registered as an autonomous legal Trust – PASS Trust under the laws of the United Republic of Tanzania.

56 staff in 7 branches (Dar es Salaam (HQ), Mwanza, Arusha, Morogoro, Kigoma, Mbeya, Mtwara)

## Annex 3: Results Framework

<b>Engagement Title</b>	<b>Private Agriculture Sector Support - Trust</b>
<b>Thematic Programme</b>	Business Sector Programme Support, Phase IV
Thematic Programme Objective	<b>To increase employment and income opportunities for farmers and micro, small and medium enterprises (MSMEs) through green inclusive growth.</b>
Impact Indicator	<ul style="list-style-type: none"> <li>Increases in employment among agri-businesses owned by men, women and youth broken down by type of employment</li> <li>Increase in beneficiary income broken down by type of business and sex</li> <li>Increases in beneficiary (household) assets broken down by type of business and sex</li> </ul>

<b>Outcome</b>	Increased level of productive investments among agribusiness entrepreneurs that promotes green growth		
<b>Intermediary Outcome (Digitalisation)</b>	Digitalisation of PASS processes and products increases efficiency and expands outreach, furthering increased level of productive investments among agribusiness entrepreneurs that promotes green growth		
<b>Indicator 1</b>	Number and value of approved loans broken down by type of guarantee, without guarantee and bank		
Baseline	2017	Number of Loans	1,010
		Value of Loans (TZS Billion)	
		- Traditional	114
		- Digital credit Guarantee	0 (2019)
Target	2022	Number of Loans	7,468
		Value of Loans (TZS Billion - cumulative)	
		- Traditional	767
		- Digital Credit Guarantee	150*
*Target for 2021 is TZS 100 billion			
<b>Indicator 2</b>	Percentage of clients who use PASS services more than once broken down by type of guarantee and without guarantee		
Baseline	2017	70%	
Target	2022	80%	
<b>Indicator 3</b>	Call up guarantees not exceeding 5% of outstanding guaranteed loans broken down by type of guarantee and bank		
Baseline	2017	2.3%	
Target	2022	5%	
<b>Indicator 4</b>	AIC incubated agribusiness entrepreneurs adhered to green growth have graduated		
Baseline	2017	0	
Target	2022	2,100	
<b>Indicator 5</b>	Increased efficiency from digitalisation of PASS processes and products		
Baseline	2017	Indicator to be defined	

Target	2022	Indicator to be defined	
<b>Output 1</b>		<b>Small and medium Agribusiness entrepreneurs' capacity to access financial products and business development services increases</b>	
Indicator 1		Total number of beneficiaries reached broken down by sex	
Baseline	2017	Traditional & portfolio guarantee	192,411
		Digital Credit guarantee	0 (2019)
Target	2022	Traditional & portfolio guarantee	1,267,000
		Digital Credit guarantee	1,500,000*
*Target for 2021 is 1 million beneficiaries			
Indicator 2		Number of training courses, beneficiaries trained broken down by subject/area: group formation, business plans, AIC, etc..	
Baseline	2017	1	
Target	2022	10	
Indicator 3		Number of business plans prepared and submitted increases that meet bank requirements and adhere to green growth principles	
Baseline	2017	1,112	
Target	2022	8,962	
Indicator 4		number of new innovative ICT-based services developed and rolled out	
Baseline	2017	0	
Target	2022	5	
Indicator 5		Number of Enterprises supported by Agribusiness Innovation Centre reached	
Baseline	2017	7	
Target	2022	156	
Indicator 6		Percentage of PASS clients who rate the relevance and quality PASS services as excellent	
Baseline	2017	85%	
Target	2022	90%	
Indicator 7		The Knowledge Hub (KH) launched, making relevant information accessible for small-holder farmers and value chain stakeholders	
Baseline	2019	Visit on knowledge Hub Website	0
		Number of sign-ups for SMS services	0
		Number of knowledge partners connected to KH	0
		Satisfaction ratio amongst users	0
Target*	2022	Visit on knowledge Hub Website	100,000
		Number of sign-ups for SMS services	10,000
		Number of partners connected to KH	To be determined
		Satisfaction ratio amongst users	80%
<i>*Targets to be validated and confirmed during implementation</i>			
<b>Output 2</b>		<b>Financial Service Providers (FSP) capacity to better serve agribusiness entrepreneurs increases</b>	
Indicator 1		Number of FSPs trained broken down by subject/area (banks and staff)	
Baseline	2017	2	
Target	2022	20	

Indicator 2		Minimum Percentage of Value of credit guarantees provided by PASS held by at least each of the 5 banks
Baseline	2017	
Target	2022	5%
Indicator 3		A leasing company is established and provides new finance products
Baseline	2017	0
Target	2022	1
Indicator 4		Percentage of PASS clients who rate the relevance and quality FSP services collaborating with PASS as excellent
Baseline	2017	85%
Target	2022	90%
Indicator 5		Number of financial service providers (banks) utilizing digital guarantee
Baseline	2019	0
Target	2022	3
<b>Output 3</b>		<b>Relationship between agribusiness and financial service providers strengthens</b>
Indicator 1		PASS better communicates itself and issues it is tackling to a wide range of target audiences
Baseline	2017	50%
Target	2022	>90%
Indicator 2		PASS develops and implements interventions in partnership with others to resolve specific constraints in value chain development
Baseline	2017	2
Target	2022	10
<b>Output 4</b>		<b>PASS operates efficiently and sustainably</b>
Indicator 1		Percentage of PASS revenues to Operational costs
Baseline	2017	113%
Target	2022	113%
Indicator 2		All operations comply with international standards for responsible business
Baseline	2017	0
Target	2022	2
Indicator 3		Automation of PASS operations
Baseline	2019	Credit guarantee certificates processes are largely manual Business plans processes are largely manual Finance and administration paperwork are largely manual
Target	2022	80% of Credit guarantee certificates processes are on-line 80% of Business plans processes are on-line 80% of finance and administration paperwork is on-line
Indicator 4		PASS develops paperless office (document management system)
Baseline	2019	No document management system – system based on paper printouts
Target	2022	Online document management system installed and used

Indicator 5		PASS IT systems and network have been upgraded and is operational	
Baseline	2019	IT-System and network infrastructure insufficient capacity Back-up power supply in all offices	1
Target	2022	IT-System and network infrastructure revamped and meeting requirements to launch digital credit guarantee Back-up power supply in all offices	7
Indicator 6		Additional Capital and re-guarantee raised	
Baseline	2017	Capital 0 Re-guarantee 0	
Target	2022	Capital USD 15 Million Re-guarantee USD 40 Million	

## Annex 4: Risk Management Matrix

### Contextual risks

Risk Factor	Likelihood	Impact	Risk response	Residual risk	Background to assessment
Banks providing loans to clients whose details are not sufficient for tracking in event of default	Low	Medium	<ol style="list-style-type: none"> <li>Stringent credit screening to be implemented by banks</li> <li>Daily electronic review of transaction reports for all digital credit guarantee certificates (CGCs) issued</li> <li>Automatic reconciliation (with audit trail) of claims to digitally issued CGCs</li> </ol>	<p>Low likelihood, Medium impact.</p> <p>Risk is sufficiently reduced by efficient client identification procedures at the time of relationship establishment. The system linked to National Identification database for Know Your Customer (KYC) verification</p>	<p>Client screening and processes cover this exposure sufficiently.</p> <p>With increasing volumes and with automation of most processes corresponding controls shall also be automated.</p>
Banks providing loans under no or unclear security on the part of the bank	Low	Low	<ol style="list-style-type: none"> <li>Facility to be initially availed to properly identified clients.</li> <li>Electronic daily review of digital credit guarantee certificates issued</li> <li>In the future when environment prove appropriateness it may be availed to other applicants</li> </ol>	<p>Low likelihood and impact.</p> <p>Risk is mitigated by keeping in constant touch with partner banks for collective risk management initiatives.</p>	<p>Security arrangement and processing is very significant and is being handled well.</p> <p>The practice to be properly transcribed as technology comes in as the main stay of the processes.</p>
Fraud and irregularities via MNO gateway as is the case with Mpesa frauds	High	Medium	<ol style="list-style-type: none"> <li>Sufficient system - inbuilt controls including firewall and client authentication.</li> <li>Customer education on MNO based fraud (Tips on avoiding being defrauded MNO account balances)</li> <li>Through the agreements, PASS will ensure its partners (MNOs and Banks) take full responsibility for frauds perpetuated through their systems</li> </ol>	<p>Medium likelihood and medium impact.</p> <p>The risk is sufficiently mitigated by effective prevention of system intruders by pre-defined access credentials.</p>	<p>The firewall, fraud management practices including whistle blowing addresses fraud risk well.</p> <p>To be enhanced in line with technological as well as operational advancement.</p>



Cybercrime targeting the product for fraud attacks	Medium	High	<ol style="list-style-type: none"> <li>1. Sufficient system - inbuilt controls including firewall and client authentication.</li> <li>2. Automatic screening process with pre-set criteria for each application</li> <li>3. Through the agreements, PASS will ensure its partners (MNOs and Banks) take full responsibility for frauds/cybercrimes perpetuated through their systems</li> </ol>	<p>Low likelihood with medium impact.</p> <p>The risk is sufficiently reduced by combination of both, inbuilt and manually exercised controls.</p>	<p>Currently, the exposure is low. Going forward, increase in technology investments should go hand in hand with increase in corresponding risk mitigations and cyber security.</p>
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**Programmatic risks** (for country programmes/regional programmes filled out for each thematic programme)

<b>Risk Factor</b>	<b>Likelihood</b>	<b>Impact</b>	<b>Risk response</b>	<b>Residual risk</b>	<b>Background to assessment</b>
Capacity of PASS staff to handle digital credit guarantee operations	Medium	High	<ol style="list-style-type: none"> <li>1. Internal capacity assessment</li> <li>2. Gradual roll out digital credit guarantee, monitoring staff capacity and gaps</li> <li>3. Consideration on skills needs vs current skillset of PASS staff</li> <li>4. Training to increase human resource capacity</li> <li>5. Draw on technical assistance</li> </ol>	<p>The risk is sufficiently mitigated.</p>	
Errors and irregularities arising from faulty operating policy and procedures or non-adherence thereof.	Low	Medium	<ol style="list-style-type: none"> <li>6. Robust policies as well as process procedures are in place to cover against operational lapses</li> <li>7. Members of staff are frequently trained on such policies and procedures to enhance compliance</li> </ol>	<p>Low likelihood and medium impact.</p> <p>Consistent adherence currently covers the exposure, reasonably well.</p>	<p>Current operating controls are manually implemented with some system inbuilt controls. When processes get more automated, several more inbuilt controls will have to be added in the system to retain or enhance compliance levels.</p>

Inability to meet financial targets from financing to operating results arising from operating below targeted volumes.	Medium	Medium	<ol style="list-style-type: none"> <li>1. Performance management initiatives with balanced score card as a performance management tool is in place</li> <li>2. Periodic performance reviews and reporting to management and the Board</li> <li>3. Strategic and operational planning processes encompass putting in place smart objectives and clear strategies to reach those strategies.</li> </ol>	<p>Medium likelihood, medium impact.</p> <p>The risk is reduced by implementing existing controls and enticing staff to observe them consistently.</p>	<p>Financial performance of the Trust currently faces challenges due to high provision amounts as a result of non-performing loans at banks. Poor performance of such loans forces the Trust to make provisions for probable losses, while actual losses paid for negatively impact the Trust's financials, including liquidity. Nevertheless, actual losses paid so far have been within the maximum threshold of 5% provided for in the strategic plan</p>
Program product not delivering intended operational results due to design or implementation faults	Medium	High	<ol style="list-style-type: none"> <li>1. System development process to adhere to best practices at each and every development stage</li> <li>2. User acceptance tests to be done and issues noted addressed</li> </ol>	<p>Low likelihood, low impact.</p> <p>The risk is well mitigated.</p>	<p>System developers engaged on satisfactory competences. Terms and conditions in the contract cover the Trust well. Future adherence to these precautions to be enhanced.</p>
Procuring hardware not supportive or insufficient for the program for quality or capacity deficiencies.	Medium	High	<ol style="list-style-type: none"> <li>1. Program central coordination to obtain an ICT Consultant who will assess and establish and advise on appropriate hardware for procurement.</li> <li>2. Procurement process to be adhered to for acquisition of the best solution for this need</li> </ol>	<p>Low likelihood, medium impact.</p> <p>The risk is sufficiently mitigated</p>	<p>The current procurement process and controls are effective</p>
The project as a whole or specific system(s) in the project failing to complete and be rolled out.	Medium	High	<ol style="list-style-type: none"> <li>1. Proper project plan to be developed and approved by the Board prior to commencement.</li> <li>2. All projects to be coordinated into one program for central coordination and management.</li> </ol>	<p>Low likelihood and medium impact.</p> <p>The risk is sufficiently mitigated.</p>	<p>Current mitigations are effective and are efficiently implemented.</p>

Misalignment between technology investments and the Trust business and operations due to project planning and implementation deficiencies.	Medium	Major	<ol style="list-style-type: none"> <li>1. Project proposal to indicate clearly the business case and specific business process to be automated</li> <li>2. Detailed user acceptance tests to be done upon system implementation prior to acceptance.</li> <li>3. The product to be piloted internally before rolling out.</li> <li>4. In-house expert consultant is hired to oversee project implementation</li> </ol>	<p>Low likelihood and medium impact.</p> <p>The risk is sufficiently mitigated, and no further action is required.</p>	<p>Technology investments are always done for specific automation objective.</p> <p>This practice to be continued to ensure only appropriate investment is done.</p>
Inability to optimally implement technology projects due to insufficient project planning and documentation.	Medium	Medium	<ol style="list-style-type: none"> <li>1. Each technological project to be analysed and well-planned.</li> <li>2. Sufficient analysis to be done for each project proposed prior to approval and implementation.</li> <li>3. In-house expert consultant is hired to oversee project implementation.</li> </ol>	<p>Low likelihood and low impact.</p> <p>The risk is sufficiently mitigated.</p>	<p>Project staff competence on project planning and implementation to be sharpened more.</p> <p>Closer monitoring to be exercised to ensure plans and documentation are always in order.</p>

### Institutional risks

Risk Factor	Likelihood	Impact	Risk response	Residual risk	Background to assessment
Legal action on account of potential disagreements among parties that will be involved in the business – banks, MNOs and PASS Trust	Low	Medium	<ol style="list-style-type: none"> <li>1. Terms and conditions in the contract to ensure interest of the Trust are duly protected</li> <li>2. PASS uses reputable legal advisors on retainer basis, currently REX Advocates</li> </ol>	<p>Low likelihood and medium impact.</p>	<p>Legal and compliance matters are in good control.</p> <p>Moving into automated environment, new legal, regulatory and operational requirements will come up and will have to be duly adhered to.</p>
Corrupt practices in the project implementation leading to legal and	Low	High	<ol style="list-style-type: none"> <li>1. Segregation of duties in all activities in project implementation</li> </ol>	<p>Long-term risks are mitigated substantially due to monitoring and capacity development activities.</p>	<p>Staff integrity and sincerity will increase gradually.</p>

reputational loss for the Trust.			2. Code of ethics signed, and provisions thereof adhered to.		
Beneficiaries losing trust with the trust due to corruption and misuse becoming more frequent and visible when implementing these projects.	Low	Medium	<ol style="list-style-type: none"> <li>1. Relevant staff and officers taking part in the projects to be reminded of code of ethics and professional conduct</li> <li>2. Each officer to have signed a code of ethics and professional conduct</li> </ol>	<p>Low likelihood with medium impact.</p> <p>The residual risk reduced, substantially by enticing staff to act ethically and work professionally.</p>	<p>The level of trust is currently high with a low risk of image tarnishing.</p> <p>As the Trust grows bigger with increased personnel, clients and activities, operating controls become important to retain this image.</p>

## Annex 5: Plan for Communication of Results

<b>What?</b> (the message)	<b>When?</b> (the timing)	<b>How?</b> (the mechanism)	<b>Audience(s)</b>	<b>Responsible</b>
<ol style="list-style-type: none"> <li>1. Who is PASS?</li> <li>2. What are our key services/ products?               <ul style="list-style-type: none"> <li>➤ Financial services</li> <li>➤ Business Development Services</li> </ul> </li> <li>3. Our branches</li> <li>4. What sub- sectors do we serve?               <ul style="list-style-type: none"> <li>➤ Crop production</li> <li>➤ Livestock production</li> <li>➤ Processing</li> <li>➤ Crop trading</li> <li>➤ Mechanization</li> <li>➤ Fish farming</li> <li>➤ Irrigation facilities</li> <li>➤ Transportation sector</li> <li>➤ Mechanization</li> </ul> </li> <li>5. How are our services accessed? i.e. the procedures</li> <li>6. Our challenges, achievements and lessons learnt</li> <li>7. Who are our partners? Sponsors?</li> <li>8. Opportunities available at PASS</li> </ol>	<p>Continuous communication process</p>	<p>Through use of various media platforms such as</p> <ol style="list-style-type: none"> <li>1. Electronic Media           <ul style="list-style-type: none"> <li>➤ Radio</li> <li>➤ TV</li> <li>➤ Blogging</li> <li>➤ Email communication</li> <li>➤ Social media i.e. Facebook, twitter, Instagram</li> </ul> </li> <li>2. Print Media           <ul style="list-style-type: none"> <li>➤ Newspaper</li> <li>➤ Magazine / Newsletters</li> <li>➤ Reports</li> <li>➤ Letters</li> <li>➤ Memos</li> </ul> </li> <li>3. Exhibitions</li> <li>4. Stakeholder engagements</li> <li>5. Boards</li> </ol>	<p>Primary &amp; Secondary Audiences</p> <ul style="list-style-type: none"> <li>➤ Agri business entrepreneurs</li> <li>➤ Donors (funders)</li> <li>➤ Partners</li> <li>➤ Stakeholders</li> <li>➤ Financial institutions</li> <li>➤ Learning institutions</li> <li>➤ Agricultural institutions</li> <li>➤ Government</li> <li>➤ Youths</li> <li>➤ Members of the public</li> <li>➤ PASS Staff</li> </ul>	<p>Communications Specialist (who is currently in house) is responsible but works closely under supervision of the Managing Director and in consultation with other relevant departments such as Business Development Department AIC Director Branch managers</p>

## Annex 9 - Quality Assurance checklist for appraisal of programmes and projects<sup>1</sup>

**File number/F2 reference:** 2019-43699

**Programme/Project name:** Support to Private Agricultural Sector Support (PASS) Trust on digitalisation of its services in Tanzania

**Programme/Project period:** 2020-2021

**Budget:** DKK 20,000,000.00

Presentation of quality assurance process:

*The quality assurance process involved a thorough review of the established programme document, appraisal report and concept note in consultation also with Desk Officer and CFO.*

- The design of the programme/project has been appraised by someone independent who has not been involved in the development of the programme/project.

***Comments:** The design of the project has been appraised by Thomas Juel Thomsen as an independent consultant and has never been involved in the development of the project*

- The recommendations of the appraisal has been reflected upon in the final design of the programme/project.

***Comments:** they are reflected upon in the final program document and once the programme document has been approved, a process action plan will be prepared to ensure a smooth implementation of the proposed activities including close monitoring of the product.*

- The programme/project complies with Danida policies and Aid Management Guidelines.

***Comments:** Yes, moreover, PASS is working to align to The Danish TechVeloPMENT principles and has solid information and lessons from a number of workstreams to prepare this initiative; including intensive consultations with the expected future partners – the banks and the Telecom companies, as well as future clients/beneficiaries. PASS similarly supports a number of SDGs, especially 1, 2, 8, 5, 13, and 1, which the current support to digitalization will only reinforce as reflected in the additions and increases in the targets of outcomes in PASS' results framework*

- The programme/project addresses relevant challenges and provides adequate responses.

***Comments:** challenges have been addressed and mitigation measures many of which centre on doing proper needs assessment, planning, managing implementation, and adjusting along the way based on trial and error.*

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<sup>1</sup> This Quality Assurance Checklist should be used by the responsible MFA unit to document the quality assurance process of appropriations where TQS is not involved. The checklist does not replace an appraisal, but aims to help the responsible MFA unit ensure that key questions regarding the quality of the programme/project are asked and that the answers to these questions are properly documented and communicated to the approving authority.

□ Issues related to HRBA/Gender, Green Growth and Environment have been addressed sufficiently.

**Comments:** *The HRBA is embedded, as the Digital Credit Guarantee will enable PASS to improve livelihoods, increase sustainable production, increase income and food security, and to reach far more small-scale and marginal farmers. SIDA provides a technical adviser on environmental and social impact to PASS. In 2019, PASS formulated a Policy on Environmental and Social Sustainability that put even greater emphasis on developing a portfolio of greener projects; and is currently in preparing Green Growth Strategy.*

□ Comments from the Danida Programme Committee have been addressed (if applicable).

**Comments:** *N/A*

□ The programme/project outcome(s) are found to be sustainable and is in line with the partner's development policies and strategies. Implementation modalities are well described and justified.

**Comments:** *The digitalisation of PASS operations is an important factor in ensuring PASS's long-term sustainability and growth. PASS activities are relevant with regard to the UN Sustainable Development Goals (SDGs). The 2018-2022 PASS Strategy introduced the digitalisation of PASS services and products as a key priority, reflecting an ambition to respond to the fast-growing ICT connectivity of the Tanzanian population, also in rural areas. The proposed theory of change on how each efficiency and outreach activity will reinforce other core activities of PASS, with the final effect to increase the access and use of financial business development services of agribusinesses – and ultimately to increase levels of productive investments by agribusiness entrepreneurs. The project also responds to findings of the evaluation of PASS in 2019.*

□ The results framework, indicators and monitoring framework of the programme/project provide an adequate basis for monitoring results and outcome.

**Comments:** *The DED's results framework adequately integrates a first estimate of expected results from digitalizing PASS, but an implementation plan, based on a systematic needs assessment, will provide a more solid basis for defining expected results. Once there is more clarity over actual activities and constraints the results framework will be re-evaluated and final results framework will be developed.*

□ The programme/project is found sound budget-wise.

**Comments:** *In terms of overall allocation, the budget is divided roughly equal between the efficiency and outreach dimension. This seems reasonable, from the rationale of according equal prioritization to the two dimensions of the objective. In addition, PASS will maintain a flexible budget line for digital credit guarantee and set a clear milestones in the implementation plan for progress on product development, and be prepared to adapt based on progress and needs with a view to ensure expected rollout.*

□ The programme/project is found realistic in its time-schedule.

**Comments:** *the project is realistic support to this investment will help extend the impact and safeguard the results of Danida's long-standing engagement with PASS, strengthening PASS' ability in the long term to*

*provide its services of credit guarantees and business development support to Tanzanian agribusinesses. However due to time lapse it will start in January 2020 to December 2021.*

□ Other donors involved in the same programme/project have been consulted, and possible harmonised common procedures for funding and monitoring have been explored.

**Comments:** *This support is well coordinated with Sida's support to PASS, which constitutes DKK 700,000.00 as core-funding for the digitalization interventions to be integrated with the Danish support, hence ensuing harmonization.*

□ Key programme/project stakeholders have been identified, the choice of partner has been justified and criteria for selection have been documented.

**Comments:** *PASS is a well-known and trusted partner to the Danish Embassy and has over the years has produced convincing results in terms of access to finance for small-holder farmers in Tanzania. PASS has built up a solid name and branch network across Tanzania and this project can support PASS in further increasing efficiency and scaling its operation. Part of the justification is to safeguard many years of Danish support to establishment of a credit guarantee provider in Tanzania, by shaping its operations to become more efficient and sustainable for the future. PASS is the only actor offering credit guarantees for agribusinesses in Tanzania, hence no other actor than PASS is relevant to consider for the support to digitalizing such guarantees.*

□ The executing partner(s) is/are found to have the capacity to properly manage, implement and report on the funds for the programme/project and lines of management responsibility are clear.


**Comments:** *The financial management, planning and reporting related to this grant to PASS will be implemented in line with the well-established procedures and arrangement agreed for the funding under BSPS IV. PASS is under the supervision of the Founders Committee, a three-person committee consisting of the Danish Ambassador to Tanzania (also representing other donors, including Sida), a representative of the Government of Tanzania i.e. from the Ministry of Finance, and a representative of PASS beneficiaries from the private sector. Together, their primary role on the Committee is to pass 'no objection' on strategy papers, regulations, policies, guidelines, management reports, business plans, budget, and the appointment of new board members and some managerial staff. The Board of Trustees has the responsibility to invest the Trust funds in the agricultural and agribusiness sector in small and medium-sized enterprises in Tanzania. Lastly, the management of the Trust is the responsibility of the Managing Director.*

□ Risks involved have been considered and risk management integrated in the programme/project document.

**Comments:** *all identified risks have been considered and a risk mitigation matrix has been developed and integrated in the programme document. The appraisal agrees with the mitigation measures, many of which centre on doing proper needs assessment, planning, managing implementation, and adjusting along the way based on trial and error.*

□ In conclusion, the programme/project can be recommended for approval: **yes / no**



Date and signature of desk officer: 11.12.2019 Jema Jacob Ngwale 

Date and signature of management: 11/12-19 