



USAID
FROM THE AMERICAN PEOPLE



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DAI PESA Project Overview



How the USAID-funded
PESA Project
put \$240 extra in the pocket
of each of 21,000 farmers in 2005

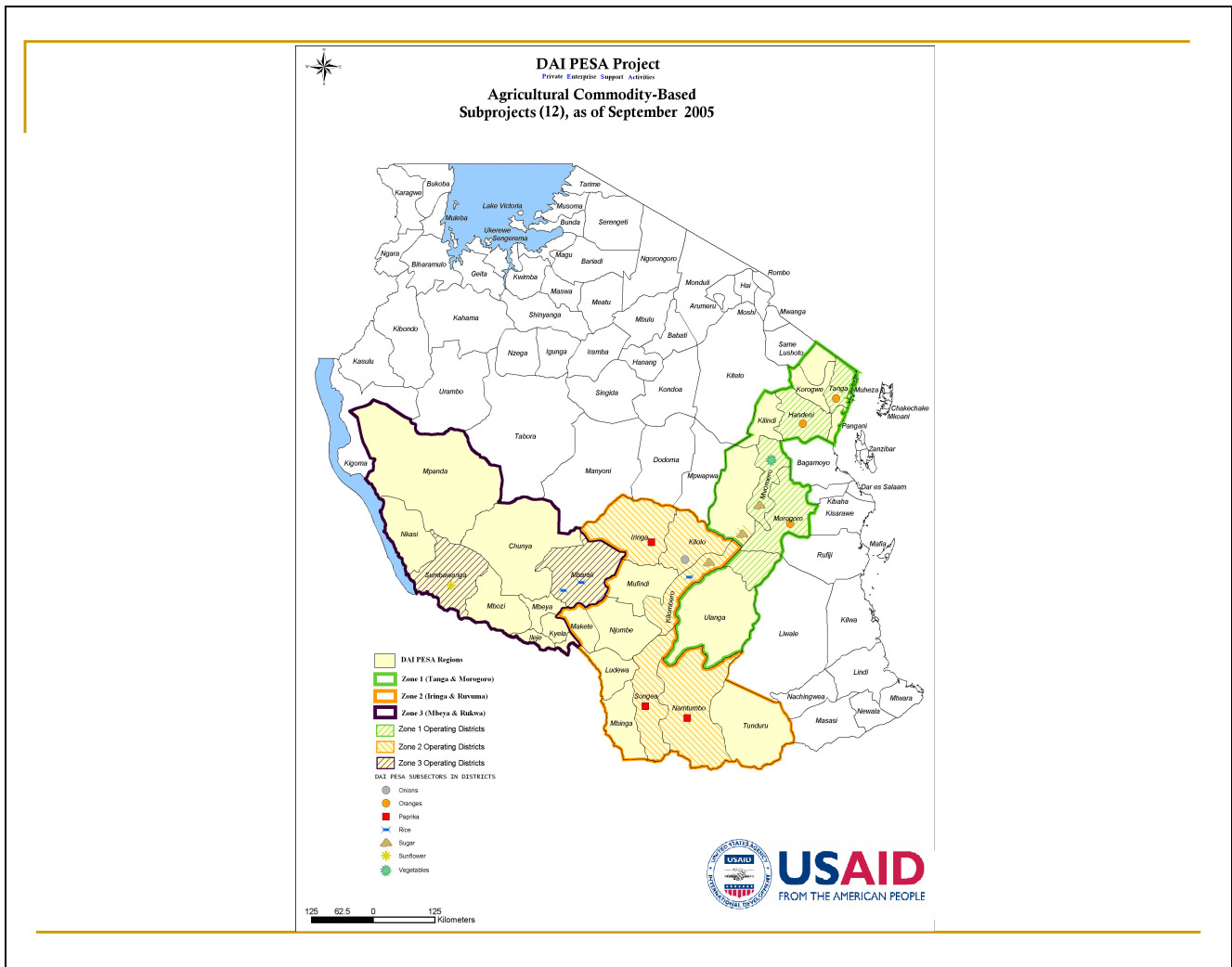
- The DAI PESA Project: SO12 “**Incomes of Small Farmers Increased in Selected Agricultural Commodity Subsectors**”
 - The figure above represents an average increase in income across the 21,000 project supported farmers in 12 project subsectors based on annual surveys of a sample of farmers from each subsector
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Project Background

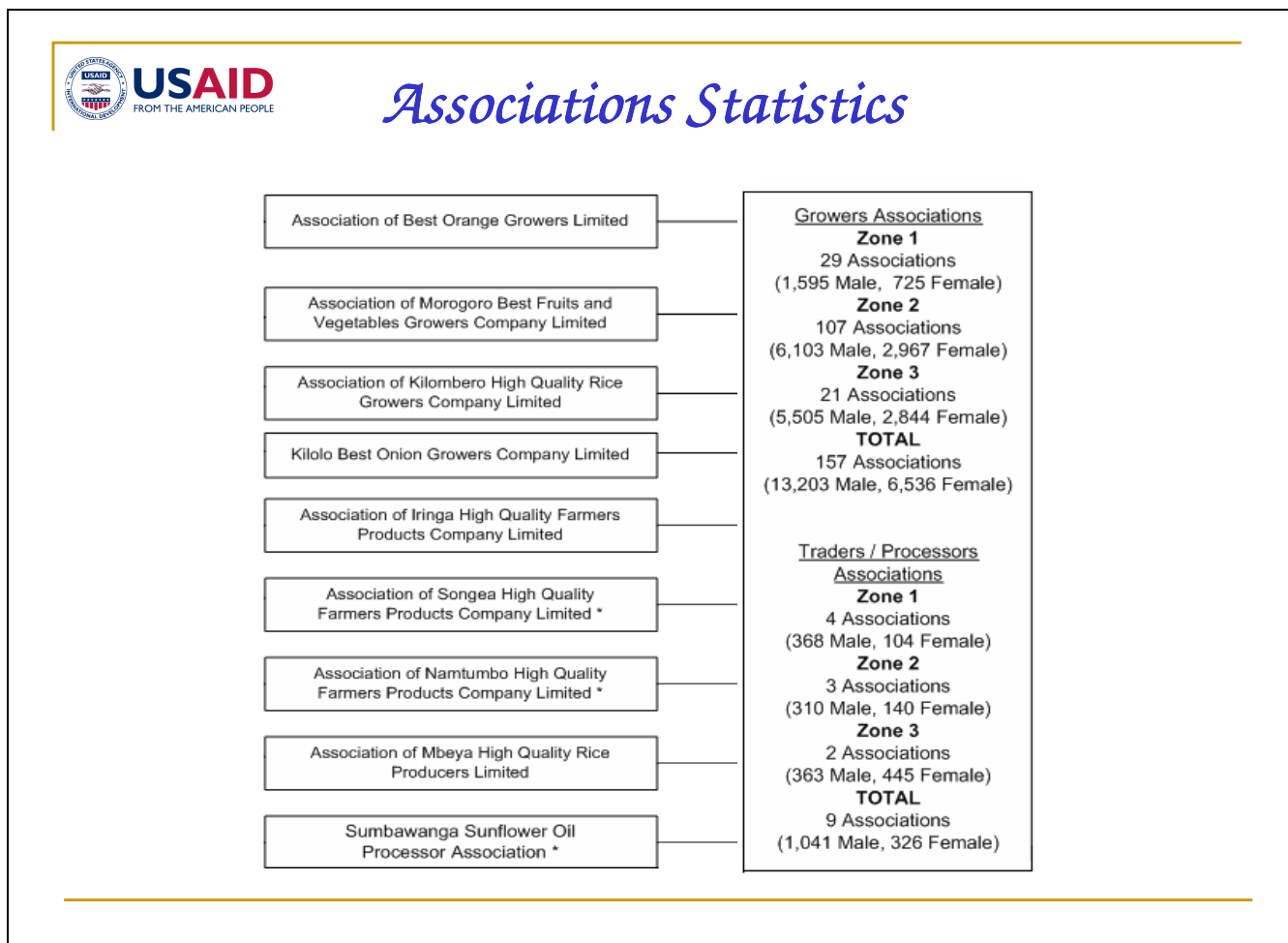
- LOP 10/ 02 – 9/ 06
- Funding \$12.0m (reduced to \$8.4m)
- Project area: Regions of Tanga, Morogoro, Iringa, Mbeya, Ruvuma, Rukwa
- Launched: February 27, 2003
- First subsector studies: rice and citrus, March/ April 2003
- Head office Dar and zonal HQs in Morogoro, Iringa, Mbeya
- Total project staff of 28, of which 10 support and 18 professional

- We follow an integrated subsector, or value chain, development methodology.
- We do supplementary work in policy (cashews, weights & measures) and carried out an update of Investors Roadmap



- Based on successive subsector and competitive studies, project increased to 12 commodity-based subprojects.
- Major attention was needed for farmers to move from being passive peasants to becoming active business people. Many hadn't a clue that they were part of the private sector, nor that they could develop a role of power in a market economy.
- Even where we found producer organizations at all, organizational development support need was paramount.
- Our first priorities, then, were to foster formalized organizations, to inculcate a market economy understanding, and to prepare farmers to work as small businesspeople. In short, we needed to create entry-level competence for farmers to turn a market economy to their economic advantage.
- We utilized an associations model to address key market and organizational constraints faced by smallholder farmers to allow them to become more competitive business units and provide a platform for dialogue with private sector partners and government.
- With entry-level supplier competence established, we soon added technical farming training to the agenda, so that farmers could be more efficient and that they could produce the specific varieties in demand.
- Thereafter, we started to encourage farmers to take on supplementary cash crops to hedge their portfolios. These include beans and soya in Songea, Artemisia in Iringa, and birds-eye peppers in Kilombero, to name just a few.

- Loans for inputs were, and still are, a major constraint. We have prepared farmers for ascendancy to savings & loan associations and have successfully linked farmer associations to various loan programs. The reason they were accepted as clients is because they, as groups and as individuals, have achieved adequate organizational, business, and farming know-how.
- In the three years since launch, we have come to work with 159 producer associations and 7 trade and processor associations.
- These have a combined membership of some 21,000 people of which a third are women. The direct impact of gains are felt by their entire households, encompassing 100,000 family members.
- Over two-thirds of the producer associations were started from scratch with our project assistance, and the others were substantially transformed.
- Our achievements in bringing our clients forward economically is owed to dedicated, on-the-ground staff, and persistence in endeavors for these past 3 years.



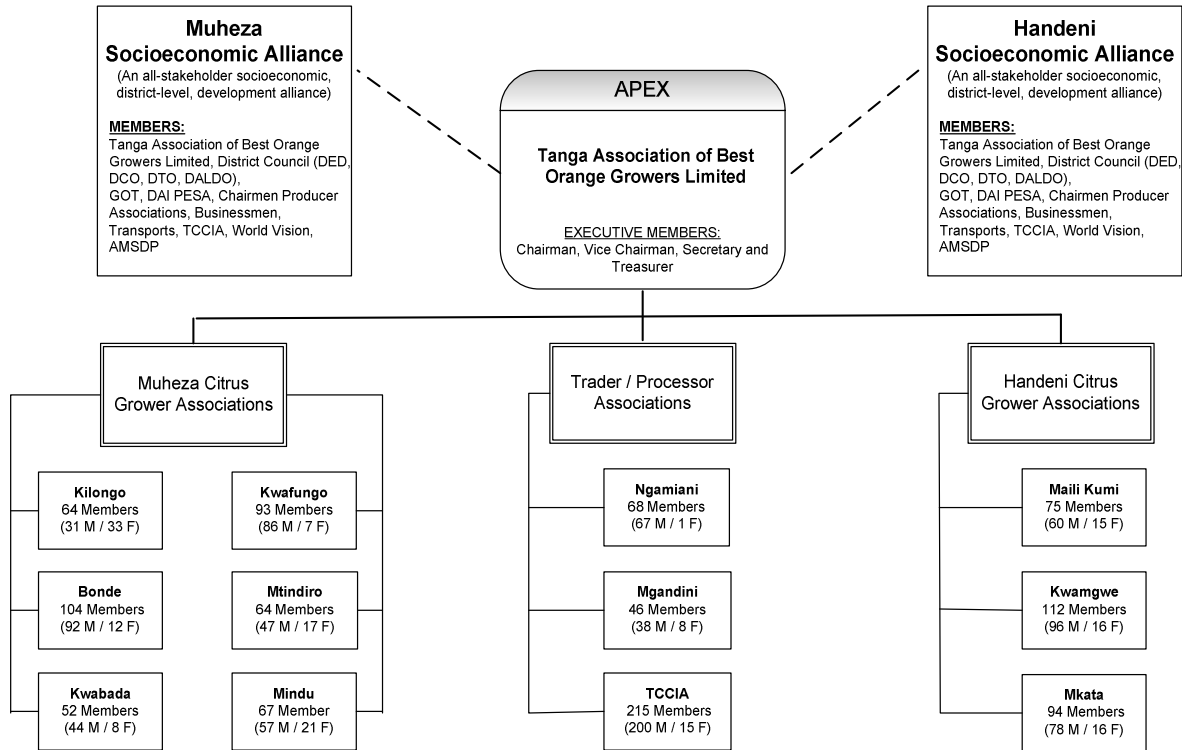
- Looking to make producer associations sustainable after our project ends, our Associations & Policy Advisor came to the conclusion that this could best be achieved by creating a series of regional apex associations as the commercial and service face for their member associations
- Starting just one year ago, these regional apex bodies have been brought into existence.



CBO & Apex Comparison

	Village Associations (CBO)	Apex Association
1.	Registration – Ministry of Home Affairs	Registration – Ministry of Industry and Trade
2.	Not-for-profit Organizations	For-profit Organizations
3.	Registration takes 1 to 2 Months	Registration takes 1 – 2 Weeks
4.	Registration Fees – TShs. 150,000/-	Registration Fees – TShs. 165,000/-
5.	Annual Fees – TShs. 40,000/-	Annual Fees – TShs. 2,400/-
6.	Office Location – Village	Office Location – Town / Suburban
7.	Difficult to Hire Manager	Easy to Hire Manager
8.	Difficult to Influence Policy Changes	Easy to Influence Policy Changes
9.	More like a Social Club	Business Association (Company)
10.	Easy to Cancel Registration	Only if they Declare Bankruptcy
11.	Little Trust for Financial Institutions	Financial Institutions Trust Companies
12.	Government can Interfere e.g. Policy	Private Sector – No Government Interference

- In this table, you can see clearly the complementary relationship between the new apexes, registered as private for-profit companies, and the producer associations, registered as community-based organizations under the Ministry of Home Affairs.

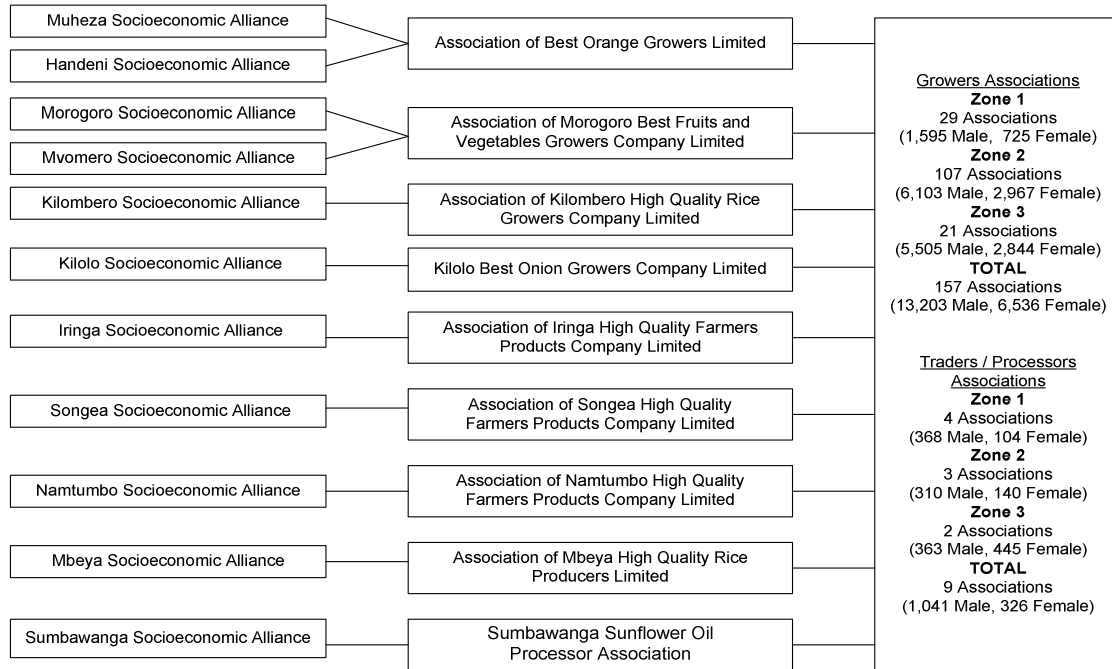


- This is a sample of what one of our 12 subprojects looks like organizationally. The orange subsector in Tanga comprises of 12 primary producer and trader associations, which are all organized into the Tanga Association of Best Orange Growers apex. The apex is registered as a private company with the goal of increasing farmer incomes and their lives through marketing and advocacy. The apex then forms the core of the district-level socio-economic alliances, which also include stakeholders from government, donor agencies and the private sector to resolve pressing business and cross-cutting issues.





Total DAI PESA Fostered Associations Organizational Chart as of January 2006



- From the beginning we realized that producer associations would normally not be strong enough in numbers and know-how to carry forward a vigorous policy reform agenda with Government.
- One ploy we have taken to promote an uplink to policy change was by collaborating with the district and regional chapters of the TCCIA (Tanzania Chamber of Commerce, Industry and Agriculture). This, nonetheless, also lacked potential to fully develop an ongoing agenda.
- It was apparent to us that though Government has mandated regional and district-level collaboration with private sector, no workable mechanism to gainfully achieve this was in place in any of our 11 districts.
- We piloted our concept of district-level public-private socioeconomic alliances in the district of Muheza, in Tanga, where we support citrus growers. We were satisfied that this created a great dynamic to bring public officials, private enterprise and facilitating agencies all together for mutual gain. We see that the USAID funds in our project will be leveraged far beyond the initial commodity subsectors we started with, and cause beneficial resolution of a plethora of socioeconomic issues in each and every of the 11 districts.



Results (to 30/9/05)

- 166 associations, of which 157 grower
- 21,106 members, representing about 100,000 family members
- Core crop increase of sales FY2005 \$15 million, or 42% above prior year. This increases substantially when taking into consideration other cash crops affected.
- Membership increase FY2005 19.5%
- Core crop increase in kgs FY 2005 +20% (excluding Kilombero Sugar)
- Total trained (in 2 ½ years) 43,361
- First ever direct farmer exports to Kenya of oranges and onions
- Majority members now linked to SACCOS and credit programs, accessing improved seed and inputs and even power tiller acquisition.
- Through pre-feasibility study and brokering DP has linked Madibira farmers to ADF and Chimala/ Usangu farmers to AMSDP warehouse receipt schemes.

- The proof of our approach is in the pudding: overall member farmer incomes FY 2005 over FY 2004 have increased over 42%, to some \$15 million for core crops alone. That is approximately \$240 extra per year in the pocket of the average member. Approximately 2/3rds is due to better prices from either up-channel markets or with same markets through increased market understanding, and the other 1/3rd from improved farming, access to inputs, etc.
- The total number of trainees between May 2003 and September 2005 was 43,000. Impressive as these numbers are in themselves, more impressive yet are the impact numbers reported by a sample of 843 graduates in April 2005. They reported:
 - MSEs who increased income following training: 92%
 - MSEs making profit in their business: before training 36%, following training 86%
 - MSEs who joined SACCOS following training: 68%
 - Diversification of business types/Introduction of other businesses 67%
 - Technical training increased crop husbandry skills 96%
- We are particularly proud to say that farmers from both of our citrus subprojects have exported directly to Nairobi, as have onion farmers from Kilolo district. To go from not even knowing your role in the market economy to being an exporter in two or three years is a marvelous accomplishment.
- In Mbarali District, Mbeya, we work with two paddy subprojects. At Madibira we brokered an arrangement with the ADF for \$230,000 funding of a warehousing and milling scheme to allow farmers to profit from upticks in prices post-harvest season. It has already produced a \$55,000

profit-sharing with participating members. Expectations are for the 3,000 members to share \$600,000 profit next season, an additional \$200 per member.

- In Chimala, we did a pre-feasibility study for warehousing receipt guarantee, with the same objective, and then interested IFAD's AMSDP to put it into action. AMSDP provided funding of \$1 million to fund the system, which opened in November 2005, after harvest end. Nonetheless, by February increases in prices have resulted in a \$50,000 increase in income for participating farmers. If all 2,000 project-supported farmers participate in the WRS in the May-October harvest season, anticipated gains in income will be about \$450,000 or \$225 per farmer, which represents a 27% increase in income.
- In Mbarali also, our project promoted a demonstration plot for paddy, and this was taken over by the WWF. Already farmers are conserving water and increasing production as a result. With the drought in our midst, this takes on added importance.
- We have taken volunteers from the Global Service Corps SOS program two years running now, whereby several thousand villagers are trained in bio-intensive agriculture to be able to produce vegetables more easily and in greater output. This is of particular importance for those weakened by HIV/AIDS, from the standpoints of work, nutrition, and supplementary income.
- With CAMFED (Campaign for Female Education), we have organized business training seminars for young women to enable them to fend for themselves in developing their own businesses.
- Additionally, the project has been a most effective tool for empowerment at the base of the socio-economic pyramid. We believe that the socioeconomic alliances we are propagating are extremely powerful purveyors of a "town hall" type of democracy at district level.
- Likewise, we have played a strong card in HIV-AIDS mitigation, sometimes as a platform to reach 100,000 people and sometimes as an active participant in providing sought-after guidance.