De-risking agricultural finance in Tanzania

Development results of Sida's guarantee to PASS on access to finance, financial sector development and employment

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Contents

Executive summary

This endline study assesses the development impact of the Sida Guarantee Agreement with the Private Agricultural Sector Support (PASS), implemented from 2017 to 2024 to expand access to finance in Tanzania's agricultural sector. The US$20 million portfolio guarantee aimed to reduce lending risks for Participating Financial Institutions (PFIs) and catalyse financing for agribusinesses, MSMEs, smallholder farmers, women, and youth – groups traditionally underserved by formal financial systems.

The guarantee proved highly relevant and effective, reaching full utilisation by mid-2019, signalling strong demand for agricultural risk-sharing instruments. Over the implementation period, it supported 21,035 loans through 9 PFIs with a total value of 157.7 billion Tanzanian shillings (approximately US$ 68.8 million). PFIs consistently reported that a substantial share of these loans would not have been issued without the guarantee, demonstrating financial additionality and crowding-in of private capital.

Lending was primarily concentrated in crop production, processing, and agricultural trade, reflecting alignment with national development priorities and seasonal financing needs. In total, the Sida–PASS guarantee is estimated to have reached approximately 354,453 beneficiaries, including individual farmers, MSMEs, cooperatives, and members of supported groups. Women accounted for around 36 percent of beneficiaries, while youth represented an estimated 38 percent, underscoring the facility's contribution to inclusive outreach, albeit with variation across loan sizes and sectors.

Qualitative evidence suggests that access to guaranteed loans was associated with improvements in business continuity, use of agricultural inputs, and income stability among many borrowers. Several beneficiaries reported enhanced capacity to invest in production, meet household needs, and manage seasonal cash-flow constraints. The study also examined employment effects, estimating that the guarantee contributed to the creation of between 288,000 and 300,000 jobs, including approximately 98,000–103,000 jobs held by women. Employment outcomes, including job creation and terms of employment, varied by sector and borrower profile and were influenced by external factors such as productivity, climate conditions, and repayment strategies.

The cumulative default rate in the portfolio of 16.6% reflects exposure to climate shocks, market volatility, changes in policies and systemic risks inherent in agricultural finance and is consistent with the guarantee's intended risk-absorption role.

At the institutional level, PFIs reported that participation in the guarantee facilitated learning effects, including enhanced understanding of agricultural risk, the introduction of new or adapted financial products, and more flexible repayment schedules aligned with crop cycles. Investments in marketing, staff training, and internal data systems supported outreach to first-time borrowers and improved loan monitoring, although systematic tracking of development indicators remained limited.

Most PFIs expressed a willingness to continue serving agricultural MSMEs, women, and youth beyond the guarantee period, while highlighting the critical role of Business Development Services (BDS) in improving borrower bankability. Overall, the findings suggest that the Sida–PASS guarantee contributed to expanded access to finance, broad beneficiary reach, and meaningful employment outcomes, while reinforcing the importance of complementary services, data improvements, and risk-management mechanisms to sustain impact over time. The findings and recommendations for improved guarantee design and monitoring provide practical lessons for future guarantee instruments in Tanzania.

1. Introduction

1.1. Sida's guarantee to PASS

The Private Agricultural Sector Support (PASS) Trust is a Tanzanian non-profit institution established in 2000 (and registered as a trust in 2007) to improve access to finance for agribusiness entrepreneurs. PASS operates under a development finance mandate, combining credit guarantee schemes with business development services (BDS) to reduce lending risks and strengthen client bankability. Its interventions focus on Micro, Small and Medium Size Enterprises (MSMEs), smallholder farmers and corporate farmers with direct market linkage to MSMEs along value chains. PASS's guarantees offer up to 60% risk-coverage, with increased coverage of up to 80% for underserved groups, which includes women- and youth-led agribusinesses.

Since its inception, PASS has worked with commercial and development banks across Tanzania, acting as a catalyst in agricultural finance. By the end of 2023, PASS had facilitated loans worth 1.5 trillion shillings, directly benefiting over 2 million cumulative entrepreneurs nationwide.

Through these efforts, PASS has become a central player in Tanzania's agricultural financing ecosystem, contributing to the goals of the Agricultural Sector Development Programme II (ASDP II) by expanding financial inclusion, creating jobs, and promoting gender equity in agribusiness.

In Tanzania, the Swedish International Development Cooperation Agency (Sida) has a long history of supporting reforms and programs in agriculture, governance, private sector development, and social sectors. The Sida–PASS Guarantee was a loan portfolio guarantee agreement designed to expand access to finance for Tanzanian agribusinesses, particularly MSMEs, women, and youth. Through this partnership, Sida provided a US$20 million guarantee to cover 60% of the credit risk on guarantees issued by PASS. In turn, PASS mobilized loans from partner financial institutions (PFIs) by offering credit guarantees of up to 60% of loan value (and up to 80% for women and youth-led businesses). The guarantee was unfunded (i.e. "paper" guarantee) and non-revolving (client renewal not allowed).

The Sida-PASS Guarantee's core objective was to support job creation and increased incomes in agri-business by reducing the perceived risks of lending to agriculture and to encourage banks to extend credit to underserved but high-potential segments. This risk-sharing arrangement allowed PFIs to diversify their agricultural lending portfolios. At the same time, PASS complemented the guarantee with BDS such as business planning, loan application support and financial literacy training.

By Q2 2019, the Sida guarantee had been fully utilized, reflecting strong demand for credit when backed by risk-sharing mechanisms. Over the implementation period, the Sida-PASS guarantee facilitated 21,035 loans valued at TZS 157.7 billion, reaching 354,453 beneficiaries[1] of whom 36% were women. This number of beneficiaries represents around 51% of PASS total beneficiaries in the period of the guarantee utilization (2018-2019), which was 692,631.

[1] Beneficiaries include individual farmers, MSMEs, cooperatives, and members of supported groups reached through guaranteed loans, either directly or indirectly

▶ Table 1. Summary of the Sida–PASS Guarantee

Sida guarantee volume	US$20 million
Mobilized guarantee volume (guarantee volume provided by PASS with the support of Sida's guarantee)	US$33 million
Mobilized capital (loan value)	TZS157.7 billion (US$68.8 million)
Default rate in portfolio	16.6%[2]
Number of loans issued	21,035
Beneficiaries reached	354,453 individuals (36% women)
Utilization	99.6% of the facility utilized by Q2 2019

1.2. Brief overview of agriculture in Tanzania

Tanzania's agricultural sector is the backbone of the economy, employing nearly 65% of the population and contributing to approximately 27% of the country's Gross Domestic Product (World Bank 2023). The sector supports livelihoods for over 70% of the rural population, where smallholder farmers dominate. Despite having 44 million hectares of arable land, only 33% is cultivated, highlighting untapped potential for growth and increased contribution to the economy (FAO 2023). Agriculture accounts for a significant share of exports, particularly cash crops such as coffee, tea, cotton, tobacco, cashew nuts, and cloves (NBS 2024).

Tanzania's agricultural system is dominated by smallholder farming, with over 80% of farmers cultivating less than two hectares of land (FAO 2023). These small-scale farmers form the backbone of the country's food production, yet they often face challenges such as limited access to improved seeds, fertilizers, and modern farming technologies. Most of the farming in Tanzania is rain-fed, leaving it highly vulnerable to climate variability, especially droughts and erratic rainfall patterns, which sometimes significantly impact yields (World Bank 2023). Further, agriculture is primarily subsistence-based, meaning most farmers grow crops mainly for their own consumption rather than for sale. However, there is a growing push towards commercial agriculture, particularly in sectors like horticulture and floriculture, which are increasingly viewed as high-value opportunities for income generation and export growth (FAO 2023).

The agriculture sector in Tanzania has faced and still faces several systemic challenges that hinder its productivity, sustainability, and ability to contribute effectively to national development. These include:

(i) **Climate vulnerability** – Tanzania's reliance on rain-fed agriculture makes the sector highly susceptible to climate change effects, including droughts, floods, and erratic rainfall patterns (World Bank 2019).

(ii) **Low agricultural productivity** – Productivity remains low due to limited access to modern farming inputs such as quality seeds, fertilizers, pesticides, and mechanization. Poor soil health and inadequate research and extension services also contribute to stagnant yields (FAO 2020).

[2] Based on US$11 million of default in the US$68.8 million mobilized loan portfolio. The default rate in the portfolio is the different from the actual claim rate in the Sida-PASS guarantee (8.5%), as the coverage provided by PASS varied.

(iii) **Inadequate infrastructure** – Many rural areas lack essential infrastructure such as irrigation systems, feeder roads, and storage facilities, making it difficult to access markets, reduce post-harvest losses, and ensure year-round production (NBS 2021).

(iv) **Weak market access and value chains** – Farmers often face unstable market prices, lack of market information, and limited bargaining power. Agricultural value chains are underdeveloped, and farmers are frequently unable to add value to their products through processing or packaging (FAO 2020).

(v) **Limited access to finance** – Most smallholder farmers have little or no access to credit, insurance, or other financial services. High interest rates, collateral requirements, and a lack of tailored agricultural finance products limit their ability to invest in productivity-enhancing inputs. The absence of risk-sharing mechanisms such as guarantee schemes further discourages lending to the sector (World Bank 2019). Financial institutions are often reluctant to lend to agriculture due to high perceived risks, seasonality of production, lack of collateral, and weak value chain linkages (NBS 2021). Existing financing instruments are limited in scale and poorly tailored to farmers' needs, leaving a significant financing gap. Strengthening agricultural finance, including guarantees, blended finance, and innovative digital financial services, would unlock the sector's productivity and resilience by enabling farmers and agribusinesses to adopt modern technologies, expand production, and access markets competitively (FAO 2020).

(vi) **Policy and institutional weaknesses** – While the government has several agricultural development strategies in place, there is often inconsistent policy implementation, limited coordination among stakeholders, and weak institutional capacity, which undermines effectiveness (NBS 2021).

(vii) **Post-harvest losses** – Due to poor handling, inadequate storage, and lack of processing facilities, post-harvest losses are alarmingly high—estimated at 30–40% for perishable crops—leading to income losses for farmers and reduced food availability (FAO 2020).

(viii) **Youth disengagement** – Agriculture is often viewed as unattractive to youth due to its low returns, labour intensity, and lack of modernization. This contributes to rural-urban migration and a generational gap in farming skills and innovation (World Bank 2019).

(ix) **Limited use of technology** – Digital and mechanized solutions in agriculture are not widely adopted due to low digital literacy, limited internet access, and high costs of technology, keeping farmers dependent on traditional methods (FAO 2020).

1.3. Study objectives

The study's objective was to conduct an end-line assessment of the Development Impact of Sida's Guarantee Agreement with PASS.

Specific Objectives were:

1. Formulate a clear theory of change that outlines how the guarantee is expected to achieve its development goals, based on its impact rationale and intervention logic.
2. Gather relevant data on development indicators that correspond to the guarantee's objectives and theory of change.
3. Analyze the data to assess changes in the indicators throughout the guarantee.
4. Extract key insights from the data analysis to identify lessons learned.
5. Identify challenges faced by PASS and PFIs in utilizing the guarantee and collecting impact data.
6. Assess how likely PASS and PFIs are to continue serving the target group
7. Provide actionable recommendations for future initiatives, covering aspects such as guarantee design, indicator selection, and the partner's ability to deliver accurate and timely data.

2. Methodology

2.1. Conceptual and analytical framework

The study applied a theory-based review to assess the developmental impact of Sida's guarantee instrument on PASS, PFIs, and clients who indirectly benefited from Sida's guarantee. This allowed the consultants to map out the causal pathways through which the guarantee was expected to lead to desired outcomes.

This approach involved collecting evidence to establish whether and how the intervention produced or failed to produce the desired changes. The table below describes the main elements of a theory of change, based on document review, which served as a starting point for the development of the theory of change presented in the concluding chapter.

▶ Table 2. Inputs, Outputs, Outcomes, and Impact of Sida's Guarantee Instrument on PASS

Level	Elements
Inputs	• Sida-PASS guarantee agreement • Fees provided by MSMEs for the BDS and guarantee services
Outputs	• Guarantee agreements signed between PASS and financial institutions • Loan applications processed by PFIs • Credit guarantees issued by PASS
Outcomes (Short- to Medium-Term)	• Increased loan disbursement to targeted MSMEs • Improved financial access for women, youth, and Agri-enterprises • Increased financial institution engagement in agribusiness lending • Development of new products and services • Systemic change at PFIs to serve the target group
Impact (Long-Term)	• Improved productivity • Income growth • Jobs creation • Poverty reduction

The analysis integrated quantitative and qualitative methods to assess impacts across implementing actors. The framework measured the developmental impact based on the theorized impact pathways at the guarantee's design. The analytical Framework Matrix is depicted in Table 3 below. However, due to constraints in time, budget, and data availability, the study did not cover all the parameters listed in the table.

▶ Table 3. Analytical framework matrix

Key Questions	Examples of indicators / Variables	Data Sources	Possible analytical Methods
Guarantee Users What types of guarantees are being used, and by whom?	• Guarantee amount, coverage ratio, sector • Number of PFIs	Guarantee records, List of PFI's	Descriptive statistics

Model Scalability Can this model be replicated or scaled by PASS in Tanzania or the region?	• Demand for loans • PFIs Institutional readiness	PASS and PFIs Market studies	SWOT analysis, Readiness assessment
Guarantee Utilization How much private capital was disbursed?	• Volume of loans disbursed and guarantees issued. • Leverage ratio Number and Size of the MSMEs received loan support as well as respective sub-sectors .	PASS Annual reports, Guarantee records, PFI loan data	Ratio analysis, Trend analysis
Access to Finance Did beneficiaries gain access to improved credit?	• Loan approval rate Interest rate • Collateral requirements • % increase in credit access for women/youth/MSMEs • Number of new financial products piloted.	Baseline data and FGDs	Descriptive statistics
Gender and Inclusion Were women and youth adequately included?	• % of beneficiaries who are women/youth	Gender-disaggregated data from PASS, PFIs, and beneficiaries	Disaggregation analysis, intersectional comparisons
Did the guarantee support business growth or start-up of activities?	• Revenue growth • Number of employees • Asset growth	PASS reports and FGDs	Descriptive statistics
What broader impacts were observed?	• Job creation • Income increases per business. • Poverty status Productivity	PASS Annual reports, Guarantee Database, PFI impact data, beneficiaries' responses on FGDs	Descriptive statistics

2.2. Assessment design

The consultant conducted a review of documents listed at the of this report as well as quarter and annual reports prepared by PASS regarding its overall operations and the Sida guarantee. The findings from this review were used to develop data collection tools for Key Informant Interviews (KIIs), consultative meetings with PFIs, and Focus Group Discussions (FGDs) with loan recipients. This was followed by data collection, analysis, and the preparation of the report findings. The assessment design can be summarized in 5 phases:

- Phase 1: Inception & project planning

- Phase 2: document review
- Phase 3: fieldwork and primary data collection
- Phase 4: Data review, analysis and validation
- Phase 5: Reports and presentation

The assessment approach was designed to uphold ethical principles and was conducted according to the principles of:

1. Systematic inquiry (goals focused, objective, not subjective)
2. Integrity, honesty
3. Respect for people and responsibilities for the general/public welfare
4. Broad participation of key stakeholders

2.3. Data collection methods and tools

Both primary and secondary data were collected. This method met the assignment requirements and the assessment principles of qualitative and quantitative data collection methods. Data were collected through documentary review, focus group discussion (FGD), and key informant interviews (KIIs), as described in the following subsections:

2.3.1. Document review

The desk review provided foundational context and served as a source for secondary data. It covered program documentation, internal reports, and external policy materials. The desk review informed the validation of the Theory of Change, the sampling framework, and the assessment matrix.

▶ Table 4. Key Desk Review Sources

Source Type	Examples
Sida documents	Guarantee agreement, progress reports, and internal reviews
PASS documents	Annual Reports, M&E Reports, Sida-PASS Guarantee Reports and data from PASS's Management Information System (MIS) Database
Policy & sector reports	Financial Sector Development Master Plan, national MSME and agricultural finance reports

2.3.2. Fieldwork

The consulting team collected qualitative data through Key Informant Interviews and Focus Group Discussions. Data collection tools were developed using preliminary findings from the documentary review and the requirements outlined in the Terms of Reference. Fieldwork was conducted in Dar es Salaam, Morogoro and Mwanza. These regions were chosen based on their high concentration of PASS-supported beneficiaries and a representative sample of MSMEs and agribusinesses under the guarantee. The following table highlights the categories of institutions and beneficiaries from which data were collected.

▶ Table 5. Fieldwork

Category	Participants	Method	Count
PFIs	PFIs who have utilized Sida-PASS Guarantee, at HQ and Branch level (Dar es Salaam, Mwanza and Morogoro)	KII	6
MSMEs and Agribusinesses	Micro, small, and medium enterprises (MSMEs) that have received loans exclusively under the Sida-PASS guarantee scheme.	FGD	47
PASS	PASS HQ & PASS Branches (Branch Managers) with direct responsibilities in managing and implementing the Sida guarantee mechanism	KII	5
Guarantor	Representative from the Swedish Embassy	KII	1

The assessment engaged 59 respondents: 12 through KIIs and 47 through FGDs. Men comprised 65% (39) and women 35% (20). This gender split broadly mirrors the program's outreach profile, with men more engaged in larger-scale agribusinesses and women concentrated in smallholder production and trading. In terms of age distribution, youth (18–35 years) represented about 38% of FGD participants, mainly from the Lake Zone groups, where young women and men engaged in small-scale farming and trading contributed perspectives on challenges of accessing finance, land, and inputs. This inclusion ensured that the assessment also captured intergenerational dynamics in agribusiness participation.

The consultants conducted FGDs in Mwanza and Morogoro towns with loan beneficiaries (MSMEs and agribusinesses) to explore experiences, loan utilization, outcomes, and barriers. Each FGD included a maximum of 10 participants with a balanced gender representation. Participants were contacted by PASS at least seven days before the field mission.

To confirm the accuracy and reliability, the consultant cross-checked the extracted data against Annual reports from PASS to Sida, ensuring consistency in figures related to loan disbursement volumes, beneficiary demographics, and the extent of guarantee utilization. The extracted data were cleaned and analysed statistically to assess patterns and trends over the implementation period.

The study adhered to ethical research standards and data protection protocols, including:

- Informed consent for all interview and FGD participants (written & verbal).
- Anonymity and confidentiality of respondents and data sources.
- Secure data storage is accessible only to authorized team members.
- Compliance with GDPR principles and national data protection policies.
- Use of ethical approval or clearance where required by institutional partners.

A code of conduct for field researchers was issued, and a risk mitigation protocol was developed for managing sensitive information or respondent vulnerability.

2.4. Data management, analysis, and validation

Data from KIIs and FGDs were transcribed in Kiswahili, translated into English, and manually analysed to identify patterns and themes.

All qualitative evidence and data were entered into the review matrix and data collection framework, then combined and analyzed thematically against review questions, comparing outputs, outcomes, and impacts. The consultant used NVivo and Dedoose to analyze and interpret visual data.

To ensure data quality, several validation protocols were applied during and after fieldwork:

- Debriefs between field researchers and team leaders to review key findings and adjust focus.
- Cross-checking of FGD notes and KII summaries against recorded interviews.
- Data verification through follow-up calls or clarification, where inconsistencies are detected.
- Use audio recording and anonymized transcripts to ensure accurate documentation of qualitative insights.
- Internal peer review of emerging findings was done before the validation workshop with stakeholders.

All raw data and cleaned datasets were stored securely and handled according to the ethical data protection standards.

A summary of the draft report was presented to stakeholders in a validation workshop, which took place at the Embassy of Sweden in Dar es Salaam on 23 Sep 2025, with 20 participants from different stakeholder groups (e.g. development partners, PASS, PFIs). Feedback from stakeholders was incorporated in this final version of the report.

2.5. Gender and youth considerations

The assessment adopted a gender-sensitive and youth-inclusive lens, ensuring that:

- Sampling includes women- and youth-owned enterprises.
- Data is disaggregated by sex, age, and location.
- The four FGDs included youth, men, and women, ensuring balanced gender representation.
- Analysis explored the differentiated impacts of the guarantee facility across demographic groups and compared to market conditions in general to draw conclusions if guarantee has impacted women/youth differently

Data were disaggregated by guarantee beneficiaries' profile, gender and youth analyses explicitly distinguished between Sida-guaranteed and non-Sida beneficiaries to assess the facility's specific impact on marginalized groups.[3] This approach aligns with Sida's gender equality policy and national inclusion priorities.

2.6. Limitations

The assessment faced limitations, some of which were mitigated by employing mixed methods in data collection and analysis, as well as by considering the diversity of geographical areas. A realistic methodology was developed, given the available timeframe and assessment scope, which provided the most valuable data possible in the time allotted. Fundamental limitations are highlighted as follows:

- Time constraints limited the size of the beneficiary sample, though this was mitigated through triangulation of findings across data sources. No beneficiary survey was expected to be conducted as per Terms of Reference.
- Logistical challenges affected geographic coverage, but representative regions were prioritized.
- Data gaps in PFI & PASS records. For example, PASS collected employment data overall during the guarantee utilization though there was a lack of disaggregation for the specific portfolio of loans guaranteed by Sida. In addition, change of PASS management information system in the period resulted in some data becoming inaccessible, including data which could be used to establish a control group. Moreover, PASS did not

[3] Sida. (2015). *Gender Equality in Development Cooperation: Policy and Guidelines*. This guideline underscores Sida's commitment to gender-responsive programming, which is integrated into the endline study.

systematically collect data on business performance. Finally, some data points provided by PASS relied on information collected by PFIs, where PASS has no direct access to client visits.

- Lack of baseline data, not allowing for a before/after analysis of indicators. As it was not possible to reconstruct baseline values for several indicators, the quantitative analysis was based exclusively on existing data in PASS's database.

Therefore, the study built on qualitative data from key informant interviews and focus group discussions to complement existing but limited quantitative data and substantiate findings from the quantitative analysis.

3. Findings at portfolio and client level

3.1. Guarantee performance & loan mobilization

The Sida–PASS Guarantee mobilized a total of TZS157.7 billion (US$68.8 million) in agricultural loans, supporting 21,035 loans disbursed by 9 PFIs. The loan recipients included farmers, MSMEs, and cooperatives that directly accessed guaranteed loans, either as individual borrowers or through supported farmer groups and enterprises. The portfolio included both individual clients (61% men, 39% women) and collective borrowers such as 151 farmer groups and 63 companies[4]. Women, youth groups, and smallholder cooperatives were among the loan recipients, reflecting the guarantee's contribution to financial inclusion. The results reflect the strong outreach and tangible impact of the Sida–PASS Guarantee in enhancing access to agricultural finance across Tanzania.

▶ Table 6 Portfolio of loans supported by the Sida guarantee

Borrower category	Number of loans	Loan Value (TZS)	Loan Value (US$)
Female	8,191	30,117,714,670	13,135,320
Male	12,630	30,391,596,322	13,254,769
Companies	63	86,922,887,829	37,909,915
Groups	151	10,226,533,813	4,460,126
Total	**21,035**	**157,658,732,634**	**68,760,132**

Arrears, repayment and default

Arrears under the Sida–PASS guarantee were concentrated mainly in input supply and group-based loans. These arrears were driven by unpredictable weather, market volatility, and the challenges faced by first-time borrowers and group guarantees. Crop loans, highly dependent on rainfall and market prices, exhibited higher arrears, whereas agro-processing and SME loans were generally more stable. Change in policies related to specific sectors (e.g. cashew) also contributed to arrears and default in the agricultural sector in the period. The overall default rate[5] in the Sida-PASS guaranteed portfolio was of 16.6%.

FGDs with farmer groups revealed that repeat borrowers became more disciplined over successive loan cycles, improving repayment timeliness and reducing defaults. Delayed payments were more common than full defaults, reflecting borrowers' efforts to maintain access to credit under the guarantee. Financial institutions interviewed highlighted that the guarantee allowed them to introduce seasonal repayment schedules better aligned with agricultural realities, which helped preserve client–bank relationships. Overall, from 2018 to 2024 the Sida guarantee contributed to stabilizing bank portfolios, promoting resilience in agricultural lending, and expanding credit access to underserved sectors.

Qualitative evidence confirms this pattern. Farmers and SMEs reported that temporary income shortfalls due to failed rains or price drops caused repayment delays, while banks and PASS staff provided grace periods, seasonal adjustments, and restructuring to prevent defaults:

[4] A company referred here is an incorporated agribusiness limited liability legal entity as opposed to an individual who is a natural person / farmer operating as a sole proprietor.

[5] Arrears is the amount overdue after one or more missed payments, while default is the severe legal status resulting from prolonged or repeated failure to meet the contractual loan terms which could lead to legal recovery and legal claim as the ultimate step.

"Without the guarantee, we would have avoided these clients, but PASS gave us confidence to restructure instead of closing accounts" (PFI representative).

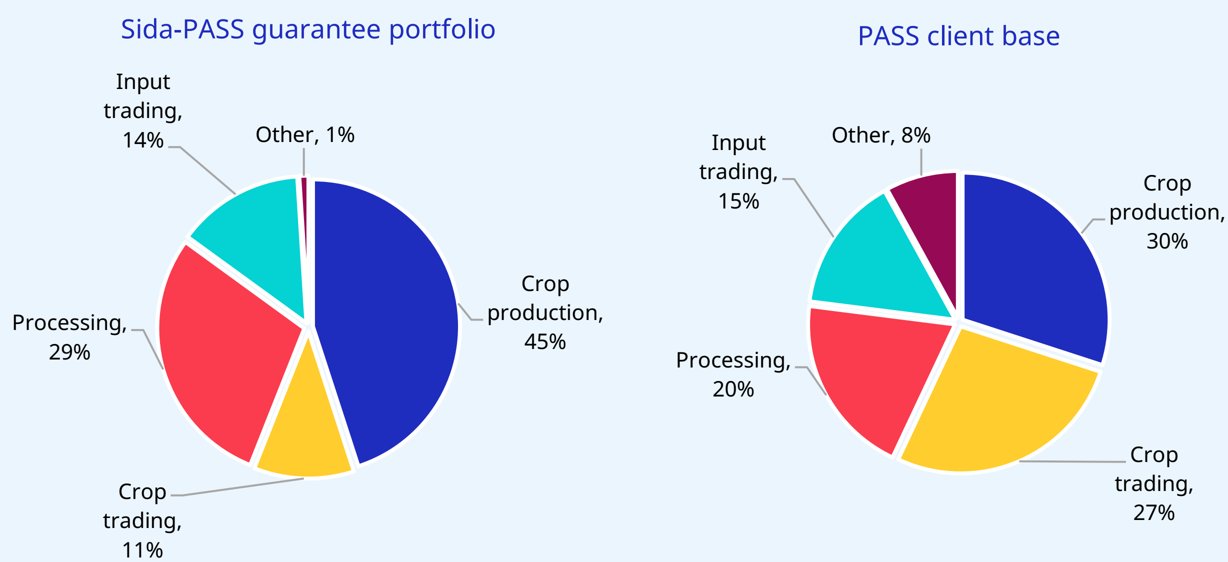
"Many first-time borrowers struggle initially, but by the third loan, arrears are usually minimal" (PASS representative).

Overall, the guarantee turned arrears from a potential source of financial loss into a platform for improving loan design, borrower education, and resilience. It maintained high repayment commitments, mitigated defaults, stabilized bank portfolios, and contributed to broader financial system stability.

Sectors supported

The Sida–PASS guarantee expanded credit access across Tanzania's agricultural sector, with the largest share directed to crop production (45%), higher than PASS total client base in the period (30%), underscoring its role as the backbone of agricultural financing. Processing activities accounted for 29%, reflecting growing investments in value addition and post-harvest efficiency. Input trading made up 14%, while crop trading contributed 11%, both critical for strengthening the agricultural value chain. The remaining 1% supported 'other' activities such as livestock, mechanization, storage, transport, and timber enterprises.

▶ Figure 1 Sectors served under the Sida-PASS guarantee and PASS overall client base



Source: Author's own elaboration based on PASS Management Information System

Loan size

Loan sizes under the Sida–PASS guarantee demonstrated significant variation across borrower categories. Smallholder farmers, mainly financed through the portfolio guarantee, typically accessed modest loans averaging below TZS0.5 million (US$213.8) per beneficiary, primarily to purchase seeds, fertilizer, and other seasonal inputs. In contrast, larger agribusinesses—including processors, traders, and cooperatives—secured loans often exceeding TZS50 million (US$21,377) These larger investments were directed toward mechanization, processing capacity, and value chain expansion, enabling systemic improvements across the agricultural sector.

This evolution highlights two complementary impacts of the guarantee. First, the institution enabled broad inclusion, with hundreds of thousands of smallholders gaining access to formal credit. Second, it continued to leverage larger loans to agribusinesses and processors, which created value chain linkages, jobs, and markets for smallholder produce.

3.2. Beneficiaries

In its reports, PASS presents data related to the number of beneficiaries reached. These numbers differ from the number of borrowers, as the concept of beneficiaries include individual farmers, MSMEs, cooperatives, and members of supported groups reached through guaranteed loans. Therefore, a loan to a single borrower (e.g. a cooperative) might represent several beneficiaries (e.g. the members of such cooperative). The Sida guarantee supported 354,453 total beneficiaries, with women comprising 36% (129,306).

Women's share in total beneficiaries declined as average loan sizes increased, reflecting structural barriers to scaling mechanized production. While men continued to dominate in agro-processing, small-scale farming, and cooperative ventures, the guarantee opened important opportunities for women to grow their businesses, increase household income, and boost economic empowerment.

3.3. Employment

PASS estimates employment opportunities created by the loans it supports through client stated expectations and data reported by PFIs. Although PASS tracked this indicator for its whole portfolio during the guarantee period, it did not report specifically on job creation for the Sida–PASS guarantee, neither on aspects related to job quality. PASS is not able to generate this data from its existing MIS, as it differs from the one used during the guarantee implementation (the new MIS was implemented in 2022).

During 2018-2019, PASS supported 586,883 jobs, 34% of which were held by women. By looking at the proportion of volume of Sida's guarantee in relation to PASS total guarantees in 2018-2019 (49%) and the share of Sida-supported beneficiaries to PASS total beneficiaries (51%), it can be estimated that the number of jobs created under the Sida-PASS guarantee would be approximately between 288,000 and 300,000 (98,000-103,000 women). Such estimate, however, does not take into account variations in borrower profiles (e.g. sector, size) of the Sida-PASS guarantee in relation to PASS overall operations.

Regional differences in the profile of job creation were observed through fieldwork, although quantitative MIS data does not disaggregate employment creation by region. FGDs in the Lake Zone (Sengerema) highlighted greater youth participation in smallholder farming, trading, and mechanization services, while discussions in Kilombero (Southern Highlands) reflected older farmers engaged primarily in rice production and livelihood-oriented financing. These variations point to differing local impacts of the Sida guarantee, with youth-driven enterprise growth more visible in the Lake Zone and household livelihood stability more prominent in Kilombero. Nonetheless, the absence of fully disaggregated MIS data limits the extent to which regional comparisons can be quantified.

A cooperative leader explained the impact of the loan on workforce expansion:

> *"When we got the loan, we were able to expand from two permanent workers to more than ten casual workers during the farming season." (FGD Participant).*

In some cases, however, employment gains were temporary, influenced by agricultural productivity and seasonal challenges. One participant noted:

> *"I hired more workers after receiving the loan because I expanded my farm. However, due to poor yields, I couldn't sustain them for long. I had to reduce the workforce after the season ended. The expansion gave a temporary boost in employment, but not long-term stability." (FGD Participant)*

Conversely, other beneficiaries reported more stable employment outcomes by effectively leveraging their loan to invest in productive assets:

> *"I was able to increase the number of labourers I hired. In repaying the loan, I never faced any challenges, because I would buy oxen to help in farming, and when the repayment time came, I would sell two oxen to pay the loan. Selling two oxen was not a problem for me because I still kept the others." (FGD Participant)*

These findings suggest that while the Sida–PASS guarantee positively influenced job creation, the sustainability of employment depended on factors such as farm productivity, effective asset management, and repayment strategies. Overall, the guarantee facilitated both temporary and longer-term employment opportunities, particularly in regions with effective loan utilization practices.

3.4. Business performance and income effects

Access to finance has the potential to drive increased businesses activities and income, particularly when combined with business development services. The study sought to uncover data on how clients benefiting from the Sida-PASS guarantee experienced changes in businesses revenues, household incomes, assets, productivity and technology adoption.

PASS generated some data on these dimensions during the guarantee period, but such data did not cover its entire portfolio, neither specifically the Sida guaranteed loans. In most cases, these are included in PASS's reports as examples of effects on clients rather than portfolio-wide impacts. The study built on FGD and KIIs to better understand how the guarantee led to changes in these dimensions.

Qualitative evidence suggests that the guarantee contributed to increased income levels, through financing for farm inputs, working capital, and production loans for smallholder farmers. The FGD in Sengerema, Mwanza highlights that the loans supported by the Sida–PASS guarantee contributed to improved household and farm-level income. Participants consistently reported that the loans allowed them to invest in farming activities such as vegetable farming (tomatoes, cabbage, spinach, amaranth), maize, sugarcane, and chicken farming.

Farmers used loans strategically for farm inputs, hiring labour, and small-scale irrigation. Some participants reported being able to pay school fees for their children and purchase assets like cows and additional farmland. The cyclical nature of loans allowed participants to continuously invest in production and expand their businesses, creating a sense of incremental revenue growth over time.

For example, one participant explained:

> *"I was growing tomatoes, and after harvest, I saw the benefits. I was even able to pay school fees for my children through this loan." Another said, "I took a loan and bought a cow. Later, I sold the cow and bought two acres of land." (FGD participant)*

During key informant interviews and focus group discussions, many participants reported that access to guaranteed loans enabled them to purchase modern equipment, expand production capacity, and diversify their business activities. For example, a member of an Agricultural Marketing Cooperative Society shared:

> *"My income has grown. After selling the produce supported by the loan, I managed to buy two cows and also pay school fees for my children." (FGD participant)*

As one key informant noted:

> *"The outcome has been very well, and it's well noticeable in many SMEs we've supported. First, the growth in business some of the clients started with 10 million, now they are 100 million plus. So, you can see the growth of the business from taking almost 10 million to maybe 100 million." (PASS representative)*

The FGD in Sengerema highlighted that loans accessed through one PFI were disbursed via mobile money systems, allowing farmers to receive funds directly on their phones. This adoption of digital loan delivery technology reduced the need for physical travel to bank branches, enabled timely access to funds, and contributed to efficiency in loan utilization. Participants emphasized how this technology allowed them to expand their farming activities and manage repayments effectively. For instance, participants noted:

> *"The loan would be sent to your phone, and you would withdraw it from your phone. We started from there as a group, and to this day the Inuka Tupendane group continues." (FGD participant)*

> *"I repay very well because I know that the money is not mine, so when I do my business, I make sure to repay so that I can borrow again in the future." (FGD participant)*

The FGD also revealed complementary practices that supported asset purchase and technology adoption in farming practices. Farmers used loans to hire labour, invest in farm mechanization (e.g., oxen for ploughing), and adopt modern crop management techniques. This outcome was particularly evident among cooperatives and SMEs with access to repeat loans, who were able to reinvest strategically in their enterprises.

The guaranteed loans not only supported day-to-day operations but also facilitated the purchase of durable assets such as processing machinery, storage facilities, and transport vehicles. These acquisitions proved critical in reducing production and logistics costs, while at the same time improving access to markets and expanding the scale of operations.

As one beneficiary explained:

> *"After the first loan, we bought a small truck for transporting produce. This reduced costs and improved market access." (FGD participant)*

Similarly, a banker highlighted the transformation witnessed among clients who invested in larger business assets:

> *"One client expanded from importing 200 tractors to over 300 annually, doubled income, and increased branches from three to six. Employment also grew significantly." (PFI representative)*

These cases illustrate that PASS-supported technology adoption has acted as a powerful catalyst for the modernization of smallholder farming and agribusiness systems—driving higher productivity, fostering greater value addition, improving livelihoods, and promoting inclusive growth across Tanzania's agricultural value chains.

Business Development Services (BDS)

In addition to loan guarantees, PASS provided Business Development Services (BDS) that were instrumental in improving business performance. BDS included training, mentoring, and advisory support in financial management, farm planning, and production techniques. Though data provided by PASS did not contain BDS received specifically by Sida-supported clients, farmers and entrepreneurs reported that such support enabled them to better utilize loans, improve yields, and diversify income streams. For example, FGDs in Ruhudemba (Kilombero) highlighted how training on manure application and modern input use directly improved farm productivity.

> *"The training on manure application and modern seed use really helped me improve my farm productivity. I can now grow more crops with the same land and resources." (FGD participant).*

> *"Before, I didn't know how to mix fertilizers properly or plan the farm. After the training, I applied what I learned, and my harvests increased." (FGD participant).*

KIIs with PFIs confirmed that BDS interventions made borrowers more bankable and reduced credit risk. These complementary services demonstrate that the Sida–PASS guarantee's impact extended beyond financing, contributing to sustained improvements in both productivity and enterprise resilience.

3.5. Challenges

In addition to the effects of the loans at the client level, the study also investigated what the challenges were faced by clients, with a particular focus on women, in their experience to access the loans supported by PASS. The extent through which the Sida-PASS guarantee interacts with some of these challenges as well as recommendations are discussed in the next chapters.

3.5.1. Barriers faced by women

Women residing in rural and peri-rural areas face unique and disproportionate barriers in accessing formal financial services. These challenges are both structural and socio-cultural, limiting their ability to obtain credit for business or personal development. The most significant barriers identified include:

- **Lack of Identification Documents (IDs)**: A considerable number of rural women lack national identification cards or other recognized documentation required by banks. This exclusionary factor stems from limited awareness on how to obtain an ID, cultural restrictions, or logistical difficulties in acquiring IDs, resulting in their ineligibility to open accounts and hence apply for loans.
- **Collateral Requirements**: Women often do not own land or high-value assets due to traditional inheritance systems and gender norms. Since land titles, vehicles, or other tangible assets are the primary collateral recognized by banks, women are locked out of credit facilities, despite being engaged in productive activities.
- **Business documentation requirements:** Formal lending institutions require proof of income, or bank statements—documentation that most women-owned micro and small enterprises (MSMEs) cannot provide due to the informal nature of some businesses. Informality in women's businesses limits their ability to demonstrate creditworthiness.
- **Marital status challenges:** Married women sometimes require spousal consent to access credit, particularly for asset-backed loans. For divorced, widowed, or single women, social stigma and lack of legal recognition of property ownership pose additional hurdles. In some cases, financial institutions view divorced women as high-risk borrowers due to perceived instability, thereby denying or limiting their access to loans.

3.5.2. Other challenges

Beyond gender-specific barriers, systemic issues within the lending ecosystem affect all borrowers, but rural clients—including women and youth—bear the heaviest burden. Key challenges include:

- **Loan processing & disbursement delays:** Beneficiaries of guaranteed loans frequently reported prolonged turnaround times, with weeks or even months elapsing between application and disbursement. This delay undermines the borrower's ability to seize time-sensitive opportunities, such as planting seasons or business inventory cycles, thereby reducing the developmental impact of credit.
- **Cost of borrowing:** The effective cost of credit is perceived as significantly elevated by a combination of interest rates, administrative fees, insurance premiums, and hidden charges. For small borrowers, these costs can reach unsustainable levels, consuming a disproportionate share of loan proceeds and discouraging repeat borrowing.
- **Gap between requested and approved loan amounts:** Many borrowers experience substantial discrepancies between the amounts they apply for and the amounts finally disbursed. Deductions for fees, insurance, and other charges reduce the usable loan amount, while some banks approve significantly lower amounts than requested. This creates financing gaps that limit borrowers' ability to meet their business or agricultural needs.
- **Limited access channels and high transaction costs:** Rural borrowers often travel long distances to reach bank branches or peri-urban centers for loan applications, disbursements, and repayments. Limited availability of alternative delivery channels (such as mobile banking or agent banking) exacerbates this challenge. The transport expenses, time lost, and high transaction charges significantly increase the overall cost of accessing finance, making borrowing less attractive and less impactful.

4. Findings at the level of PASS and Partner Financial Institutions (PFI)

4.1. New financial products

The Sida–PASS guarantee incentivized PFIs to design and introduce new financial products targeting MSMEs, particularly in agriculture, as well as women and youth entrepreneurs. These innovations reflected a response to previously unmet financing needs and the risk-sharing mechanism provided by the guarantee.

One PFI, for instance, piloted an agribusiness loan tailored to Agricultural Marketing Cooperative Society (AMCOS), enabling smallholder farmers to access finance under previously restrictive conditions. PFIs officials explained:

> *"The guarantee made us comfortable to design products for smallholder farmers and agribusiness clients who were previously considered too risky." (PFI branch representative)*

> *"We have introduced youth and women loan products, and these are here to stay. The guarantee helped us pilot them, but the market demand is strong." (PFI representative)*

Another PFI introduced new lending products to cater to rural women groups:

> *"The guarantee gave us confidence to test new lending products, especially for rural women groups who previously lacked collateral." (PFI representative)*

Overall, these findings demonstrate that the Sida–PASS guarantee played a critical role in stimulating product innovation, enabling PFIs to expand their outreach to underserved and higher-risk segments, including women, youth, and smallholder farmers, thereby contributing to greater financial inclusion in the agricultural sector.

4.2. Marketing campaigns

Several PFIs invested in marketing and outreach activities to mobilize loan uptake under the Sida–PASS Guarantee. PASS branches collaborated closely with PFIs to run awareness campaigns in rural areas, using farmer meetings, agricultural fairs, and radio announcements to explain how the guarantee reduced lending risks and made credit more accessible. As one loan officer recalled,

> *"We organized campaigns with PASS in villages. Once farmers understood the guarantee, loan applications increased sharply" (PFI representative).*

The impact of these campaigns was significant. First, they demystified banking for rural communities that were often hesitant to engage with formal financial institutions. By linking the guarantee to practical benefits, such as lower collateral requirements and more flexible loan terms, PFIs built trust with smallholder farmers and SMEs. A PFI field officer explained,

> *"Farmers used to fear banks, but when we explained that PASS shares the risk, they were more willing to apply" (PFI representative).*

Second, marketing campaigns directly stimulated the utilization of the guarantee. Outreach translated into higher loan applications, especially from first-time borrowers who had never considered formal credit. A PFI staff highlighted,

> *"Our outreach events doubled the number of women applicants. They told us they applied because PASS reduced their fear of losing property" (PFI representative).*

Finally, campaigns reinforced PASS's role as a bridge between PFIs and rural communities. By making the guarantee visible and understandable, they not only mobilized loan uptake but also strengthened the reputation of participating PFIs as institutions willing to support agriculture. This created a virtuous cycle: greater awareness led to higher loan demand, which in turn expanded guarantee utilization and deepened financial inclusion in underserved areas.

4.3. Staff training and capacity building

The Sida–PASS Guarantee was accompanied by deliberate efforts to strengthen the institutional capacity of both PFIs and PASS itself, particularly through training and skills development for staff. These efforts aimed to ensure that financial institutions could better understand agricultural risks, tailor products to farmers' needs, and manage the guarantee effectively.

From the perspective of PFIs, trainings provided by PASS were transformative in shifting attitudes toward agricultural clients. A bank manager explained,

> *"Before PASS, our staff saw agriculture as too risky. Through trainings, they learned how to assess smallholder loans differently, and this gave us confidence to lend" (PFI representative).*

Similarly, a PFI highlighted practical benefits*:*

> *"PASS training helped our loan officers design repayment schedules that match harvest cycles, something we had never considered before" (PFI representative).*

Clients also recognized the impact of staff training on service delivery. Farmers in an FGD in Iringa noted,

> *"We noticed the difference after trainings. Loan officers started explaining the terms in simple language and gave us advice on how to plan repayments" (FGD participant).*

Women's groups echoed this, emphasizing that trained staff were more approachable:

> *"At first we feared going to the bank, but after the PASS program, the staff treated us differently. They listened and supported us" (FGD participant).*

However, gaps remained. Some PFIs, especially smaller MFIs and SACCO-linked banks, reported limited follow-up training and high staff turnover, which weakened the institutional memory of capacity-building initiatives. A PFI officer admitted,

> *"We trained staff on agricultural lending, but when some left, the knowledge left with them. Continuous training is still needed" (PFI staff).*

PASS staff themselves acknowledged the challenge:

> *"We improved, but we still lack enough experts in specialized areas like agro-processing finance" (PASS staff).*

Overall, capacity-building efforts under the Sida–PASS Guarantee strengthened confidence in agricultural lending, improved farmer–bank interactions, and made credit products more responsive to sector realities. At the same time, sustaining these gains requires continuous training, refresher programs, and more profound technical expertise within both PFIs and PASS.

4.4. PASS and PFI data systems

The Sida–PASS Guarantee significantly improved how PFIs managed client data. Larger banks integrated PASS-supported clients into digital MIS, enabling real-time loan monitoring and disaggregation by borrower category (e.g., smallholders, women, youth). However, the PFI's data improvement is on loan information rather than development indicators. Smaller PFIs introduced structured manual systems such as client files and spreadsheets, which enhanced accountability and basic reporting. These changes were widely acknowledged by PFIs themselves, with one officer stating,

> *"We did not have computerized records before. With PASS support, we created physical loan files and basic spreadsheets, which improved accountability and reporting" (PFI representative).*

The impact of these improvements was twofold. First, data systems enabled better client tracking and risk assessment, reducing the likelihood of unmonitored arrears and defaults. A PFI officer confirmed,

> *"Before PASS, we did not disaggregate clients by agricultural type. Now, we have separate categories for smallholder farmers, women, and youth, which helps in loan tracking" (PFI representative).*

Second, stronger MIS allowed PFIs to reward good repayment performance by offering repeat borrowers larger loans and tailored products. As one bank manager noted,

> *"Better data is not just for PASS reporting. It helps us identify clients with good repayment histories, so we can offer them bigger loans" (PFI representative).*

At the level of PASS, it developed a results management framework and introduced a new MIS in 2020, in part due to engagements with partners such as Sida, which created an incentive for the PFI's to upgrade their monitoring capacities. However, PASS still faces reluctance from some PFIs to integrate its MIS to the banks' core banking core systems, due to security reasons and cost associated.

In the longer term, these system upgrades contributed to institutional capacity-building. They enhanced PFIs' ability to serve higher-risk agricultural clients sustainably while supporting financial inclusion goals. By institutionalizing client categorization and monitoring, PASS created a pathway for PFIs to design more responsive products, ensuring that vulnerable groups such as women and youth were not just included in credit schemes but actively tracked and supported.

4.5. Challenges faced by PFIs

(i) Risk perception and procedural bottlenecks

While the Sida–PASS Guarantee improved confidence among PFIs, its utilization was sometimes constrained by risk perception and procedural bottlenecks. Some banks were hesitant to fully deploy the guarantee due to concerns over claim processing timelines and recovery uncertainties.

> *"Sometimes when defaults occur, the claim process is long, and this discourages us from taking more smallholder clients." (PFI representative)*

PASS itself faced constraints, including limited staffing and outreach capacity in some zonal offices, which affected responsiveness to both PFIs and beneficiaries. Some PFIs noted delays in loan approvals when PASS staff were overstretched.

> *"Sometimes we had to wait for weeks for feedback, especially when the zonal office was handling multiple cases at once." (PASS staff)*

(ii) Data quality and gaps on development indicators

A recurring challenge was the limited integration of PFI systems with PASS MIS. While PFIs tracked loan performance, socio-economic indicators such as jobs created or household income improvements were rarely captured systematically. This created data inconsistencies across reporting levels.

> *"We provide financial data regularly, but there are no clear templates to capture jobs or income changes. That part remains anecdotal." (PFI branch representative)*

(iii) Training and capacity gaps in PFIs

Although staff training was conducted, not all PFI staff were adequately trained on agricultural loan appraisal and guarantee mechanisms, a challenge increased by staff turnover in PFIs. This resulted in uneven implementation across branches, with some continuing to apply rigid collateral requirements.

> *"In some branches, staff still prefer collateral-based lending because they are not confident in assessing agriculture loans." (PASS staff)*

4.6. PFIs' willingness to continue serving supported client groups

Most PFIs expressed a willingness to continue serving MSMEs, women, and youth even beyond the Sida-PASS guarantee, especially those institutions that had already developed internal mechanisms for de-risking agricultural lending. Larger banks highlighted that the guarantee allowed them to build institutional experience that they are keen to sustain.

> *"Even without Sida-PASS, we have now built a framework for agricultural lending. Our management sees this as a long-term business opportunity." (PFI branch representative)*

Apart from the above commitments to continue servicing the target groups, several barriers were identified through qualitative findings. These include the lack of identification documents, issues related to marital status, and delays associated with turnaround time. FGDs revealed that beneficiaries now expect financial institutions to continue providing tailored products, and some noted greater confidence in approaching banks. However, concerns were raised about whether terms would remain favourable without the guarantee.

> *"We hope the bank will not stop lending to us now that we have shown we can repay. If they pull back, it will discourage many farmers." (FGD participant)*

While large commercial banks indicated stronger potential for continuation, smaller PFIs expressed concern about sustaining outreach without external de-risking support. Their appetite to continue targeting marginalized groups may reduce without similar instruments.

> *"For us, the guarantee was a cushion. Without it, we will have to be more selective in who we lend to, especially small farmers with no collateral." (PFI representative)*

PASS itself remains a critical actor in ensuring continued outreach. In addition to guarantees, Business Development Services played a crucial role. PFIs highlighted that BDS interventions made borrowers more bankable. These findings underline that the guarantee's impact was maximized when financial support was combined with advisory and capacity-building services. PASS officers noted that they will continue to provide BDS and guarantees, but their capacity depends on external capital and donor support.

> *"We are committed to supporting MSMEs, but our guarantee portfolio requires funding. If more capital is available, we can sustain and even expand the coverage." (PASS staff)*

5. Conclusion

Based on the findings of the study, a theory of change was developed, illustrating how Sida's guarantee to PASS contributed to achieving the intended outcomes and long-term impacts, while also examining the conditions under which these results were made possible. It provides a visual representation of the causal pathways linking activities to outputs, intermediate outcomes, and impacts. It further describes the critical preconditions required for success, the drivers that accelerated progress, the barriers that constrained achievement of wider impact, and the underlying assumptions guiding the intervention logic.

The theory of change rests on a dual-intervention model combining financial and non-financial services. On the financial side, credit guarantees reduced lender risk and unlocked capital for agribusinesses. On the non-financial side, PASS provided Business Development Services including training, mentoring, and advisory support in financial management, farm planning, and production practices.

Together, these interventions led to increased access to credit, improved loan utilization, and strengthened entrepreneurial capacity. At the output level, entrepreneurs gained both financing and knowledge to invest in inputs, equipment, and improved practices. At the outcome level, this translated into higher yields, diversified enterprises, job creation, and stronger market linkages. At the impact level, the combined guarantee–BDS approach contributed to poverty reduction, women's economic empowerment, and resilience of Tanzania's agricultural value chains.

Critical assumptions underpinning this ToC include: (i) financial institutions remain willing to lend when risks are mitigated, (ii) entrepreneurs adopt improved practices when given both finance and knowledge, and (iii) supportive policy and market environments sustain agribusiness growth.

▶ A theory of change for Sida's guarantee to PASS

Inputs

- Sida inputs: portfolio guarantee (US$ 20 million), reporting requirements, donor support.
- PASS inputs: guarantee products and risk assessment tools, BDS.

Activities

- Issuing partial credit guarantees to de-risk agricultural lending.
- Delivering BDS (business planning, financial literacy, enterprise development).
- Training PFI staff on agricultural lending, risk assessment, and product design.
- Joint outreach and sensitisation campaigns.
- Portfolio monitoring and safeguards oversight.

Outputs

- Access to finance for target groups.
- New or adapted agricultural finance products.
- Integrated PASS–PFI operational and data systems.
- Improved borrower business management capacity.

Outcomes (short-medium term)

- Increased investment in agricultural inputs, equipment, and technology.
- Higher productivity, job creation and business growth.
- Increased PFI willingness to serve higher-risk agricultural clients.

Impact (long term)

- Increase incomes and enterprise stability.
- Women's economic empowerment and improved livelihoods.
- Strengthened rural value chains and resilience.
- Inclusive rural economic development in Tanzania.

Enabling conditions

- Preconditions: Guarantee agreement in place; PFIs selected; PASS staffing and MIS operational.
- Assumptions: PFIs lend when risks are partially covered; borrowers use loans productively.
- Drivers: PASS technical expertise; strong PFI relationships; borrower demand.
- Barriers: Climate shocks; market volatility; high input prices; administrative processing times.

In the long term, the guarantee contributed to strengthening Tanzania's agricultural value chains, increasing productivity, promoting growth and advancing poverty reduction. The model demonstrates how blending risk-sharing instruments with advisory services can generate systemic improvements in rural financial markets.

In conclusion, the Sida–PASS Guarantee has significantly expanded access to agricultural finance in Tanzania by unlocking credit for farmers, cooperatives, and agribusinesses traditionally excluded from commercial lending. The guarantee was fully utilized, reflecting strong demand, while claims were largely linked to weather shocks and input credit defaults. Importantly, the guarantee reached groups that face systemic barriers.

At the level of PFIs, the guarantee contributed to the development of new financial products and risk management systems, which are now institutionalized within some PFIs. This suggests that the guarantee acted as a catalyst for structural change, even if PASS still holds an important role in supporting agricultural finance in the country.

The outcomes of the guarantee align closely with Sida's priorities of poverty reduction, private sector development, and promotion of gender equality. The intervention strengthened MSME participation in agricultural value chains, directly contributing to income growth and local employment opportunities. The guarantee also reinforced Sida's broader agenda of sustainable financial inclusion by fostering institutional changes within PFIs and supporting PASS to expand its role as a facilitator of agribusiness finance.

6. Recommendations

Based on the study findings, a series of recommendations is presented below with the goal of improving results of future guarantees. Although some of these recommendations are related to specificities of the Sida-PASS guarantee, they can generally be used by guarantee stakeholders inform the design and implementation of other guarantees.

(i) Strengthen results monitoring systems

PASS developed a results framework in 2018, which incorporated guidance from Sida, including with regards to indicators. However, there have been challenges in implementing such framework. Therefore, Sida could work with PASS and PFIs to support the consistent implementation of PASS results framework. This includes: adopt standardized development indicators across partners, ensuring consistent measurement of outcomes such as income growth, business sustainability, job creation and quality, technology adoption, and market linkages. Although some of these indicators are included in PASS' current results management framework, there is room for improvement in data collection and integration of systems across the different entities.

The study found that PASS still faces challenges from some PFIs to integrate its MIS to the banks' core banking core systems, due to security reasons and associated costs. Such issues need to be discussed with all parties at the design phase of guarantee so that the monitoring system put in place works effectively.

Additional development impact indicators which could be tracked include:

- Income growth at the household level (to capture how financing affects family welfare)
- Business sustainability measures (e.g., years of operation post-loan, diversification of income sources)
- Job quality
- Access to mechanization or technology adoption among smallholder farmers
- Market linkages and value chain integration (e.g., number/value of contracts with buyers)
- Financial literacy improvements among borrowers

With regards to data collection directly from beneficiaries, periodic surveys conducted by PASS have generally a qualitative focus, with some key indicators (e.g. employment numbers) not systematically tracked. Beneficiary-level surveys should be consistently applied across PFIs, cross-checking PFI-reported data, with survey findings informing programme design and PFI engagement. Annual performance reviews and periodic independent evaluations are recommended to improve accountability, identify gaps, and enhance learning.

(ii) Build capacity at different levels

Training provided by PASS to PFIs was highly appreciated by the PFIs themselves as well as by the borrowers. However, PASS could provide more frequent trainings, particularly considering high turnover of staff in smaller PFIs. Strengthening PFI skills in agricultural lending, product innovation, and impact reporting can support enhanced guarantee impact. Likewise, have target capacity building for youth and women through financial literacy and tailored support programs to enable women and youth readiness in accessing loans.

(iii) Improve process efficiency in loans and claims

Future guarantee instruments could incorporate design refinements that streamline processes and reduce processing times, as this was mentioned as a barrier both by borrowers and PFIs. This can include simplifying claim procedures or introducing flexible coverage options tailored to agricultural seasonality. Clear communication and transparency on loan terms, including fees, and processing times can enhance borrower's perception of the services provided by PFIs.

(iv) Inclusion strategies

In future guarantee agreements, the adoption of intentional inclusion strategies can ensure equitable benefits for women, youth, and marginalized groups. This includes:

a) Partnering with PFIs to design tailored financial products with flexible collateral requirements that meet the specific needs of women, youth, and smallholder farmers. PFIs that pilot and scale such products could be incentivized.
b) Supporting PFIs and BDS providers to expand outreach and awareness campaigns.
c) Embedding gender and youth targets within agreements with PFIs, ensuring that inclusion objectives are systematically tracked, monitored, and incentivized.
d) Strengthening partnerships with community-based organizations and cooperatives to expand access for marginalized rural populations, leveraging local networks to build trust and facilitate uptake.
e) Establishing inclusive feedback and learning mechanisms to capture borrower experiences — particularly from women and youth — ensuring that guarantee design remains demand-driven and responsive.
f) Integrate insurance solutions (e.g., weather index insurance) with guarantees to enhance resilience.
g) Enhance government engagement to support finance services for the agricultural sector. This includes advocating for enabling regulations, developing subsidized/index-based insurance, and enhancing coordination across government programs.

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