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

1ST QUARTER PROGRESS REPORT
FISCAL YEAR 2018

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Acronyms

AAOR	Alternate Agreement Officer Representative
AFRICA LEAD II	Building Capacity for African Agricultural Transformation Project II
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
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
FSVC	Financial Services Volunteer Corps
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
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
MEDA	Mennonite Economic Development Associates
MEL	Monitoring, Evaluating, and Learning
MFI	Microfinance Institution
MIVARF	Marketing Infrastructure, Value Addition and Rural Finance
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
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
SME	Small and Medium Enterprise
SoW	Scope of Work
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
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
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 Volunteers for Economic Growth Alliance's Leader-with-Associate Cooperative Agreement No. EEM-A-00-04-00002-00, Associate Cooperative Agreement No. AID-621-LA-16-00002, VEGA/IESC implements the Feed the Future Tanzania Enabling Growth through Investment and Enterprise Program (ENGINE). The period of performance for the award is September 1, 2016 – August 31, 2020.

IESC is the lead implementer of ENGINE, joined by sub-contractors International City/County Management Association (ICMA), Mennonite Economic Development Associates (MEDA) and Diligent Consulting Limited. Under this agreement, VEGA/IESC supports USAID's Development Objective 2: Inclusive broad-based economic growth sustained.

QUARTERLY PROGRESS REPORT

The purpose of this document is to report the program's progress during the 1st Quarter of FY'18.

SUMMARY OF RESULTS

Deliverables: The 4th Quarter Progress and Annual Report for FY'17 were submitted to and approved by USAID. IESC/VEGA also submitted a revised MEL Plan to USAID for review on 15 December 2017.

Programmatic Milestones:

Component 1: Implement Policies for Growth

- ENGINE's official launch was held in three Mainland District Councils and five districts in Zanzibar;
- Seven public-private dialogues (PPDs) were facilitated during the reporting period; and
- Action plans were completed for the Mbeya City Council and PORALG-SD.

Component 2: Business Development Services

- Trainings and technical assistance in financial management and marketing were provided by three expert volunteers to 71 BDS providers (BDSPs);
- Information sessions on BDS services and the e-Coupon initiative were attended by 419 SMEs; and
- The e-Coupon system development was completed and the USAID AO approved IESC's request to incorporate 38 BDSP vendors into the e-Coupon initiative.

Component 3: Access to Finance for Growth

- The Bizfundi online market linkage platform was launched at a press conference attended by local 13 media outlets; and

- Three volunteer finance experts provided training to 30 financial institution staff members and 47 BDSPs. IT and data management-related technical assistance was also provided to one bank.

II.   1st Quarter, FY'18 Progress

Component 1: Implement Policies for Growth

Strengthening Regional and District Business Council Meetings: During the reporting period, ENGINE facilitated two Regional Business Council (RBC) meetings in Morogoro (November and December 2017), and a District Business Council meeting in Kilosa (December 2017). The key issues discussed during the meetings included:

- In support of the GoT SME policy of 2003, the forums discussed methods for strengthening business capacity based on industry classifications and categories;
- LGA industrialization strategies with specific discussions surrounding the Morogoro Regional Strategy; and
- Private sector emphasis on the fact that TCCIA needs to play a more active role in lobbying the government to develop solutions to private sector challenges.

Program Launch: In October and November 2017, ENGINE held official launch events in mainland Tanzania and Zanzibar. In the mainland, the launches were held in Kilosa (Morogoro), Mufindi (Iringa) and Kyela (Mbeya) districts. In Pemba, ENGINE officially launched in Chake Chake Town Council and Wete District Council. In Unguja, ENGINE launched in the Urban, West A and West B Municipal Councils.

During the mainland Tanzania launch events, the key issues identified included: the lack of educational trainings on business formalization and licensing processes; complex LGA systems and guidelines; multiple business taxes; and the lack of stable and reliable markets for agricultural products. The events in the mainland were attended by 142 participants including 34 women, 108 men and 107 youth.

In Zanzibar, the key issues that were identified included: the limited prospects for MSME access to finance, with limitations on the number of loans issued; the lack of stable and reliable markets for agricultural products; high MSME loan interest rates; the lack of stable and reliable markets for agricultural products; poor LGA solid waste management; and educational and technical gaps in MSME business skills. The Zanzibar launch events were attended by 148 participants including 63 women, 85 men and 45 youth.

Expert Volunteer Assignments: During the 1st Quarter of FY'18, volunteer experts completed assignments in all of ENGINE's regions. These assignments included Policy Reform Prioritization Tool (PRPT) trainings to district core teams in the Morogoro and Iringa Municipal Councils and the Kilosa and Mufindi District Councils; organizational capacity development support to Iringa and Mbeya TCCIA regional chapters; a solid waste management assessment in Mbeya; and the development of a scope of

work for a Decentralization by Devolution (D-by-D) assessment in Zanzibar. The results of the assignments included the following:

- Fifty-two public and private sector participants (18 women, 34 men and 8 youth) received PRPT training.
- With technical assistance and facilitation from ENGINE's volunteers, the Mbeya and Iringa TCCIA regional chapters conducted business development review sessions, which led to agreements to reduce service levy rates. A further resolution from these meetings was that TCCIA should expand its membership.
- In Mbeya, a solid waste management volunteer concluded that the current waste management by-law should be reviewed through a PPD.
- A volunteer expert assessed PO-RALGSD's Zanzibar D-by-D initiative. The results of the assignment included the following recommendations on how to efficiently operationalize the process: 1. Create a steering committee chaired by PO-RALGSD (with an equal number of ministry and LGA members); 2. Define the services that needed to be devolved and recognize the roles of the individual ministries in doing so; and 3. Identify the laws, policies and procedures that should be harmonized in the future.

Component 2: Equip Businesses for Growth

Formalization of Relations with BDSPs and Volunteer Technical Assistance (TA): During the reporting period, ten BDSPs (eight of whom were identified during this quarter) completed the assessment process and received technical assistance plans, bring the total number of BDSPs that have received technical assistance plans to 98. Twenty-eight BDSPs signed collaboration agreements with ENGINE, increasing the total number of signed agreements to 84 BDSPs.

During the quarter, two of the three Component 2 expert volunteers provided follow-up TA to 58 BDSPs in BDS design, delivery, client relationship management and quality control, while one volunteer delivered training to 60 BDSPs on internal/external communications. Across the four regions, assistance to BDSPs was delivered through group trainings (involving the 71 BDSPs) and one-on-one coaching/mentorship to 58 BDSPs. Ninety BDSP staff participated in group trainings, coaching and mentorship sessions facilitated by the three volunteers.

e-Coupon System Development: Field testing of the e-Coupon system was conducted and included 38 BDSPs in Morogoro, Mbeya, Iringa and Zanzibar. The results of the tests were conveyed to the system developer and amendments were made to ensure that the system was ready for piloting in January 2018. USAID approval was received to procure vendor services from the initial batch of 38 service providers, of whom, 12 have signed participation agreements with ENGINE. In preparation for the system pilot in the 2nd quarter of FY'18, information sessions were held in Kyela, Kilosa, Mufindi Districts

(in Mainland Tanzania) and in Chake Chake Town Council and Wete District Council in Pemba in December 2017. In total, 419 MSMEs attended the sessions.

Preparations for BDSP Grants: Scopes of work and BDSP eligibility criteria were developed in preparation for a RFA for the development of innovative MSME BDS products. A call for concept notes was issued to 96 BDSPs and 33 compliant responses were received. The concept note evaluation process will begin in January 2018, with up to twelve grants anticipated being issued.

Component 3: Access to Finance for Growth

Technical Assistance by Expert Volunteers

During the 1st quarter of FY'18, ENGINE's access to finance component facilitated the following trainings and technical assistance by volunteer experts:

Figure 1: Agriculture finance volunteer Allyn Lamb (far right) poses with trainees from Akiba Commercial Bank.

- An agricultural finance expert conducted two focus groups with MSMEs to gather information about agriculture-related finance needs, followed by the training of 30 bank staff from Akiba Commercial Bank and PRIDE Tanzania. Trainings were targeted to a small group of senior managers to increase the likelihood of institutional change. Follow-on trainings in agriculture product development with PRIDE are planned for the next quarter.
- The risk management volunteer expert continued the remote analysis portion of her volunteer assignment on Akiba's and Covenant Bank for Women's loan portfolios. The volunteer will return to Tanzania during the 2nd Quarter of FY'18 to brief, train and provide recommendations to senior bank management.
- An IT banking and microfinance expert spent three weeks embedded with Covenant Bank, assessing its current and future management information system needs and assisting bank leadership in the selection of a new core banking system. The volunteer also identified a number of banking practices that posed significant operational risks, which were communicated to USAID/Tanzania and the USAID/Washington Development Credit Authority office. This led USAID to temporarily suspend its portfolio guarantee with Covenant Bank at the end of December 2017.
- An expert finance volunteer made two trips to Tanzania to support the development of a credit readiness training to help MSMEs understand and qualify for commercial credit. During her first assignment in October 2017, the expert met with MSMEs to understand their challenges and needs, with BDSPs to assess their current capacity, and with financial institutions to understand their processes and needs. The volunteer then designed trainings on credit analysis and financial services for BDSPs, and returned to Tanzania in November 2017 to train 47 BDSPs in Mbeya, Iringa, Morogoro and Zanzibar.

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- A remote IT volunteer, provided programming support for the rating function of the BizFundi mobile application, and will continue providing remote support into the next quarter.

Grants to Financial Institutions: Pre-award assessments were initiated for four financial institution grant finalist candidates: FINCA, PRIDE, Yetu Microfinance, and Lulu SACCOS. ENGINE anticipates that the first access to finance grants will be issued in the next quarter.

Selection of Additional Financial Institution Partners: At the end of 4th Quarter of FY'17, ENGINE initiated a process to expand its network of Tanzanian financial institutions by issuing a call for expression of interest (to receive a grant). The initial submission deadline was 31st October, which was extended to 30th November to increase the number of technically qualified applicants. In total, 11 financial institutions submitted an expression of interest. On 19 December, ENGINE's Component 3 team reviewed the applications and shortlisted six institutions.

Partnerships: ENGINE signed partnership agreements with two USG-supported initiatives: the US African Development Fund (to share information about businesses and producer associations) and the USDA-funded Agribusiness Investment for Market Stimulation (AIMS) Program (to coordinate work with BDSPs). In addition, ENGINE also finalized an MOU with PRIDE to further clarify both parties' roles and expectations.

Online Platform Development: Following the launch of the BizFundi Platform on 28 November, the number of visitors to the Bizfundi site increased by 30%, from an average of 69 hits per to 90 hits per day. In addition, there were 44 new downloads of the mobile application, bringing the total number of individual downloads to 168. In support of the platform roll-out, several new features were added to the site, including 1) a rating feature, which allows business owners to rate their BDSP experience and sort and filter BDSPs based on ratings; 2) the integration of mobile number verification into user registrations to prevent the creation of low-quality profiles; and, 3) a financial service access point search functions that allows users to identify commercial banks, MFIs and ATMs located close by.

PLANNED ACTIVITIES FOR NEXT REPORTING PERIOD

Component 1: Implement Policies for Growth

Strengthen PPDs: During the next quarter ENGINE will facilitate three District Business Council meetings (Mufindi, Kyela and Kilosa) and three PPDs and service levy consultations (Morogoro, Iringa and Mbeya). In addition, the program will also facilitate sessions at the national Annual Agricultural Policy Conference, sponsored by the Ministry of Agriculture, Livestock and Fisheries (MALF) and the Agricultural Non-State Actors Forum (ANSAF).

Planned Volunteer Assignments:

Mainland Tanzania	
Location: Morogoro, Iringa and Mbeya	SoW: Volunteers (3) will work in LGAs and TCCIA regional chapters (payment of the Service Levy to the LGA, and increasing TCCIA membership and payment of dues).
Location: Mufindi, Kyela and Kilosa District Councils	SoW: Volunteers (3) will conduct Institutional Architecture Assessments (IAAs) and Action Plans.
Location: Mufindi and Kyela, and to a private sector membership organization in Kilosa (TBD).	SoW: Volunteers (3) will provide organizational development support to TCCIA district chapters and to a private sector membership organization in Kilosa (TBD).
Location: Mbeya and Kyela	SoW: PRPT training of trainers (TOT) will be conducted by an expert volunteer with the District Core Teams in Mbeya City Council and Kyela District Council.
Zanzibar	
Location: Zanzibar	SoW: Volunteer (1) will assist the Zanzibar National Business Council (ZNBC) to develop foundation documents, its organizational structure, an Annual Work Plan and to plan for PPDs.
Location: Zanzibar	SoW: Volunteer (1) will assist the President's Office for Regional Administration, Local Government and Special Departments (PORALG-SD) to facilitate the design of the D-by-D process at the LGA level.

Assess LGA Legal Officer Capacity Building Needs: Policy analysis and capacity building needs assessments will be conducted of LGA Legal Officers in Iringa and Morogoro Municipal Councils and Mbeya City Council. A consultant will train the LGA Legal Officer in policy analysis (using TOT techniques). The trainees will then train the other five ward officers[1].

PORALG: During the service levy coordination meeting with PORALG management on 6 December 2017, ENGINE agreed to facilitate a meeting between the Morogoro, Mbeya and Iringa LGA management and the PORALG Management Committee. ENGINE also agreed to inform (and invite) PORALG management when PPDs are conducted and align LGTI's generation of LGACI data with the PORALG ICT Department database. These activities will be further pursued in 2nd Quarter of FY'18. In addition, during the next quarter, ENGINE will also discuss with USAID the possibility of providing a consultant to PORALG to assist it with the reform of its national LGA III policy.

Zanzibar D-by-D Process: ENGINE will provide a consultant (liaising with the volunteer referenced above) to facilitate the design of the Zanzibar D-by-D process at the LGA level. In the addition, D-by-D support from PORALG will be coordinated as a tool for incorporating lessons learned into future D-by-D endeavors.

Component 2: Equip Businesses for Growth

New Component 2 Lead Firm/Value Chain Methodology: Large commercial (lead) companies with both forward and backward linkages to SMEs operating in Morogoro, Mbeya, Iringa, and in Zanzibar, will be identified and MOUs signed with them. Value chains will be analyzed to identify the technical BDS and access to finance needs of the for SME actors that supply to or purchase from/distribute for large

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[1] Agriculture Officer, Livestock Officer, Health Officer, Ward Executive Officer and Community Development Officer.

commercial companies. ENGINE will facilitate linkages between these value chain actors (SMEs) and specialized BDSPs (providing training) and financial institutions (providing the loans needed for SME growth). BDSP capacity will be built to enable SME suppliers and distributors to operate more efficiently and profitably while they scale-up to support lead firms' expansion, generating increased production and job creation.

Provision of Technical Assistance to BDS Providers: In February/March 2018, two expert volunteers will provide technical assistance to up to 102 BDSPS in financial management and reporting, and service design, delivery and packaging. Five volunteers also will build the capacity of BDSPs in 3rd and 4th Quarters of FY'18 in strategic planning, the diversification of revenue sources, the development of human resource management tools, business management skills, and development of marketing and promotional materials.

e-Coupon System Launch: Commencing in the 2nd Quarter of FY'18, an e-Coupon pilot with three BDSPs from each region will run for one month. After piloting, the 38 approved BDSPs will participate in the market-driven e-Coupon system. By the end of the 2nd Quarter, ENGINE anticipates that 200 e-Coupons will be issued to SMEs in Morogoro, Mbeya, Iringa, and in Zanzibar.

Provision of BDSP Grants: The evaluation, selection, and award process to incentivize BDSPs to design innovative SME BDS products will be finalized in 2nd Quarter of FY'18, with winners chosen from the 33 qualified concept notes already received.

Component 3: Access to Finance for Growth

Finalization of New Financial Institution Partners: The addition of new financial institution partners, from the process initiated during 1st Quarter, FY'18, will continue next quarter. ENGINE will meet with the six shortlisted FIs to determine which are best positioned to become engaged, impactful partners.

Finalization of Financial Institution Grants: Pre-award assessments for the first grants to Tanzanian financial institutions will be completed and grant agreements will be finalized with two FIs.

Launch of BDSP Credit Readiness Service for SMEs: After follow-on training by a short-term consultant, BDSPs will be able to market and provide a credit readiness service to SME clients. In parallel, a separate Bizfundi platform portal will be developed to link SMEs with financial institutions.

Selection of Local Financial Services Training Partner: Component 3 will select a local training partner from the finance training institutions and consultants who they met with in the 1st Quarter. The local training partner will receive support to develop training programs for bank and MFI staff. By building the capacity of local trainers, rather than directly training FIs, ENGINE's technical assistance will become more sustainable and achieve a broader impact.

III. Finance and Administrative Highlights and Issues

Program Staffing Evolution and Transition: During this quarter, ENGINE utilized a flexible staffing model to ensure that programmatic and operations milestones continued to be met. This model included the relocation of the BDS Analyst from Dar es Salaam to Morogoro and the engagement of a local accounting firm.

During this quarter, the BDS Analyst permanently relocated to Morogoro and now spends one week of each month in the Dar es Salaam office. This move facilitates greater regional oversight and capacity building with the Mbeya and Iringa-based BDS Relationship Coordinators.

Following an open and competitive recruitment process, IESC selected Ms. Bridget Ramadhani for the role of Director of Human Resources and Operations. One of Ms. Ramadhani's first recommendations was that IESC engage a part-time bookkeeper through an accounting firm to support the Program Accountant, which was acted on during this quarter. During the next quarter, IESC will also brief USAID on its plans to allocate new resources towards its MEL and Gender and Youth cross-cutting units.

Value-Added Tax (VAT): Since September 2016, IESC has submitted, but has not been reimbursed, for VAT payments by the Tanzanian government. The lack of reimbursement is now a serious concern as it is a substantial amount of money, and could ultimately cause a reduction in the length of the program if it continues.

IV. Crosscutting Issues and USAID Forward Priorities

Figure 2: Members of ENGINE's Component 3 team introduce the BizFundi digital platform to members of the Tanzanian press.

COMMUNICATIONS AND OUTREACH

During 1st Quarter of FY'18, a multipronged strategy was developed to create greater public and stakeholder awareness of Component 2 and 3 activities. This initiative commenced with the 28 November BizFundi launch, which was covered by four print publications, four television stations and five online media with a wide presence in Tanzania. These media outlets possess a combined daily readership/viewership of 300,000+ people. In addition, ENGINE's Deputy Chief of Party was also featured as part of a 45-minute "Business Edition" program on Capital Television. The topic of the interview was the role of the digital platform in enabling business in Tanzania.

During the quarter, press releases were developed with local TCCIA chapters to promote the replication of the Morogoro PPD service levy success (September 2017) in Mbeya (November 2017) and Iringa (December 2017). Press releases were covered in both public and private sector media: five print publications, five online media, and two television stations.

GRANTS

During the 1st quarter of FY'18, ENGINE's Grants Manager supported the following activities:

- The submission of a grant application for USAID approval for a Component 1 sub-grant to the Local Government Training Institute (LGTI) to develop, field test and administer the Local Government Authority Competitiveness Index (LGACI) framework questionnaire.
- Following a non-compliant grant application from the Zanzibar Office of the Chief Government Statistician (OCGS) to conduct a business formalization baseline survey, the Grants Evaluation Committee elected to provide OCGS with an expert volunteer to build its capacity to develop a technically sound grant application.
- Released a sub-grant solicitation to BDSPs currently receiving technical assistance from the program. Forty-two concept notes were received, with 33 determined to be compliant with submission requirements. Technical evaluation of the concept notes will be completed in January 2018.
- Conducted pre-award assessments and due diligence of financial institutions for sub-grants to support expanded product offerings and to develop their ability to increase lending to women- and youth-owned MSMEs.

ENVIRONMENTAL COMPLIANCE

During the quarter, ENGINE continued to implement program mitigation measures, as per the Environmental Mitigation and Monitoring Plan (EMMP). In support of these mitigation measures, a volunteer expert worked with the Mbeya City Council Waste Management and Environment Department to analyze and recommend environmentally sound design and waste management improvements in Mbeya City. These suggested improvements aligned with GoT National Environmental Management Council (NEMC) and USAID Reg 22 CFR 216 environmental procedures.

With the support of the program's Environmental Consultant, ENGINE developed an Environmental Training Program (ETP) to improve BDSPs' capacity to assist MSMEs in the identification and management of environmental impacts and compliance requirements. The ETP will be delivered and completed in April 2018. The training's content will address the USAID-approved EMMP requirement that BDSPs are provided with and consulted on the USAID Global Environmental Management Support Project (GEMS) Sector Environmental Guidelines. Using a ToT approach, the grants manager will collaborate with the BDS coordinators to provide the training to future BDSP vendors, based on the experience gained from initial training by the consultant.

GENDER & YOUTH

During the quarter, initial talks between ENGINE and the Zanzibar Youth Council (ZYC) were held to discuss ZYC's request for assistance to develop the capacity to manage a revolving loan fund

administered under the Ministry of Labour, Empowerment, Elderly, Youth, Women and Children Department of Economic Empowerment.

SUSTAINABILITY

Following the completion of the 1st quarter of FY'18, ENGINE's documented sustainability plans continue to be housed under Component 1 as the activities under components 2 and 3 are in their infancy or in the pilot stages. Component 1's efforts to ensure that the use of the program's tools and outcomes continue after the program's end date include building on the agreements reached with PORALG management in December 2017. As a result of this meeting, ENGINE will work with PORALG's ICT Unit during the next two quarters to integrate the LGACI and PRPT into its systems. The ICT unit will participate in the development of ENGINE's policy reform tools and will assist in their roll-out to the 185 LGAs in Tanzania mainland as part of PORALG's increased alignment with (and ownership of) ENGINE's facilitation of LGA policy reforms (e.g. the service levy reform achieved in Morogoro, Mbeya and Iringa in 4th Quarter of FY'17 and 1st Quarter of FY'18).

In Zanzibar, support to the D-by-D process and the business formalization survey between the 14 ministries and agencies responsible for business registration, licensing and regulation models a whole-of-government collaborative approach. This approach imparts skills and knowledge to LGAs to develop the empirical data required, undertake planning, and manage the policy reform process to improve the local business enabling environment.

V.   Monitoring, Evaluation and Learning

During the 1st Quarter of FY'18, the main MEL activities included a revision of the program's MEL Plan and the finalization of the Indicator Table for the 1st Year Annual Report. During the MEL Plan review, led by the IESC MEL Director (home office), a number of data collection tools were developed and/or improved. In addition, the MEL Specialist facilitated one-on-one M&E trainings to 80 BDSPs, four financial institutions were trained on ENGINE's revised data collection forms and reporting, and the BDSP client database was developed and field-tested.

<u>ENGINE's Learning Agenda</u>

During the quarter, ENGINE conducted an internal evaluation of its Year 1 results, examining the level of effort expended, the budget required to achieve moderate indicator target results, value for money and the program's increasing burn rate. This was supported by Year 1 learning of how the national government /LGA policy review and reform system works (Component 1), the widespread supply-led provision of BDS and the market distortion caused by years of government and donor BDS subsidies (Component 2), and the reduction in loans made to SMEs due to the deteriorating macro-economic environment and the Bank of Tanzania's (BOT) increased liquidity requirements (Component 3). The adjustments to the methodology are further detailed and explained in Annex 1.

ANNEX 1: MEL TABLE WITH ORIGINAL MEL TARGETS

MEL Plan Indicator		Performance Indicator (source of information)	Disaggregation	ENGINE Year One			ENGINE Year Two			Life of Project Totals		
				Target	Total	%	Y2 Target	Q1FY18	%	LOP Target	Total to Date	%
Activity Purpose: Increase private sector investment leading to inclusive, broad-based economic growth in the SAGCOT, plus Zanzibar												
A1	Custom/ Outcome	Percent of target LGAs with improved or maintained Local Government Authority Competitiveness Index (LGACI) scores	Total	Baseline set for first 4 target LGAs	N/A	0%	50%	0	N/A	50%	0	NA
A2	EG 3.2-22/ Outcome	Value of new private sector capital investment in agriculture sector or food chain leveraged by FTF implementation	Total	$ 260,000	$ -	0%	$ 740,000	$ 73,031	10%	$ 10,000,000	$ 73,031	1%
Component 1: Implementing policies for growth												
Sub-component 1.1: Predictability, coherency, and transparency of policies impacting private sector investment increased												
1.1A	Custom/ Output	Percent of investment-related policies reviewed for reform	Total	100% in first 4 target LGAs	0%	0%	100% in next 4 target LGAs	5[2]	N/A	100% in 12 LGAs	5	N/A
1.1B	Custom/ Outcome	Number of policy reform recommendations made to the proper mandated authority in forums with key stakeholders present	Total	40	37	93%	40	51	128%	200	88	44%
1.1C	Custom/ Output	Number of roadmaps for regulations and administrative procedures made publicly available and updated annually	Total	4	1	25%	4	2	50%	12	3	25%
Sub-component 1.2: Pro-economic growth and investment policies fully and effectively implemented												
1.2A	Custom/ Output	Number of individuals trained on the job in gender analysis, policy analysis, advocacy, and implementation	Totals	89	253	284%	71	173	244%	536	426	79%
			Male		182			134			316	
			Female		71			39			110	

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[2] The data source for the denominator (total universal policies) for each LGA is not reliable/well- documented. Hence, this total reports only the numerator (investment-related policies reviewed for reform). This issue has been addressed in the revised MEL plan.

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MEL Plan Indicator	Performance Indicator (source of information)	Disaggregation	ENGINE Year One			ENGINE Year Two			Life of Project Totals		
			Target	Total	%	Y2 Target	Q1FY18	%	LOP Target	Total to Date	%
1.2B	Custom/ Outcome	Average percent change from previous year in business licenses issued across all target LGAs	Total	0%	0%	0%	5%	0%	0%	At least 20% increase	0	0%
Sub-component 1.3: Effective policy reform frameworks sustained											
1.3A	EG 3.1-12/ Output and Outcome	Number of agricultural and nutritional enabling environment policies analyzed, consulted on, drafted or revised, approved, and implemented with USG assistance	Total	80	2	3%	120	9	8%	480	11	2.3%
			Stage 1	80	1	1%	80	5	6%	240	6	2.5%
			Stage 2	0	1	0%	40	4	10%	120	5	4.2%
			Stage 3	0	0	0%	0	0	N/A	60	0	0.0%
			Stage 4	0	0	0%	0	0	N/A	40	0	0.0%
			Stage 5	0	0	0%	0	0	N/A	20	0	0.0%
1.3B	Custom/ Outcome	Percent of operating units across target LGAs and anchor institutions receiving policy analysis capacity building	Total	75% in each of the first 4 target LGAs	74%	99%	50% in next target LGAs	45%	90%	57% across all target LGAs	60%	104%
1.3C	Custom/ Output	Number of broad stakeholder agriculture policy and private sector forums established or supported annually	Total	4	14	350%	4	4	100%	12	18	150%
New	Custom/ Output	Number of institutions engaged in policy reform work strengthened or established	Total	New Indicator	9	N/A	8	14	175%	34	23	68%

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MEL Plan Indicator	Performance Indicator (source of information)	Disaggregation	ENGINE Year One Target	Total	%	ENGINE Year Two Y2 Target	Q1FY18	%	Life of Project Totals LOP Target	Total to Date	%
Component 2: Equipping for growth											
Sub-component 2.1: Increase the supply of accessible, quality SME business development services											
2.1A	Custom/ Outcome	Number of BDS providers receiving ENGINE assistance	Totals	8	95	1188%	12	71	592%	60	166	277%
			Female		49			25				
			Male		37			38				
			Sex not indicated		9			8				
2.1B	Custom/ Outcome	Value of sales by ENGINE supported BDS providers	Totals	$ 100,000.00	$0	0%	$ 240,000	$ -	0%	$ 1,300,000	$ 0	0%
Sub-component 2.2: Increase demand for formal business development services											
2.2A	Custom /Output	Number of MSMEs purchasing services from ENGINE-supported BDS providers	Totals	120	0	0%	220	0	0%	1,040	0	0%
			Female Owned		0			0		312		
			Male Owned		0			0		728		
2.2B	Custom/ Outcome	Percent change in revenue of MSMEs within the ZOI that purchase services from ENGINE-supported BDS providers	Total	0%	0	0%	15%	0%	0%	15% increase on average	0	0%
2.2C	Custom/ Outcome	Number of jobs created by private enterprises, business associations, and CSOs within the ZOI who received ENGINE assistance	Total	100	0	0%	850	0	0%	3,000	0	0%
			Youth	30	0	0%	255	0	0%	1,000	0	0%
2.2D	EG 3.2-21/ Outcome	Number of firms (excluding farms) or CSOs engaged in ag and food security-related manufacturing and services that have increased profits or become financially self-sufficient with USG assistance	Total	9	0	0%	54	0	0%	235	0	0%

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MEL Plan Indicator	Performance Indicator (source of information)	Disaggregation	ENGINE Year One			ENGINE Year Two			Life of Project Totals		
			Target	Total	%	Y2 Target	Q1FY18	%	LOP Target	Total to Date	%
Component 3: Financing for growth											
Sub-component 3.1: Leverage DCA loan guarantees											
3.1A	Custom/ Outcome	Aggregate	3.4%	4.9%	144%	13.0%	4.9%[3]	38%	45.0%	4.9%	11%
		Akiba	2.4%	0.0%	0%	13.2%	0	0%	48.6%	0	0%
	Percent of DCA utilization among partner financial institutions	Covenant Bank for Women	2.4%	0.0%	0%	13.2%	0	0%	48.6%	0	0%
		CRDB	1.2%	0.0%	0%	6.6%	0	0%	24.3%	0	0%
		Pride Tanzania	7.4%	19.8%	268%	19.3%	19.8%	103%	58.6%	19.8%	34%
3.1B	EG 3.2-3/ Outcome	Number of MSMEs, including farmers, receiving agriculture-related credit as a result of USG assistance	Total	14	0	0%	64	244	381%	288	244	85%
3.1C	Custom/ Output	Number of potentially bankable MSMEs reached	Totals	200	691	346%	300	399	133%	1,200	1,090	91%
			Male		317			255			572	
			Female		368			144			512	
			Not Indicated sex		6			0			6	
3.1D	Custom/ Outcome	Value of business loans to women- and youth-owned businesses within the ZOI from financial institutions receiving ENGINE assistance	Total	$ 331,603	$38,571	12%	$ 1,464,581	$ 142,724	10%	$6,632,064	$ 181,295	3%
			Female		Data unavailable			Data unavailable			0	
			Youth		Data unavailable			Data unavailable			0	
			Akiba		Data unavailable			$ 93,725			93,725	
			CDRB		Data unavailable			Data unavailable			0	
			Covenant Bank for Women		Data unavailable			Data unavailable[4]			0	
			PRIDE		$ 38,571			$ 48,999			$87,570	

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[3] The data source (CMS) is only available semi-annually so the values for Q1FY18 are the same as in the values for 4th Quarter of FY'17.

[4] Data for Covenant Bank for Women is unavailable; this bank was liquidated by the Bank of Tanzania on January 3, 2018.

MEL Plan Indicator	Performance Indicator (source of information)	Disaggregation	ENGINE Year One Target	Total	%	ENGINE Year Two Y2 Target	Q1FY18	%	Life of Project Totals LOP Target	Total to Date	%
Component 3: Financing for growth											
Sub-component 3.1: Leverage DCA loan guarantees											
3.1E	Custom/ Outcome	Number of business loans to women- and youth-owned businesses within the ZOI from financial institutions receiving ENGINE assistance	11	406	270%	48	282	588%	219	688	318%
		Total		406			282			688	
		Female		Data unavailable			Data unavailable			0	
		Youth		Data unavailable			Data unavailable			0	
		Akiba		Data unavailable			101			101	
		CDRB		Data unavailable			Data unavailable			0	
		Covenant Bank for Women		Data unavailable			Data unavailable[5]			0	
		PRIDE		406			181			587	
New	Custom/ Outcome	Number of users registered on the BizFundi platform	Total	New Indicator	180	N/A	600	16	3%	1,380	196	14%
Sub-component 3.2: Increase availability of financial services											
3.2A	Custom/ Outcome	Value of loans facilitated	Total	$ 346,320.00	$ -	0%	$ 1,927,080	$ 244,860	13%	$ 8,726,400	$ 244,860	3%
3.2B	Custom/ Output	Number of partner financial institutions that have purposely revised its policies or practices to cater to overlooked clients as a result of ENGINE assistance	Total	2	0	0%	2	0	0%	5	0	0%

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[5] Data for Covenant Bank for Women is unavailable; this bank was liquidated by the Bank of Tanzania on January 3, 2018.

V

MEL Plan Indicator	Performance Indicator (source of information)	Disaggregation	ENGINE Year One			ENGINE Year Two			Life of Project Totals		
			Target	Total	%	Y2 Target	Q1FY18	%	LOP Target	Total to Date	%
Component 3: Financing for growth											
Sub-component 3.2: Increase availability of financial services											
New	Custom/ Output	Number of Financial Institutions staff trained	Total	New	89	N/A	200	30	15%	850	119	14%
			Akiba		26			15			41	
			CDRB		23			0			23	
			Covenant		22			3			25	
			Pride		18			12			30	
			Men		60			18			78	
			Women		29			12			41	
			Under 35		13			17			30	
			Above 35		22			13			35	
			Not Indicated age		54			0			54	
Cross-Cutting (Volunteerism)											
CC1	Custom/ Output	Number of volunteer expert assignments mobilized	Total	25	28	112%	33	12	36%	117	40	34%
CC2	Custom/ Output	Number of days of volunteer expert service delivered	Totals	771	587	76%	993	273	27%	3548	860	24%
CC3	Custom/ Output	Value of volunteer expert service	Totals	$ 402,640	$388,788	97%	$ 541,560	$ 185,302	34%	$1,894,400	$574,090	30%

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ADJUSTMENTS BASED ON THE LEARNING AGENDA

Component 1: Implement Policies for Growth

ENGINE realized that with finite budget, staff resources and only three years remaining under its Cooperative Agreement, it could not continue to provide increasing levels of capacity building and organizational development strengthening to public and private sectors at its current rate of escalation. To achieve scale and sustainable policy reform, the program needs to limit the policies it works on to those that need reform across many LGAs (are standard) and are replicable in large numbers (represent value for money in terms of scale and impact). Therefore:

- **Number of Policy Reforms.** ENGINE's Year 1 methodology of simultaneously supporting multiple LGA policy reforms (based on IAAs that captured all of Council's policy reform needs) has been modified in Year 2.

Action: The program will focus on 5 key business enabling environment policy reforms in each ENGINE target LGA, if relevant: Service Levy; investment incentives; a to-be-determined agricultural policy; solid waste management and parking fees-.

- **Alignment with PO-RALG and PORALG-SD.** The sustainability of ENGINE-facilitated LGA policy reforms in the Mainland depends on PO-RALG's endorsement of those reforms (as the apex ministry), alignment with its administrative systems, and standardization across as many of the 185 LGAs under its mandate as possible. In Zanzibar, the same holds true of the relationship between PORALG-SD and the 11 LGAs in Unguja and Pemba (although the D-by-D process is just beginning there).

Action: ENGINE will work much closer with PO-RALG and PORALG-SD in Year 2 than it did in Year 1 to align with their policy reform strategies and administrative systems.

- **PPDs.** In Year 1, ENGINE proved that PPDs are an efficient way to promote policy analysis and consultation, creating the possibility of cooperation, consensus and reform (however at present, PPDs are optional, not mandatory). It was clear in Year 1 that the key issue related to PPD sustainability is finance (e.g., budget to pay for them). On average, ENGINE paid for 40 – 50% of the cost of the PPDs it facilitated in Year 1. This is not sustainable, with a rapidly increasing number of PPDs and a limited budget. The value of PPDs has been proven. The public and private sectors at the local level need to assert their ownership of them, with a sustainable commitment to fund them in the future.

Action: In Year 2, ENGINE's contribution to PPD costs will on average reduce to 15 – 20%. The program will lobby both public (PO-RALG in the Mainland and PORALG-SD in Zanzibar) and private sector organizations, such as the TCCIA, to insert a line item in their annual budgets to finance PPDs and/or to

increase the current allocation. Likewise, ENGINE will discuss with PO-RALG and PORALG-SD the advantage of converting PPDs from voluntary public/private discussions to mandatory meetings.

<u>Component 2: Equip Businesses for Growth</u>

In Year 1, ENGINE used a "funnel" approach, starting with large numbers of BDSPs and MSMEs and moving through a process of identification, sensitization, assessment and provision of technical assistance, to determine the much smaller group of "qualified" clients it will work with. This is a resource-intensive methodology that has produced modest indicator target results. Further, it supports the current generic BDSP supply-led provision of BDS to MSME clients who, in large part, are not convinced they need or should pay for those services (particularly after government and donor provision of "free" BDS over many years, which has distorted the market for commercial BDSPs and under-valued the worth of BDS in the eyes of many MSMEs). The e-Coupon voucher partial subsidy initiative was developed to overcome this resistance and to promote the value of BDS to clients who have never purchased business development services before. In Year 2, ENGINE will continue with this approach, but will introduce a new methodology, as follows:

- **Work with Lead Firm Value Chains.** ENGINE will identify and enter into agreements with a limited number of large lead firms, with their own value chains comprised of backward-linked SME suppliers and forward-linked SME processors, transporters, packaging firms, distributors and marketing agents. In order for these large lead firms to grow, they require their value chain actors to grow. This offers an opportunity for ENGINE to provide focused interventions at a cheaper cost, and potentially drive an increase in indicator results, in both Components 2 (facilitation of BDS) and 3 (facilitation of access to finance).

Action: ENGINE will leverage the agreements it signs to assist in the growth of large lead firms, facilitating the provision of specialized BDS and access to finance to their suppliers and distributors along their value chains.

ANNEX 2 – PROGRAM FINANCIAL REPORT

* Volunteer cost share reporting will be reflected on the next month's financial invoice.

ANNEX 3- STAKEHOLDER OUTREACH AND MEETING SUMMARY

Please find below a list of stakeholder and outreach meetings conducted by IESC during the reporting period.

Date	Institution	Meeting Outcome
Component 1		
Date	**Partner**	**Subject**
11ᵗʰ October 2017	Zanzibar Ministry of Agriculture, Natural Resources, Livestock and Fisheries (MANRLF)	ENGINE Management met the new Permanent Secretary of MANRLF to discuss collaboration. Consensus was reached for a MANRLF representative to join the Technical Steering Committee (TSC) for the Zanzibar Business Formalization Baseline Survey and policy reform initiative.
11ᵗʰ October 2017	Zanzibar National Business Council (ZNBC)	A meeting between ENGINE Management and the newly-appointed Executive Secretary agreed on potential support from ENGINE.
11ᵗʰ October 2017	President's Office Regional Administration Local Government and Special Departments (PORALG-SD)	The Permanent Secretary (PS) of PORALG-SD and her team met with ENGINE Management to discuss signing the MoU between the two organizations and to clarify the expert volunteer assignment D-by-D assignment with PORALG-SD.

31st October 2017	Morogoro private sector Service Levy technical team	Private Sector Service Levy technical team members discussed and agreed on their terms of reference,; recommended percentages or categories for the Service Levy and next steps to achieve the by-law reform amendment.
1st November 2017	Zanzibar National Business Council (ZNBC)	Meeting between ENGINE and the Executive Secretary in which the draft MoU was presented (and which will be finalized when the Act establishing the ZNBC is passed by the Zanzibar House of Representatives.
1st November 2017	Zanzibar Ministry of Trade Industry and Marketing (MTIM)	ENGINE provided a briefing on its work and status of the Business Formalization Baseline Survey to the newly-appointed PS and other MTIM senior staff.
8th November 2017	NAFAKA	A value chain workshop meeting was held to create awareness amongst women and youth entrepreneurs on ENGINE's and NAFAKA's activities, and building capacity related to the fortification of crop processing products.
22nd November 2017	Chake Town Council	Launch of the ENGINE Program with a new Local Government Authority in Zanzibar.
23rd November 2017	Wete Town Council	Launch of the ENGINE Program with a new Local Government Authority in Zanzibar.
22nd November 2017	Iringa Regional Secretariat	A business stakeholder meeting was held to discuss, plan and establish a mechanism to conduct sensitization to establish 100 small industries in Iringa by June 2018.
23rd November 2017	Zanzibar Urban Municipal Council	Launch of the ENGINE Program with a new Local Government Authority in Zanzibar.

24th November 2017	Zanzibar West A Municipal Council	Launch of the ENGINE Program with a new Local Government Authority in Zanzibar.
24th November 2017	Zanzibar West B Municipal Council	Launch of the ENGINE Program with a new Local Government Authority in Zanzibar.
24th November 2017	USAID roundtable meeting with stakeholder in Iringa	A USAID roundtable meeting was convened with the USAID Mission Director for Iringa SMEs to identify challenges and opportunities they face in the business enabling environment in Iringa.
6th December 2017	President's Office Regional Administration Local Government (PORALG), Dodoma	ENGINE met PORALG management to provide an update on the program, which included a presentation of ENGINE's accomplishments (July – Dec 2017), with the Service Levy policy reform being the key development. Additionally, the alignment with PORALG's systems of the LGA Competitiveness Index and the Policy Reform Priority-setting Tool (PRPT) was discussed.
6th December 2017	Mbeya City Council	Mbeya stakeholders' consultative meeting to discuss the next steps following PPDs on the Service Levy and S Solid waste management.
12th December 2017	FAO and the Ministry of Agriculture, Livestock and Fisheries Food Security Department	The meeting discussed an analysis of and a training plan related to the chronic food security and nutrition problem in Tanzania (drivers and underlining causes), using the Integrated Food Security Phase Classification (IPC) tool developed by the FAO.
18th December 2017	President's Office Regional Administration Local Government and Special Departments (PORALG-SD)	Meeting with all 5 Zanzibar D-by-D Task Forces to review progress, and conflicting laws and policies that were identified for reform.

21st December 2017	President's Office Regional Administration Local Government and Special departments (PORALG-SD)	Meeting with the D-by-D Policy and Legislative Review Task Forces to validate their findings with LGA Directors, and an instruction to repeal regulations and by-laws was discussed.
Component 2		
1st October - December 12th 2017	BDSPs	10 BDSPs met with the Zanzibar BDS Coordinator to finalize and sign Collaboration Agreements.
1st October - 12th December 2017	BDSPs	8 meetings were conducted with individual BDSPs to confirm Technical Assistance Plans in the four ENGINE target regions.
1st October -19th December 2017	BDSPs	38 BDSPs met with BDS Coordinators, the Component 2 Team Lead and a MEDA e-Coupon system expert and were introduced to the e-Coupon system.
	Kyela District Council	
	Mufindi District Council	
	Chake Chake Town Council	
	Kilosa District Council	
22nd November 2017	NAFAKA	A meeting held in Iringa focused on raising MSME awareness concerning standards, quality, barcodes and safety. The meeting brought together a total of 20 rice processors and 7 staff from partner organizations.
	GS1	
	TFDA	
	TBS	
	RCT	
	rice processors	
4th - 14th December 2017	MSMEs	Component 2 BDS Coordinators and the Component 3 Institutional Partnership Coordinator conducted 5 MSME awareness meetings in Kyela, Mufindi and Kilosa District Councils in Tanzania Mainland, and Wete and Chake Chake in Pemba. A total of 416 MSMEs attended the meetings and 320 MSMEs filled-in intake forms.

17th December 2017	USAID	A total of 9 USAID implementing partner members of the USAID Iringa Hub met to provide updates and discuss collaboration.
	BORESHA AFYA	
	NAFAKA	
	WARIDI	
	SAGCOT Centre	
	D4D	
	DAI	
	JHPIEGO	
	PS3	
Component 3		
2nd October 2017	USDA Agribusiness Investment for Market Stimulation (AIMS) Program (Global Communities)	Strengthening BDS provision and increasing access to finance for SMEs.
10th October; 23rd October; 27th October; 9th November; 17th November; 13th December	Akiba Commercial Bank	Commercial bank finance for SMEs; DCA Guarantee Fund (GF).
10th October; 25th October; 9th November 2017	Center for Entrepreneurship and Executive Development (CEED) Tanzania	Networking and technical support to established SMEs.
13th October; 23rd October; 2nd November; 7th December 2017	Covenant Bank for Women	Commercial bank finance for Women SMEs & DCA Guarantee Fund (GF).
24th October; 14th November 2017	VETA (Vocational Education and Training Authority)- Formal Apprentice Department	Training to sole proprietors working in the skilled trades.
17th October; 10th November; 16th November 2017	PRIDE Tanzania	Microfinance for SMEs; DCA Guarantee Fund (GF).
18th October; 23rd October 2017	CRDB Bank	Commercial bank finance for SMEs; DCA Guarantee Fund (GF).

24th October 2017	East Africa Trade and Investment Hub	Regional economic development.
24th-25th October 2017	Making Finance Work for Africa	Learning, knowledge sharing, networking.
27th October 2017	BRiTEN (Building Rural Incomes Through Enterprise)	Agricultural enterprise development.
2nd November 2017	BRAC Tanzania	A development organization dedicated to alleviating poverty by empowering the poor.
9th November 2017	CREDIT INFO Tanzania	Credit reference bureau.
14th November 2017	Zanzibar Youth Council	Youth economic empowerment.
24th November; 30th November 2017	Rice Council Tanzania (RCT)/ NAFAKA Program	FTF cereals value chain program.
29th November 2017	USAID Implementing Partner Meeting (Iringa Hub)	Learning, knowledge sharing, networking.
30th November 2017	SAGCOT Centre	Investments and PPDs in the SAGCOT region.
30th November 2017	United States Peace Corps	Long-term volunteer support.
21st December 2017	Financial Inclusion Framework launch	Learning, knowledge sharing, networking.
Grants		
30th-31st October 2017	YETU Microfinance Bank PLCs	As part of ENGINE sub grant process, the meeting whether YETU has the necessary management competence to plan and carry out the sub grant. YETU demonstrated the ability to implement the sub grant activity as proposed; however, to conform with ENGINE's practices (as per both USAID and IESC grants management rules and regulations), YETU agreed to use and apply various templates, tools and other mechanisms to appropriately manage this activity.
Monitoring, Evaluation, and Learning		

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| 5th October 2017 | DAI, USAID Contractor for the FUEL Project | Meeting with Andrea Chartok, MEL Specialist, FuEL Project to coordinate FTF standard indicators. The meeting helped FUEL develop a clear understanding of ENGINE's standard indicators, and those that are relevant to FUEL. The FUEL MEL Specialist also developed an understanding of the methodologies that ENGINE uses to collect data on its indicators. |

ANNEX 4- VOLUNTEER ASSIGNMENTS

	Award Total	1st Quarter FY'18	Program to Date	Balance
Total volunteer cost-share	$505,947	$ 185,302.04	$ 574,090**	-$68,143*
Total non-volunteer cost share	N/A	N/A	N/A	N/A
Total volunteer leverage	$1,370,329	$0	$0	$1,370,329
Total non-volunteer leverage	N/A	N/A	N/A	N/A
Other volunteer contributions**	N/A	N/A	N/A	N/A

* Balance may be negative to show value exceeding the amount originally planned.

** Volunteer cost share reporting will be reflected on the next month's financial invoice.

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Total Number of Volunteers Proposed from Award	Number of Volunteers Fielded to Date		Number of Volunteers Remaining to be Fielded
	Male	Female	
117	27	13	77

Name	Assignment Length (in days)	Assignment Description
Sohaib Ahmed	26	To assist Covenant Bank for Women (CBW) conduct an assessment of their current and future management information system needs and to help CBW leadership determine from the available CBS options, which ones are best suited for the bank.
Visar Ademi	26	To assist BDSPs in Morogoro and Iringa to expand their Small and Medium Enterprise (SME) client base by designing and delivering improved or new products, and expanding into new markets.
Allyn Lamb	22	To help two Tanzania financial institutions become better able to address opportunities in SME agricultural finance.
Lynda Swenson	38	To develop a structured "credit readiness" process to help Tanzanian business owners with loan application preparation and packaging to improve their likelihood of qualifying for a commercial loan.
Waldek Wisniewski*	0.75	To assist in the development of a digital business linkage platform, either for the website or the Android mobile application.
John Oudyk	27.13	To assist service providers in designing and delivering improved or new products, responsive to client needs, and expanding into new markets.
Kathleen Campbell	32.07	To train service providers to develop and employ effective internal communications, operating systems and HR procedures.
Joaquin Gonzalez	20.375	To enhance the capacity of local TCCIAs in Iringa and Mbeya to effectively participate in Public/Private Dialogues (PPDs) to advocate for a strengthened business enabling environment in support of Micro Small and Medium Enterprises (MSMEs) and Business Development Services Providers (BDSPs).

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Roland W. Hare II	20	To design and/or implement, a series of interventions which will strengthen the ability of local governments to translate engagement with the private sector into effectively implemented policies that respond to constituent concerns.
Kristyn Oldendorf	17.5	To assist Local Government Authorities in Mbeya to evaluate their solid and liquid waste collection and disposal, recycling, policies, bylaws and regulations, and resources, draft service improvement plans, propose funding mechanisms to improve the delivery of solid and liquid waste collection and disposal, as well as the recycling of the same and to recommend follow-on volunteer assignments in these areas.
Ronald Bergman	21	To assist the PO-RALG-SD in Zanzibar by assessing the current status of the decentralization by devolution initiative and offer suggestions and recommendations on how to operationalize the devolution.
Mickey McGee	22.75	To enhance the capacity of local TCCIAs in Iringa and Mbeya to effectively participate in Public/Private Dialogues (PPDs) to advocate for a strengthened business enabling environment in support of Micro Small and Medium Enterprises (MSMEs) and Business Development Services Providers (BDSPs).

* Remote Volunteer Assignments

ANNEX 5- KEY STAKEHOLDERS AND ZANZIBAR ENGAGEMENT

During the 1st Quarter of FY'18, Zanzibar's autonomy, and the formative stage of its decentralization and devolution process, continued to compel ENGINE to engage with national level anchor institutions. The support of these national institutions for LGA capacity building initiatives is necessary to strengthen the business enabling environment within their zone of influence.

During the quarter, ENGINE provided Ron Bergman, an institutional strengthening volunteer, to PO-RALGSD to assess the framework for D-by-D implementation. Mr. Bergman assessed the current status of D-by-D and recommended steps to improve the operationalization of devolution. He consulted widely, assessing the three devolved sector Ministries, LGAs and the progress made by the D-by-D Task Force. At the conclusion of his assignment Mr. Bergman made a presentation at an ENGINE-sponsored training workshop in which PO-RALG, ENGINE and USAID Implementing Partner PS3 experts offered advice to PO-RALGSD staff tasked with overseeing the D-by-D process. The workshop recommendations will be utilized to guide PO-RALGSD's engagement with Zanzibar LGAs in the D-by-D process in 2018.

In November 2017, ENGINE held discussions with the newly appointed Executive Secretary of the Zanzibar National Business Council (ZNBC), reaching agreement on the terms of an MOU that will be signed in the 2nd Quarter of FY'18 once the ZNBC Bill has been signed by the President of the Revolutionary Government of Zanzibar. ENGINE and ZNBC agreed to work together in Zanzibar to conduct PPDs to identify and reform policies to improve the business enabling environment at both

national and regional levels. Additionally, ENGINE linked the ZNBC with the Tanzania National Business Council (TNBC) so the TNBC can provide start-up advice and share their experience.

Additionally, ENGINE continued to support the 14-member inter-ministerial and inter-agency technical steering committee managing the Zanzibar business formalization baseline survey that will be undertaken by the Office of the Chief Government Statistician (OCGS). During the quarter, ENGINE provided training to the technical steering committee to prepare a grant proposal for the baseline survey, but, unfortunately, the proposal did not satisfy the grant selection criteria. ENGINE has identified an expert volunteer from Statisticians Without Borders who will work with the OCGS in the 2nd Quarter of FY'18 to improve the grant application. The volunteer will be followed by an embedded consultant who will assist with the survey design, enumerator training and data analysis after OCGS has received the grant.

Lastly, during the quarter, ENGINE formally launched its activities at the LGA level in Chake Chake Town Council and Wete District Council in Pemba and in Urban, West A and West B Municipal Councils in Unguja.

ANNEX 6- SUCCESS STORIES

ENGINE Launches in Three New Districts in Mainland Tanzania

November 2017 –Between 23-28 October 2017, as mechanism for strengthening the relationship and communications between local government and the private sector, the USAID Feed the Future Tanzania Enabling Growth through Investment and Enterprise Program (ENGINE) launched programmatic operations in three new districts: Kilosa, Morogoro; Mufindi, Iringa; and Kyela, Mbeya. Wasting no time, used the launch events to facilitate public-private dialogues (PPD) with the attendees. Discussions centered on the role of LGAs in creating strengthened business enabling environments.

Figure 2: ENGINE team members meet with the Mufundi District Commissioner and other stakeholders during the launch.

ENGINE is a four-year USAID-funded Feed the Future activity awarded through the Volunteers for Economic Growth Alliance (VEGA). The program seeks to streamline many of the regulatory, informational, and financial channels that encourage domestic and foreign investment in the southern agricultural (SACGOT) regions of Mbeya, Morogoro, and Iringa, as well as in Zanzibar.

The launch of program activities in the three SAGCOT districts builds on its current work with the Morogoro and Iringa Municipal Councils, and the Mbeya City Council. Since ENGINE focuses on the agriculture sector in its policy and regulatory reform work, the potential for impact in these regions is great. During the launch events, PPD discussions focused heavily on economic constraints within the agribusiness sector. As an example, in Kyela District participants discussed inhibitors of economic growth for fisheries, rice, cocoa, fruits and vegetable producers.

As a next step, core technical teams made up of public and private representatives will be formed by ENGINE in the three districts to create local ownership of the program. Sustainability, one of the key concerns raised at the PPDs, is built into ENGINE's approach by empowering LGAs use of a policy reform tool kit. One of the key tools is the Policy Reform Priority-Setting Tool. The PRPT was introduced to LGAs in Iringa, Mbeya and Morogoro in May 2017 to facilitate public and private policy dialogue and to rank the need for reform amongst numerous Council policies.

The ENGINE Program is also bringing the World Bank's (national-level) "Ease of Doing Business" Index down to the LGA level through a new tool it has developed - the Local Government Authority Competitiveness Index. The LGACI provides a way for Council, with the support of the private sector, to analyze its performance to strengthen the business enabling environment. It encourages LGAs to offer

better quality, more timely and expanded service delivery to MSMEs, and encourages business formalization and the acceleration of local economic growth and investment.

The LGACI will also generate a sense of healthy competition among the six LGA's that ENGINE supports in the mainland, as well as five LGAs in Unguja and Pemba.

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ENGINE Launches in Five Districts in Zanzibar

"LGAs play an important role in facilitating the business enabling environment"

November 2017 - Between 21-25 November, as mechanism for strengthening the relationship and communications between local government and the private sector, the USAID Feed the Future Tanzania Enabling Growth through Investment and Enterprise Program (ENGINE) launched programmatic operations in five districts in Zanzibar: Chake Chake Town Council and Wete District Council in Pemba and Urban, West A and West B Municipal Councils in Unguja. Wasting no time, the program used the launch events to facilitate public-private dialogues (PPDs) with the attendees. Discussions centered on the role of LGAs in creating a strengthened business enabling environment.

ENGINE team and participants during the Wete launch

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The events in the five districts were attended by 108 participants from the public sector and 48 from the private sector. Key issues that were raised during the launch included: rural to urban migration, particularly the large youth exodus that has strongly impacted the business enabling environment; MSME access to markets and finance and the high taxes they pay; agricultural value chain production; and solid waste management.

As part of its work to strengthen the business enabling environment, ENGINE is committed to building the capacity of the Zanzibar National Chamber of Commerce, Industry and Agriculture (ZNCCIA). ZNCCIA is the apex organization representing the private sector in Zanzibar, and it contributes to the process of accelerating economic growth and reducing poverty, as outlined in the Zanzibar Strategy for Growth and Reduction of Poverty (ZSGRP), also known as 'MKUZA'.

In response to ZNCCIA's and LGAs' institutional technical assistance needs, ENGINE will deploy expert volunteers to build capacity in areas such as solid waste management and recycling, a major issue raised in the districts. In West B Municipal Council, a project proposal has been submitted for appraisal and funding to the Zanzibar Planning Commission to improve waste management. A similar assignment was

previously undertaken by an ENGINE expert volunteer to strengthen the Zanzibar Association of Local Government Authorities (ZALGA), which led to an increase in its ability to attract and serve its local government members.

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ENGINE Facilitates Service Levy Reform Breakthroughs in Three LGAs

December 2017 – Beginning in September 2017, the USAID Feed the Future Tanzania Enabling Growth through Investment and Enterprise Program (ENGINE) successfully facilitated dialogues between private sector groups and public sector actors which led to commitments to reduce the service levy by-law in three local government authorities (LGAs) in mainland Tanzania. The three LGAs, Morogoro, Iringa and Mbeya, will reduce the service levy from the current 3% charged annually on business turnover to 1% on business turnover. The key private sector actors in this discussion were the Tanzania Chamber of Commerce, Industry and Agriculture (TTCIA) regional chapters.

ENGINE team with TCCIA and Iringa LGA representatives following Service Levy PPD

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Following the passage of the resolution to reduce the service levy, Pascal Kihanga, the Mayor of Morogoro, noted that the reduction in the levy would act as key incentive for business formalization. "Lowering the levy will give access to a higher number of Small Medium Enterprises (SMEs) to pay the tax, which will in turn guarantee higher revenues for the LGA," said Kihanga. "Furthermore, the move will ensure increased tax compliance by businesses, therefore improving the relationship between SMEs and Municipal council officials."

The amendment of the service levy by-law will follow 14 steps at the local level, as stipulated by law, before it is elevated to the national government for its review and approval. Currently, a public-private service levy task force has been formed to make formal recommendations to LGA management for further action. This sets in motion the process of amending the local service levy by-law.

To support the reform, the ENGINE Program is formulating a joint strategy with the LGAs and the TCCIA to address local private sector understanding of the need to pay the service levy, explaining what services it funds, linked to a TTCIA campaign to its members publicizing the potential savings they will receive.

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