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TANZANIA AGRICULTURE PRODUCTIVITY PROGRAM (TAPP) FINANCIAL CRISIS INITIATIVE (FCI) QUARTERLY REPORT # 1

October-December 2010

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Fintrac Inc.
www.fintrac.com
info@fintrac.com

US Virgin Islands
3077|Kronprindsens_Gade 72
St. Thomas, USVI 00802
Tel: (340) 776-7600
Fax: (340) 776-7601

Washington, D.C.
1436 U Street NW, Suite 303
Washington, D.C.20009USA
Tel: (202) 462-8475
Fax: (202) 462-8478

Tanzania Agriculture Productivity Program (TAPP)
Kanisa Road, House No. 49
Arusha, Tanzania
Tel: +255 27 254 5325
Email: tapp@fintrac.com

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EXECUTIVE SUMMARY

First quarter achievements for FY 2011 include:

- The revolving credit facility of \$200,000 has been established within the Tanzania Horticulture Association (TAHA) and is fully operational with the first tranches of funding already allocated to assist a flower farm affected by the financial crisis.
- USAID-TAPP worked extensively with TAHA in the establishment of the TAHA Revolving Loan Facility Policy and Procedures Manual and Term Sheets to ensure the appropriate mechanisms are in place for loan disbursement.
- Swiss Airlines began flying to Kilimanjaro International Airport in November 2010 and TAHA Fresh Handling Ltd. (TFHL) is in charge of controlling the cargo space on that airline. 33,000 kg of freight has been shipped to date.
- USAID-TAPP helped TFHL buy a refrigerated truck to provide temporary transport assistance to Kenya for flowers for export and other refrigerated produce.
- Thanks to USAID-TAPP support and FCI funding, Tengeru Flowers Ltd. (now named Tanzania Roses Ltd.) received assistance from a new shareholder, East Africa Growers Ltd, and is once again exporting roses.

1. INTRODUCTION

1.1 PROJECT DESCRIPTION

The Tanzania Agricultural Productivity Program (TAPP) is a 5-year initiative supported by the American people through the United States Agency for International Development (USAID). The program aims to increase smallholder farmer incomes through enhanced productivity and improved domestic and export marketing of agricultural products.

Large and small horticultural stakeholders in Tanzania regularly identify credit as the key constraint to industry growth. The 2009 financial crisis has exacerbated this constraint and threatened to negate recent progress in the industry. Through its Financial Crisis Initiative, USAID-TAPP along with key industry partners such as TAHA and TFHL are developing initiatives to address the credit constraint on the horticulture industry.

1.2 GOALS AND OBJECTIVES

USAID-TAPP aims to develop smallholder agriculture as an engine for growth in rural Tanzania. The program will directly benefit more than 25,000 farmers and their families. A key part of USAID-TAPP's strategy is to help alleviate pressures on the horticulture industry – particularly small and medium-size producers – from the global economic crisis. Toward that end, USAID-TAPP, TAHA and TFHL seek to establish and administer two revolving credit facilities for exporters, producers and other horticultural sector operators who have little access to necessary capital because of global economic conditions.

2. ACTIVITIES

2.1 TANZANIA HORTICULTURE ASSOCIATION (TAHA)

Last year, TAHA appointed a community advocacy officer and market and information officer whose salaries continue to be supported through FCI funds. These two positions are contributing significantly to TAHA program activities, and their support gives the executive director the freedom to focus on other key industry issues. USAID-TAPP has enlisted the help of the market and information officer in the joint TAPP/TAHA initiative to introduce a market price information service to smallholders. As discussed in the USAID-TAPP quarterly report, this initiative officially launched in December 2010 and has been met with much interest from growers.

The revolving credit facility of \$200,000 has been established within TAHA and is fully operational, with the first tranches of funding already allocated to assist a flower farm affected by the financial crisis. The program-appointed financial management advisor has worked extensively with the TAHA secretariat and board to establish the TAHA Revolving Loan Facility Policy and Procedures Manual and Term Sheets to ensure the appropriate mechanisms are in place for loan disbursement. A three-day due diligence workshop was held for board members, secretariat staff and TFHL staff in October. It covered a range of topics including strategic institutional appraisal, financial performance reviews, auditing, financial ratio analysis and loan file preparation.

The proposal to establish a TAHA Development Fund (TADEF) has been discussed and the FCI-funded financial management advisor created a workplan to develop the capacity of the TAHA board and staff to ensure appropriate management of such a facility (see Annex II).

2.2 TAHA FRESH HANDLING LTD. (TFHL)

TFHL experienced a change in management in late 2010 when the company's general manager resigned. USAID-TAPP helped the company find a suitable employment agency in Kenya to advertise for a replacement and helped appoint a temporary manager until the position is filled.

USAID-TAPP continues to support TFHL with its FCI initiative as the company works to re-establish charter flights from Kilimanjaro International Airport. The company is actively promoting the use of Tanzanian airfreight facilities and has had considerable success in switching export freight from Kenya to Tanzania. Swiss Airlines began flying to Kilimanjaro International Airport in November 2010 and TFHL is controlling the cargo space on that airline. To date, 33,000 kg of freight has been shipped on Swiss Airlines, with approximate 3,000 kg of freight space available each week.

The severe winter storms in December throughout Europe disrupted flower and vegetable freighting from Tanzania. The Amsterdam airport was able to stay open longer than those in the UK, but the amount of freight lost was significant, especially for flower farmers, who lost sales at a period of peak prices in Europe.

With the support of FCI funding, USAID-TAPP helped TFHL buy a refrigerated truck to provide temporary transport assistance to Kenya for flowers for export and other refrigerated produce. The vehicle and trailer are expected to be in full use in early 2011. This initiative, together with others developed by USAID-TAPP to expand export vegetable production in Northern Tanzania, will provide TFHL with a reliable and sustainable source of income and profit.

The funds to establish TFHL's revolving credit mechanism for freight have been transferred to the company and the financial management advisor has drafted the necessary protocols to manage the funds. The implementation of the fund will begin once the new general manager is appointed and the board has ratified the Procedures Manual and Term Sheets for the fund's operation.

2.3 TENGERU FLOWERS

Thanks to USAID-TAPP support and FCI funding, Tengeru Flowers Ltd. (now named Tanzania Roses Ltd.) received assistance from a new shareholder, East Africa Growers Ltd., and is once again exporting roses. The company received assistance from the Financial Crisis Initiative in purchasing plastic sheeting to recover six hectares of greenhouses which will enhance flower production. USAID-TAPP is in discussions with the company to help with diversification into vegetables and new flower varieties such as Carthamus. These new products would add both weight and volume to the freight handled through Kilimanjaro International Airport.

ANNEX I: PERFORMANCE AGAINST PMP INDICATORS

Name of the Implementing Agency: Fintrac, Inc.	Reporting Period: Q5: October – December 2010	
Local Address: USAID-TAPP c/o TAHA P.O. Box 15035 House #49 KanisaRoadArushaTanzania	Home Office Address: Fintrac, Inc. 3077 KronprindsensGade 72 St Thomas, USVI 00802	
Project Title: Tanzania Agriculture Productivity Program	Target regions: Arusha, Moshi/Hai, Lushoto, Morogoro, Coast and Zanzibar.	
Cooperative Agreement/Contract #: EDH-I-07-05-00007-00	Sub-contract/sub-grantees: Tanzania Horticultural Association (TAHA) TAHA Fresh Handling Ltd.. (TFHL)	
Period of Project: (Start and End Dates) October 19, 2009 – October 18, 2014	Related Program Area and Elements of the Operational Plan: 1. Agricultural Sector Productivity 2. Trade and Investment	
Planned Life of the Project: \$35,490,000	Amount Obligated to Date: \$3,129,985	Pipeline: \$0
Principal Target Beneficiaries: Tanzanian Smallholder Farmers	Major Counterpart Organizations: TAHA, Ministry of Agriculture	

Indicators	FY 2011						Units
	Target	LOP	Q1	Q2	Q3	Q4	
Number of baseline or feasibility studies (FCI)		6	2				Percent
Number of institutions with improved management information systems as a result of USG assistance (FCI)		1					Institutions

ANNEX II: TAHA DEVELOPMENT REVOLVING LOAN FACILITY CAPACITY BUILDING WORK PLAN

BROAD TASKS	SPECIFIC ACTIVITIES	Oct 10	Nov 10	Dec 10	Jan 11	Feb 11	Mar 11	Apr 11	May 11	Jun 11	EXPECTED OUTPUTS	By Who
1. CAPITALIZATION OF TADEF/TFHL	Proposal preparation										Funding proposal	TAHA/Financial Consultant
	Fundraising										Loan capital & program funds.	TAHA/Financial Consultant
2. RECRUITMENT	2.1 Recruitment of a professional accountant.										Qualified accountant.	TAHA.
	2.2 Develop a TOR/job description.										Terms of Reference.	TAHA/Financial Consultant.
3. CAPACITY BUILDING OF TADEF/TFHL & OVERALL INDUSTRY	3.1 Industry training needs assessment										Training Assessment	USAID TAPP financial consultant
	3.2 Develop training materials after above										Training toolkits	USAID TAPP financial consultant
	3.3 Undertake market research on financial products										Financial products directory	USAID TAPP financial consultant
	3.4 Financial/budgeting management training										Training toolkit	TAHA/TFHL/TAPP financial consultant
	3.5 Refresher: Due Diligence training; for management										Performance report	TAHA/TFHL/TAPP financial consultant
4. BOARD SPECIFIC CAPACITY	4.1 Develop a TOR for TAHA loan committee										Terms of Reference	TAPP/ Financial consultant

BUILDING	4.2 Due diligence: for TAHA loan committee										Board training module	TAPP/Financial consultant
5. IMPLEMENT AUTOMATED LOAN SOFTWARE	5.1 Identification of an automated loan tracking software.										Report on available MIS options.	TAHA/Financial consultant
	5.2 Purchase & installation of MIS.										Operating MIS	TAHA/TAPP
6. OTHER FCI PROGRAM BROAD ISSUES	6.1 Conduct training needs assessment for horticulture industry.										Needs assessment report	Financial consultant
	6.2 Develop appropriate tools for needs assessment.										Needs assessment tools	Financial consultant
	6.3 Develop curricula for different industry players.										Training toolkits	Financial consultant
7. CREDIT RISK MANAGEMENT	7.1 Provide advice on TIB loan rescheduling.										Written advice on as needed basis.	Financial Consultant
8. PERFORMANCE REPORTING	8.1 Prepare quarterly reports on program										3 Quarterly Reports	Financial consultant

**Tanzania Agriculture
Productivity Program TAPP**
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