



Feed the Future Tanzania Enabling Growth through Investment and Enterprise (ENGINE)

Leader with Associate Cooperative Agreement EEM-A-00-04-00002-00 Associate Cooperative
Agreement No. AID-621-LA-16-00002

**2ND QUARTER PROGRESS REPORT
FISCAL YEAR 2019**

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Acronyms

AAOR	Alternate Agreement Officer Representative
AFRICA LEAD II	Building Capacity for African Agricultural Transformation Project II
AGM	Annual General Meeting
AIMS	USDA Agribusiness Investment for Market Stimulation Program
ALAT	Association of Local Government Authorities of Tanzania
AO	Agreement Officer
AOR	Agreement Officer's Representative
ANSAF	Agriculture Non-State Actors Forum
ASDP-2	Agriculture Sector Development Program-2
ASPIRES	Feed the Future Tanzania Agricultural Sector Policy and Institutional Reform Strengthening Project
AY	Advancing Youth Program
BDS	Business Development Services
BDSP	Business Development Service Provider
BOT	Bank of Tanzania
CA	Cooperative Agreement
CAADP	Comprehensive Africa Agriculture Development Program
COP	Chief of Party
CPRA	Centre for Policy Research and Advocacy (University of Dar es salaam)
CRS	Catholic Relief Services
CSO	Civil Society Organization
DAC	District Advisory Committee
DADP	District Agricultural Development Plan
DBC	District Business Council
DCA	Development Credit Authority
DCOP	Deputy Chief of Party
DDP	District Development Plan
DED	District Executive Director
EMMP	Environmental Mitigation and Monitoring Plan
ENGINE	Enabling Growth through Investment and Enterprise Program
ESMT	Environmental Screening and Management Tool
ESRF	Economic and Social Research Foundation
FAST	Finance Alliance for Sustainable Trade
FIs	Financial Institutions
FSDT	Financial Sector Deepening Trust
F SVC	Financial Services Volunteer Corps
FTF	Feed the Future
FY	Fiscal Year
HO	Home Office
IAA	Institutional Architecture Assessment

ICMA	International City/County Management Association
ICT	Information and Communications Technologies
IEE	Initial Environmental Examination
IESC	International Executive Service Corps
IIAH	Iringa Integrated Activities Hub
iN4iN	Intelligence for Innovation Africa Network
IP	Institutional Partner
ISP	Investment Support Project
JSR&PER	Joint Agriculture Sector and Public Expenditure Review Forum
LGA	Local Government Authority
LGACI	Local Government Authority Competitiveness Index
MALF	Ministry of Agriculture, Livestock and Fisheries Development
MANRLF	Ministry of Agriculture, Natural Resources, Livestock and Fisheries
MC	Municipal Council
MEDA	Mennonite Economic Development Associates
MEL	Monitoring, Evaluating, and Learning
MFI	Microfinance Institution
MIVARF	Marketing Infrastructure, Value Addition and Rural Finance
MnM	Mboga na Matunda
MoFP	Ministry of Finance and Planning
MoU	Memorandum of Understanding
MSME	Micro, Small and Medium Enterprise
MTIM	Ministry of Trade, Industries and Marketing
MUCOBA	Mufindi Community Bank
NEMC	National Environment Management Council
NMB	National Microfinance Bank
OPIC	Overseas Private Investment Corporation
PAG	Policy Analysis Group
PBZ	People's Bank of Zanzibar
PO-RALG	President's Office for Regional Administration and Local Government
PO-RALGSD	President's Office for Regional Administration, Local Government and Special Departments
PPD	Public-Private Dialogue
PRIDE	Promotion of Rural Initiative and Development Enterprises
PRPT	Policy Reform Priority Setting Tool
PS3	Public Sector Systems Strengthening Project-phase 3
RAS	Regional Administrative Secretary
RBC	Regional Business Council
REPOA	Policy Research for Development
RFA	Request for Application
RFP	Request for Proposal
RFCN	Request for Concept Note
RRC	Regional Consultative Committee
SACCO	Savings and Credit Cooperative Organization

SAGCOT	Southern Agricultural Growth Corridor of Tanzania
SCCULT	Savings and Credit Cooperatives Union League of Tanzania
SMAE	Small and Medium Agricultural Enterprises
SME	Small and Medium Enterprise
SoW	Scope of Work
STTA	Short Term Technical Assistance
TA	Technical Assistance
TABDS	Tanzania Association of Business Development Service Providers
TAHA	Tanzania Horticultural Association
TAHEA	Tanzania Home Economics Association
TAMWA	Tanzania Media Women Association
TAMWAZ	Tanzania Media Women Association-Zanzibar
TANTRADE	Tanzania Trade Development Authority
TAWLA	Tanzania Women Lawyers Association
TAWLAE	Tanzania Women in Livestock, Agriculture and Environment
TAYOA	Tanzania Youth Association
TCCIA	Tanzania Chamber of Commerce, Industry and Agriculture
TGNP	Tanzania Trade Development Authority
TIOB	Tanzania Institute of Bankers
TNBC	Tanzania National Business Council
TOAM	Tanzania Organic Agriculture Movement
TPSF	Tanzania Private Sector Foundation
TWB	Tanzania Women's Bank
TWCC	Tanzania Women Chamber of Commerce
TZS	Tanzanian Shillings
UI	User Interface
USAID	United States Agency for International Development
USD	United States Dollars
UX	User Experience
UWAZI	Association of Small-scale Producers
VAT	Value-Added Tax
WARIDI	Water Resources Integration Development Initiative
ZAFELA	Zanzibar Female Lawyers Association
ZALGA	Zanzibar Association of Local Government Authorities
ZATI	Zanzibar Association of Tourism Investors
ZNBC	Zanzibar National Business Council
ZNCCIA	Zanzibar National Chamber of Commerce, Industry and Agriculture
ZPC	Zanzibar Planning Commission

I. Activity/Overview Summary

PROGRAM OVERVIEW

Pursuant to the Leader-with-Associate Cooperative Agreement No. EEM-A-00-04-00002-00, Associate Cooperative Agreement No. AID-621-LA-16-00002, International Executive Service Corps (IESC) is the award holder and implements the Feed the Future Tanzania Enabling Growth Through Investment and Enterprise Program (ENGINE). The award's period of performance is September 1, 2016 – August 31, 2020.

IESC is the lead implementer of ENGINE, joined by sub-awardees, International City/County Management Association (ICMA), Mennonite Economic Development Associates (MEDA) and Diligent Consulting Limited. Under this Agreement, IESC supports the United States Agency for International Development's (USAID) Development Objective 2: Inclusive broad-based economic growth sustained, with supporting contributions to Development Objective 1: Women and Youth Empowerment and Development Objective 3: Effective Democratic Governance.

QUARTERLY PROGRESS REPORT

The purpose of this document is to report the program's progress during the 2nd Quarter of Fiscal Year (FY) 2019.

SUMMARY OF RESULTS

The FY'19 First Quarter Progress Report for the period between October to December 2018 and the 4th Quarter Progress and Second Annual Report for the period covering October 1, 2017 to September 30, 2018 were both submitted and approved by USAID during this reporting period.

Milestones

COMPONENT 1: IMPLEMENTING POLICIES FOR GROWTH

- ENGINE supported the Iringa Municipal Council and the Mbeya City Council to review and finalize their Five-Year Strategic Plans.
- A total of 17 Public Private Dialogues were supported and facilitated: three in Morogoro, three in Mbeya, four in Iringa and seven in Zanzibar.
- Sixteen Roadmaps were developed, reviewed, designed, printed, disseminated and made publicly available in eight Local Government Authorities (LGAs).
- ENGINE supported the review and development of Investment Promotion Strategies in nine LGAs, which aligns with Tanzania's National Industrialization Strategy and Policy.

COMPONENT 2: BUSINESS DEVELOPMENT SERVICES

- ENGINE partnered with the Southern Agricultural Growth Corridor of Tanzania (SAGCOT) Centre in the assessment and finalization of their Small and Medium Agricultural Enterprises (SMAEs) Strategy Development for the Mbarali Cluster.
- Nine Business Development Service Providers (BDSPs) received technical assistance on forming and training of pyrethrum farmer groups.
- Forty-three BDSPs reported to have sold services to 962 new micro, small and medium-size enterprise (MSME) customers, resulting in a total of US \$110,588 of additional BDS sales during the reporting period.

COMPONENT 3: FINANCING FOR GROWTH

- For the first time, ENGINE and the Tanzania Institute of Bankers (TIOB) offered an agriculture finance training that brought together both bank staff and business advisors.
- Through its grant with ENGINE, Yetu Microfinance successfully mobilized over 200 youth and disbursed over 50 loans totaling nearly 30 million Tanzanian Shillings (TZS), or approximately \$13,000, under its youth agriculture lending initiative. See the related success story in Annex 6 for more details.
- Over 1,900 enterprises were reached using a combination of direct, indirect and digital channels. This outreach contributed to the Bizfundi digital market and information linkage platform, surpassing the 3,000 registered businesses now connected to each other and to nearly one hundred BDSPs.

CROSSCUTTING ACTIVITIES

- ENGINE engaged a gender and youth expert to conduct a Gender and Youth Midterm Review, as mechanism to ensure that its activities aligned with USAID and Feed the Future (FTF) guidelines, and to document opportunities to expand women and youth participation in the program. A final copy of the report will be made available to USAID.

CHALLENGES AND CRITICAL ISSUES

- Bureaucratic roadblocks in LGAs resulted in frequent interruption and postponement of program activities during the reporting period.
- Activities to support the expansion of BDS along the three value chains were delayed, as it took longer than anticipated to recruit a long-term consultant with the requisite skills and experience.
- ENGINE conducted pre-award assessments of four financial institutions previously selected to receive women and youth MSME lending grants. However, only one institution qualified to be a grantee. Further information on this process and outcomes is available in the grants section.

II. 2nd Quarter, FY'19 Progress

COMPONENT 1: IMPLEMENTING POLICIES FOR GROWTH

Facilitation of Public Private Dialogues (PPDs): PPDs are a proven medium for ameliorating key impediments adversely affecting the business enabling environment and constraining private sector growth. During the 2nd quarter of FY'19, ENGINE facilitated and supported a total of 17 PPDs including:

- Formal PPDs (RBC / DBC): Two District Business Councils in Iringa Municipal and Mufindi District Council applied the new ENGINE-supported District Business Council (DBC) guidelines from the Tanzania National Business Council (TNBC). These guidelines help focus the public-private dialogue to ensure the agenda supports efficient business operations and enhanced investment;
- Other PPDs: Six PPDs were facilitated during the preparation of Investment Promotion Strategies in six LGAs. One PPD in Mbeya regarding facilitation of loans to Women, Youth and the Disabled, has spurred concrete discussions on how LGAs can better support applicants access these types of loans.
- Six PPDs were conducted during an online Local Government Authority Competitiveness Index (LGACI) System training at six LGAs. Also, one PPD concerning the service levy was conducted in Morogoro.

Policy Reform Tools (PRPT and LGACI): ENGINE's tools for assessing LGAs' progress towards business environment competitiveness, the Local Government Authority Competitiveness Index (LGACI) and Policy Reform Prioritization-setting Tool (PRPT) were transitioned into online systems with user-friendly manuals. A video tutorial was also developed. In support of their continued application, more than 20 staff at the President's Office for Regional Administration and Local Government (PO-RALG) and the Local Government Training Institute (LGTI) have been trained on these tools. The PRPT and LGACI will eventually be housed and maintained by PO-RALG so that they will continue to be used by LGAs beyond ENGINE's implementation period.

Volunteer experts and Consultant Assignments: During the quarter, with volunteer expert and consultant support, ENGINE facilitated the development of a Five-Year Revenue Enhancement Plan for the Mbeya City Council (MCC). The plan establishes various alternatives for revenue generation, which will in turn provide MCC with greater flexibility in terms of its tax collection requirements and may allow it to reduce taxes and levies. In addition, ENGINE continued to support and facilitate the completion of the Kyela, Kilosa, Mbeya and Iringa Five-Year Strategic Plans and reviewed Investment Promotion Strategies for six LGAs. Assistance provided to LGAs in the formulation of these key planning documents, which include specific considerations for agriculture and nutrition, will help to assure the sustainability of project results.

Roadmaps: ENGINE facilitated development and production of 16 Roadmaps, which are step-by-step-descriptions of procedures, such as obtaining business



Members of the public review the newly released roadmaps in Wete's Main Market

licenses and permits. These roadmaps are made available to the public and enhance the public's confidence in processes.

COMPONENT 2: BUSINESS DEVELOPMENT SERVICES

Identification and engagement of new BDSPs: ENGINE identified and initiated recruitment of nine BDSPs. Overall, 115 BDSPs have developed plans to receive technical assistance from ENGINE.

Provision of TA to BDSPs: One volunteer expert completed the first stage of an assignment to provide technical assistance to nine BDSPs in Iringa on training farmer groups supplying to the pyrethrum value chain.

Facilitation of linkages between BDSPs and MSMEs: Six events were organized in Mbeya and Morogoro to sensitize MSMEs working in the rice value chain about access to BDS. As a result, 43 BDSPs reported to have provided services to 962 new clients during the reporting period.

Facilitation of linkages between BDSPs and key government Institutions: ENGINE organized a meeting between Iringa BDSPs and key government agencies responsible for business formalization and compliance to enhance BDSPs' knowledge in order to improve service delivery to MSMEs. A total of 24 participants (12 from government agencies, nine from BDSPs and three from private sector associations) attended the meeting. It was decided that further, periodic meetings should be held to update BDSPs on these processes and issues, and that a Volunteer Expert or consultant be recruited to "package" this information into a useful format for BDSPs' use with MSME clients.

Provision of e-Coupons to MSMEs: No new e-Coupons were issued to MSMEs during the reporting period as ENGINE is in the process of realigning the e-Coupon system to target MSMEs in agriculture and nutrition value chains. However, 12 e-Coupons issued in Quarter One were redeemed during the reporting period, bringing the total number redeemed to 962 out of 978 that were issued.

Progress of Lead Firm/Value Chain Initiative: The design of specific BDS and capacity building activities for local BDSPs to address the needs of Pyrethrum value chain actors gathered momentum during the reporting period. ENGINE also explored opportunities to expand value chain activities to include the salt value chain on Pemba Island, with an emphasis on iodized supplementation, vital to nutrition. An awareness raising meeting was conducted for 72 salt producer groups and contacts were established with a potential Lead Firm: the Swahili Coast Salt Company.

COMPONENT 3: ACCESS TO FINANCE FOR GROWTH

Amana Bank Limited (Amana): ENGINE met with the new Development Credit Authority (DCA) partner, Amana Bank, to discuss how the program can assist the bank establish an organizational environmental policy. In addition, ENGINE also moved forward with a pre-award assessment for an ENGINE grant to support Amana's lending operations to MSMEs, which is discussed further below.

Volunteer Technical Assistance to Financial Institutions: During the reporting period, two volunteer experts were mobilized under Component 3. One volunteer began working with the TIOB on the development of their three-year strategic plan, which will help them identify and respond to new opportunities and needs in strengthening Tanzania’s banks, as well as provide a plan for broadening TIOB sources of revenue. A second volunteer began remote user experience (UX) testing of the Bizfundi website and mobile app. Her input will help give the platform a streamlined appearance that is more user friendly.

Credit Readiness for MSMEs and Financial Sector

Strengthening: As a continuation of ENGINE’s support to BDSPs who are offering credit readiness assistance to MSMEs, ENGINE partnered with TIOB to offer training on agriculture finance to bankers and BDSPs in Mbeya and Iringa. In total, 42 bank and BDSP participants attended the three-day trainings. Feedback was positive, with participants appreciating both the subject matter and the unique opportunity to learn from, and network with, bankers and BDSPs. Participant feedback revealed many participants expecting increased referrals among banks and BDSPs of small businesses seeking credit as a result of the training. See the related success story in Annex 6 for more details.

“A huge barrier in lending to [the agriculture] sector is a lack of financial literacy. I believe that by partnering with certified BDSPs, we can train prospective customers to ensure that they will make sound financial decisions, especially when selecting a loan product, and understanding their interest rate and payment schedule.” -- Henry Constantine Kimborg, Bank of Africa Branch Manager in Mbeya

Value Chain Financing Opportunities: ENGINE’s Loan Transaction Advisor continued to assess the opportunity for accessing financing for large landholders to increase their supply of pyrethrum flowers to the Pyrethrum Company of Tanzania (PCT). The advisor met with representatives from CRDB bank and National Microfinance Bank (NMB) in January and February. In March, the advisor, accompanied by members of ENGINE’s staff, traveled to Iringa, Mafinga and Kilolo to visit large landholders and collect more information to feed into the advisor’s financial model. ENGINE also supported PCT’s efforts to transition from remitting payments to its 16,000 smallholder farmers using cash to mobile payments which are faster, more efficient, and more secure. In March, ENGINE facilitated an introductory call between PCT and Kuunda, a South African mobile agent consulting firm, and requested a proposal for consultant services to enable PCT mobile payments as described above, which is due in early April.

MSME Outreach and Awareness Raising: ENGINE’s staff collaborated with the USAID-funded Water Resources Integration Development Initiative (WARIDI), and FTF programs Mboga na Matunda (MnM), Advancing Youth and Nafaka to reach microenterprises, youth enterprises, AMCOs, SACCOs, and producer groups across Morogoro, Iringa, Njombe, and Mbeya. In total 1,910 enterprises and organizations were reached through this quarter’s outreach activities, which provided information on BDS, credit readiness, and the BizFundi platform.

Bizfundi Market and Information Linkage Platform: During the quarter, 438 new users registered on the platform, including: 426 Small and Medium Enterprises (SMEs) and 12 BDSPs, bringing the total number to 3,167, including nearly one hundred BDSPs. Moreover, there were an additional 135 installs of the mobile app, bringing the total number to 760. New features added to the platform this quarter include: streamlining the login process to improve user access, integrating social media accounts with users' profiles, launching a monthly user newsletter, and five situation-specific auto-notifications to improve user communication and encourage participation.

PLANNED ACTIVITIES FOR NEXT REPORTING PERIOD

COMPONENT 1: IMPLEMENTING POLICIES FOR GROWTH

PPDs Facilitations: ENGINE will continue supporting PPDs in all of its 11 LGAs through Regional Business Councils (RBCs), DBCs and Annual General meetings (AGMs), by-laws reviews and ward consultative meetings. Women and Youth PPDs have also been planned in Mbeya City and Zanzibar. Also, in Zanzibar, important PPDs will take place during Office of Chief Government Statistician (OCGS)/Steering Committee (SC)'s meeting and dissemination workshop for the Business Formalization Survey and Zanzibar Planning Commission (ZPC) review process for Vision 2020.

Volunteer expert and Consultant Assignments: Planned assignments include revenue enhancement plan assignments in Iringa, Mbeya and Kilosa and LGA Strategic Plan reviews in Kyela and Kilosa, as well as in five LGAs in Zanzibar. ENGINE also plans to address institutional capacity challenges within the Tanzania Chamber of Commerce, Industry and Agriculture's (TCCIA) district chapters in the Kilosa, Kyela and Mufindi through organizational development assignments.

Roadmap development: Roadmaps to be developed in the next quarter include the right of occupancy (title deeds) acquiring procedures and payment rates for Iringa Municipal Council (MC).

PRPT and LGACI: LGTI's and PO-RALG's recommendations will be incorporated into the online systems for the PRPT and LGACI. Once finalized, the improved system will be presented to the PO-RALG staff before it is tested on two ENGINE LGAs, one in the Tanzania mainland and the other in Zanzibar. Discussions will also be conducted on rolling out the system to the remaining LGAs and uploading the final version to the PO-RALG server. The PRPT and LGACI online tools will allow LGAs to conduct self-assessments, prioritize policies and service delivery, that will enhance the business enabling environment and investment.

COMPONENT 2: BUSINESS DEVELOPMENT SERVICES

Lead Firm/Value Chain Activities: ENGINE will engage a consultant to further define and develop action plans for Lead Firms and their associated MSME suppliers, including expanded access to BDS and financial services for all value chain actors, with the objective of enhancing investment and sales across the four value chains (Pyrethrum, Poultry, Dairy and Salt).

Provision of Technical Assistance to BDS Providers: One volunteer expert will provide technical assistance to at least 40 BDSPs on improving their training skills and materials. In addition, at least eight volunteers are being recruited to provide technical assistance to 115 BDSPs. The training topics include market facilitation, resource mobilization, strategic planning, traceability studies and international standards, formation of BDSP regional networks, and business formalization and compliance.

e-Coupon System: The e-Coupon's budget will be topped-up to target MSMEs operating in ENGINE's four priority value chains and enterprises involved in the agriculture and nutrition sectors. A MEDA staff member will travel to the field to provide technical support and identify expanded opportunities for the provision of BDS through the use of e-Coupons.

Facilitation of linkages between BDSPs and MSMEs: At least one meeting will be organized in each of ENGINE's regions to give BDSPs an opportunity to market BDS directly to MSMEs and establish business relationships. ENGINE will continue to collaborate with other USAID IPs to link ENGINE-supported BDSPs with MSMEs working along USAID IPs value chains.

Facilitation of linkages between BDSPs and Government institutions: Meetings will be organized in Mbeya, Morogoro and Zanzibar between BDSPs and key government institutions to educate BDSPs on formalization and compliance procedures so that they may better serve MSMEs clients.

Expanding BDS for Cooperatives: ENGINE will collaborate with the Tanzania Commission of Cooperatives Development (TCDC) to expand the number of local trainers approved to work with the cooperatives in Tanzania. With ENGINE's support, TCDC and Moshi Cooperative University will finalize training guidelines and a mandatory program for all private cooperative trainers. Once the guidelines and program are approved, ENGINE will assist in promoting the program to ensure that many qualified trainers—primarily BDSPs—are approved to provide training to the more than 10,000 cooperatives in Tanzania.

COMPONENT 3: FINANCING FOR GROWTH

Youth Outreach Partnership: ENGINE is planning a partnership activity with the Feed the Future Tanzania Advancing Youth Program (AY) whereby ENGINE will provide a training-of-trainers to AY's youth mobilizers on the Bizfundi market linkage platform. These mobilizers will then train the members of the youth groups whom they work with. With over 1,000 youth participating in AY, the potential for raising awareness and linking young entrepreneurs to business advisors and financial services is promising.

Bizfundi Platform Transition: Work will continue with the transition of the Bizfundi platform to a local owner. A draft Request for Proposal (RFP) has already been written and a list of potential bidders has been developed. During the next quarter the RFP will be released and followed up by one or more information sessions to interested parties.

Support to Amana Bank Limited: ENGINE will finalize its collaborative agreement with DCA partner, Amana Bank, under which ENGINE, amongst other things, the program will assist it to establish an environmental policy.

III. Finance and Administrative Highlights and Issues

Staff Recruitment and Key Personnel Turnover: During the reporting period, USAID modified ENGINE's award to reflect several key shifts in staffing. These changes included the promotion of Faith Patrick to Deputy Chief of Party/Policy and the transition of Scott Bennett from Deputy Chief of Party/Component Three Lead to Finance Specialist/Technical Director for Private Sector Development, a change which reflects the program's ongoing commitment to senior management capacity building and Tanzanian leadership. In addition, recruitment was ongoing for the Communications Specialist and an Admin/HR Officer.

Audit: In line with local statutory requirements, ENGINE engaged Ernst and Young (E&Y) to conduct and finalize an audit of its 2018 financial reports. Ernst and Young's management report was finalized during the reporting period and did not reflect any high-risk findings.

Value-Added Tax (VAT): On March 25th, ENGINE submitted a request to the USAID Agreement Officer to bill accrued VAT to the program and outlined systems for future billings, which is pending authorization. This request is in line with prior guidance provided by USAID Tanzania.

IV. Crosscutting Issues and USAID Forward Priorities

COMMUNICATIONS AND OUTREACH

During the reporting period, ENGINE's communications team filmed the raw footage for seventeen short videos, which will showcase BDSPs and MSMEs and will be finalized during the next quarter. ENGINE's promotional materials were also updated, and ENGINE also continued to use Facebook for outreach and to create awareness of its activities.

GRANTS

Component 1. ENGINE continued to support the training of four LGAs on the LGACI through the LGTI Sub-grant. A survey conducted on business formalization was finalized during this quarter. The dissemination of the survey report will be conducted in April 2019 and the sub-grant will close at the end of April.

Component 2. Six BDSPs that received sub-grants to support the design and promotion of innovative BDS products for new markets and MSMEs clients involved in agriculture and agribusiness were briefed on the sub-grant terms and conditions, including, their procedures, regulations, tailored tools and templates used in sub-grant implementation.

Component 3. Despite being approved by USAID in January, a sub-grant to LULU SACCOS did not move forward, as LULU’s leadership decided not to proceed with the grant activity, citing concerns related to the activity’s timing, LULU’s staff capacity, the sub-grant’s terms and conditions, and its cost-share requirements. In addition, ENGINE completed pre-award assessments for four other financial institutions whose full applications had been accepted by ENGINE’s grant evaluation committee, these include: Amana Bank Limited, VisionFund Tanzania, UMI SACCOS and Jumuiya ya Changamoto. Based on the assessment findings, Amana Bank Limited was the only institution that showed sufficient managerial capacity to implement the proposed activity. The sub-grant approval request for Amana Bank Limited will be submitted to USAID in early May. For the remaining applicants, in lieu of sub-grants, ENGINE plans to provide targeted institutional strengthening to each FI to address weaknesses identified in their pre-award assessments.

ENVIRONMENTAL COMPLIANCE

During the next quarter, ENGINE will work with Amana Bank to update the terms of their partnership agreement and will recruit an environmental compliance consultant to develop an environmental compliance policy.

GENDER & YOUTH

During the reporting period, a Gender and Youth Expert provided training to its staff, conducted a mid-term review of the program’s activities, and participated in the USAID Intra-mission Group visit to its operations in Mbeya, which focused on gender and youth. The training built the team’s capacity to better integrate gender and youth considerations into its activities and ensure that all staff can articulate the importance of gender and youth integration to achieve project outcomes. During the USAID visit, ENGINE and USAID representatives attended a PPD on regulatory changes regarding the Women and Youth and PWD Loan Facilitation Fund, visited two MSMEs involved in rice production and processing, and met with ENGINE grant applicant LULU SACCOS.

During International Women Day on 8 March 2019, ENGINE supported four PPDs in three districts of Zanzibar and increased awareness amongst female entrepreneurs of how to use ENGINE’s Bizfundi digital platform to publicize and grow their businesses. In the Iringa MC, ENGINE facilitated a PPD that addressed policies and guidelines to promote investment among women and youth entrepreneurs.



ENGINE's BDS Coordinator for Zanzibar addresses a group of women during an outreach event tied to International Women's Day.

SUSTAINABILITY

Component 1. ENGINE’s plans to incorporate the LGACI training into LGTI’s short courses and a longer-

term certificate training curriculum will ensure continued use of this useful tool. PO-RALG has also committed to oversee the usage and application of the PRPT when ENGINE comes to its conclusion. In addition, LGAs have started incorporating a DBC budget component in LGAs' annual planning and budgetary process, thereby ensuring the continuation of RBCs and DBCs.

Component 2. Sustainability of the market for BDS continues to be built on capacity building of local BDSPs and linking them with lead firms and MSMEs across our priority value chains to increase sales, access to finance and investment. Our support to the Tanzanian government to expand the provision of BDS among cooperatives will also strongly contribute to this purpose.

Component 3. With the help of an ENGINE volunteer, TIOB is developing a new three-year strategic plan. The activity will include several key elements that will better enable TIOB to identify and respond to the needs of its members while expanding its sources of revenue.

V. Monitoring, Evaluation and Learning

ENGINE's staff participated in discussions with USAID Mission and other Tanzanian FTF projects on ways to better collaborate in future results reporting to USAID. As ENGINE had already revised its Monitoring, Evaluating, and Learning (MEL) Plan and incorporated the new 2018 FTF Indicator Handbook, it was able to share its experiences from that transition with the other FTF projects.

Another key activity was an internal field verification of lending data reported by the new ENGINE partner financial institutions in FY'18 Quarter 4 and FY'19 Quarter 1. As three of ENGINE's FTF Standard Indicators (EG3.2-27, GNDR-2, YOUTH-3) are derived from this data, the verification exercise was a timely check of the accuracy of past reported data as well as an opportunity to identify ways to improve the reporting process going forward.

ADJUSTMENTS BASED ON THE LEARNING AGENDA

- During ENGINE's site visits with LGAs and other stakeholders, it became clear that ENGINE must better monitor the progress and process of sensitive policy reforms with LGAs, such as the service levy. Moving forward, these activities and their associated communication will be overseen more closely by senior management to ensure that both public and private sectors are comfortable with the pace and direction of the process.
- ENGINE began using a paper-based BDSP directory as a supplement to the online Bizfundi platform. The development was based on feedback that some individuals and small business owners reached through ENGINE, particularly older individuals and those located in more rural areas, were less comfortable with digital approaches.

ANNEX 6- SUCCESS STORIES

Tanzanian Youth Find Economic Opportunities in the Least Expected Sector...Agriculture

ENGINE IS CREATING ECONOMIC OPPORTUNITIES FOR YOUTH THROUGH AGRICULTURE

Youth in Tanzania face few economic opportunities. For those living in rural areas, the challenge is especially great. Job opportunities are limited—particularly for young people with limited work experience or formal skills training. Even those interested in entrepreneurial ventures face difficulties identifying opportunities, gaining required knowledge, and accessing the capital needed to get started. In rural areas, most people’s livelihoods are tied to agriculture. But few view the agricultural sector in commercial terms and youth hold especially negative perceptions of agricultural work, often viewing it as difficult, unexciting and unprofitable.

Where most see challenges, YETU Microfinance sees an opportunity. Through a grant from the Feed the Future Tanzania USAID-funded Enabling Growth through Investment and Enterprise (ENGINE) Program, YETU has developed a loan product that is specifically designed to support youth in agribusiness.



James Kilasi, YETU Senior Operations Manager addresses a youth group in Chita, Morogoro.

As a part of the process, YETU identifies youth in rural areas of Morogoro and Iringa. YETU then guides the youths to form groups of six people and then runs them through a series of training sessions, which cover issues related to agriculture, business, and leadership.



Scolastica Mgalika, second-time loan applicant in Chita, Morogoro.

After completing the training and selecting the specific type of agriculture they want to practice, YETU provides the group members with progressively increasing loans for buying land and agricultural inputs like seeds and equipment.

Scolastica Mgalika, age 33, is one of the group members in the town of Chita in Morogoro Region. Previously, Mgalika was growing rice but she used her loan from YETU to grow

watermelon, which is easier to sell. “I have a different life now that my family has a stable and reliable source of income,” says Mgalika. “My kids are well taken care of and they are able to go to school. I was able to do this with the training and the loan from YETU.”

Like Scolastica, Frank, age 32, also used the knowledge from the trainings and loans from YETU to switch from growing rice to a more marketable crop. Frank made the switch to vegetables after receiving training from YETU. “I had a rise in my living conditions since I’ve learned how to take care of my business and income,” says Frank. “The more I learn from YETU training and from others in my group, the more profitable my crops become. My first loan was 595,000 TZS (approximately US \$229). I would like to borrow 1.5 million TZS (approx. US \$648) with my second loan to purchase more land and seeds.”



Frank Afikila, second-time loan applicant, Chita, Morogoro.

Since developing the new youth loan product, YETU has mobilized over 200 rural youth and issued over 50 loans, which are valued at nearly 30 million TZS (approx. US \$13,000). In their reporting to ENGINE, YETU has indicated that improved credit assessment and credit evaluation practices after receiving training from ENGINE has helped reduce the risk associated with lending, particularly to youth.

Feed the Future is the U.S. Government’s global hunger and food security initiative. With a focus on smallholder farmers, particularly women, Feed the Future supports partner countries in developing their agriculture sectors to spur economic growth and trade that increase incomes and reduce hunger, poverty and undernutrition.

USAID is the lead U.S. Government agency working to end extreme global poverty and enable resilient, democratic societies to realize their potential.

Bridging the Gap between Lenders and Agriculture Sector Loan Applicants

ENGINE IS INCREASING KNOWLEDGE AND FORGING CONNECTIONS TO PROMOTE GREATER LENDING IN AGRICULTURE.

Agriculture is an important facet of Tanzania's economy. The Tanzanian agricultural sector contributes to nearly a third of the nation's gross domestic product (GDP) and supports the livelihoods of over 70 percent of the population. Still, while opportunities for investment are plentiful, most financial institutions in Tanzania have typically shied away from the sector, perceiving agriculture lending to be too risky.

In support of agricultural lending, the USAID-funded Feed the Future Tanzania Enabling Growth through Investment and Enterprise (ENGINE) Program partnered with the Tanzanian Institute of Bankers (TIOB) to develop and implement a comprehensive training program for bankers on agriculture finance. However, following a December 2018 meeting of business advisors, also known as business development service providers (BDSPs), ENGINE noted that there was a market demand for additional training, specifically on agriculture finance. In response to this demand, in March 2019, ENGINE and TIOB hosted trainings in Mbeya and Iringa and opened it up to both bankers and members of ENGINE's BDSP network. The resulting trainings, which took place in Mbeya from April 6-8 and in Iringa from 11-13 included a total of 42 participants. The trainings were not only rich in technical content but also with opportunities for bankers and BDSPs to network with and learn from each other.

One of the bankers who attended the training in Iringa was John Deonath of Accessbank Tanzania. Speaking of the event, Deonath said: "I have received three benefits from this training. First, now that I'm learning about agricultural needs, I know which loan to offer and which terms should be given. Second, by my association with BDSPs, I can add to my potential customer database—



A participant in Iringa presents his work to the group.



John Deonath of Accessbank Tanzania

BDSPs are connected to groups and I now can consider group loans where I do one loan for 20 people, not 20 separate loans, which saves time and reduces risk. Third, I see that I can use information available about market fluctuations for various crops to determine risk. I look forward to a strong relationship with BDSPs in the future—we add value to each other.” Deonath also noted that farmers seldom have good business plans. In the future, Deonath will refer farmers who need help with their business plans to a BDSP.

Bank of Africa (BOA) Branch Manager, Henry Constantine Kimborg, also attended the training in Mbeya. Mr. Kimborg has worked for BOA for the past nine years and admits that they’ve experienced a lot of challenges in lending to agribusinesses, in particular to smallholder farmers and processors. He reaffirmed BOA’s commitment to support small and medium-sized agricultural companies. “A huge barrier in lending to this sector is a lack of financial literacy. I believe that by partnering with certified BDSPs we can train prospective customers to ensure that they will make sound financial decisions, especially when selecting a loan product, and understanding their interest rate and payment schedule.” When asked about the training, Kimborg said “There was a session on the new and emerging trends in agricultural value chain financing, which gave me a lot of good ideas to bring back to the bank. I believe that by analyzing the value chain activities, actors and their linkages, banks can do a better job of structuring financing according to the needs of their customers.”

Although attending the Mbeya training as a BDSP, Nduwayo Dominic Mzonya is no stranger to the banking industry. He previously worked at Equity Bank in Nairobi and the Tanzania Women’s Bank in Dar es Salaam. Currently, he is a financial consultant for HD Agribusiness and works on building the financial capacity of actors within the rice value chain in Mbeya. He works directly with small enterprises to prepare them for financing through improving their recordkeeping, developing their business plans and looking for inefficiencies within their operations. “We don’t normally get the opportunity to sit in the same room with bankers,” says Mzonya. “The training created a camaraderie between the two groups and both sides were openly sharing their challenges with lending in the agriculture sector.”



Godwin Mabagala of Rural Consultancy Company Limited

Godwin Mabagala, Field Officer at Rural Consultancy Company Limited in Iringa, was another BDSP that appreciated the TIOB training. He has been a mentor, coach and consultant for small, medium, micro and co-op agricultural groups since 2006. Says Mabagala: “I wanted to sharpen my knowledge—to become more current about agricultural loan policies to assist my clients. I also hoped to network with other BDSPs. I’ve accomplished both these objectives at this training.” Through its work with BDSPs and financial institutions, ENGINE is strengthening the capacity of enterprises to apply for agricultural finance and in doing so, is removing a key constraint for agricultural value chains and the businesses that feed into them.

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Business Development Services Facilitate Profitability and Growth

After graduating from Sokoine University with her agribusiness degree, Fatuma Issa Mbagar was determined to put her new education to good use to open an agribusiness. When she first started her business, less than a year ago, with 70,000 Tanzanian Shillings, she sold one product—tea masala. Recognizing that she needed to diversify her small business, Fatuma sought outside resources to help her expand.

With the assistance of the USAID-funded Feed the Future Tanzania Enabling Growth through Investment and Enterprise Program (ENGINE), Fatuma applied and received a credit or e-Coupon, which subsidized the cost of business development services, which made additional business development services and trainings affordable to her. Through this program, she was also introduced to business development service provider (BDSP) SUGECO. ENGINE partners with BDSPs, such as SUGECO, to provide technical expertise in BDS help small and medium businesses remove key constraints to their businesses' growth, with a focus on women and youth engaged in agricultural value chains.



Entrepreneur, Fatuma Issa Mbagar, with her agribusiness products

Revocatus Kimario, SUGECO's Executive Director stated, "We teach and show youth their own potential; we don't provide fish here, we teach how to fish. Once the youth have a 'can do' mindset and recognize their potential, technical training can begin. Youth must see and experience to believe so we demonstrate value chains which are dynamic and economically sound. They need to be shown a direction."

After using her ENGINE e-Coupon, Fatuma expanded her business' offerings and now carries five products and values her business at 700,000 TZS. Following the training, she noted, "I could not have grown like this without the training I that got from SUGECO where I learned processing, preserving, how to market, and where I have use of the incubator, mill machines and hot solar houses for drying." Fatuma now buys raw products such as ginger, cereals and masala from farmers, which she then mills, processes, packages and sells at small shops, supermarkets and at exhibitions. Fatuma's business now earns a profit of 100,000 to 200,000 per month for each product.

Fatuma is one of the hundreds of business owners who has benefitted from the ENGINE's e-Coupons, which links business owners with technical training and business development services. Thanks to these services, Fatuma now harbors a dream of growing her business further into the agribusiness sector in the future.

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