

# **A Critical Assessment of Aid Management and Donor Harmonisation in Tanzania**

**A Case Study**



African Forum and Network  
on Debt and Development



A Critical Assessment of Aid Management and Donor Harmonisation  
The Case of Tanzania

ISBN: 978-0-7974-3417-2

EAN: 9780797434172

© 2007

All rights reserved to AFRODAD

African Forum and Network on Debt and Development

31 Atkinson Drive, Hillside,  
PO Box CY1517, Causeway, Harare, Zimbabwe  
Telephone 263 4 778531, 778536 Telefax 263 4 747878  
E-Mail [afrodad@afrodad.co.zw](mailto:afrodad@afrodad.co.zw)  
Website: [www.afrodad.org](http://www.afrodad.org)

# About AFRODAD

## **AFRODAD Vision**

AFRODAD aspires for an equitable and sustainable development process leading to a prosperous Africa.

## **AFRODAD Mission**

To secure policies that will redress the African debt crisis based on a human rights value system.

AFRODAD Objectives include the following:

- 1 To enhance efficient and effective management and use of resources by African governments;
- 2 To secure a paradigm shift in the international socio-economic and political world order to a development process that addresses the needs and aspirations of the majority of the people in the world.
- 3 To facilitate dialogue between civil society and governments on issues related to Debt and development in Africa and elsewhere.

From the vision and the mission statements and from our objectives, it is clear that the Debt crisis, apart from being a political, economic and structural issue, has an intrinsic link to human rights. This forms the guiding philosophy for our work on Debt and the need to have African external debts cancelled for poverty eradication and attainment of social and economic justice. Furthermore, the principle of equity must of necessity apply and in this regard, responsibility of creditors and debtors in the debt crisis should be acknowledged and assumed by the parties. When this is not done, it is a reflection of failure of governance mechanisms at the global level that protect the interests of the weaker nations. The Transparent Arbitration mechanism proposed by AFRODAD as one way of dealing with the debt crisis finds a fundamental basis in this respect.

AFRODAD aspires for an African and global society that is just (equal access to and fair distribution of resources), respects human rights and promotes popular participation as a fundamental right of citizens (Arusha Declaration of 1980). In this light, African society should have the space in the global development arena to generate its own solutions, uphold good values that ensure that its development process is owned and driven by its people and not dominated by markets/profits and international financial institutions.

AFRODAD is governed by a Board of seven people from the five regions of Africa, namely East, Central, West, Southern and the North. The Board meets twice a year. The Secretariat, based in Harare, Zimbabwe, has a staff compliment of Seven programme and five support staff.

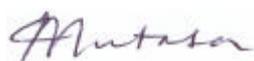
## Preface

Although donors argue that they have changed their approach and that conditionality has been replaced by 'country ownership', poverty reduction and pro-poor growth strategies, experience on the ground seems to suggest otherwise. Lack of harmonization and alignment of policies, procedures and programs among various donors' agencies continue to mar effective aid delivery to recipient governments who in turn have been eluded by the key concepts of inclusiveness, popular participation and 'good governance'.

Problems of economic governance and ineffective utilization of development assistance have ranged from poor or no consultation with the intended beneficiaries; lack of coordination between various government agencies, the failure to harmonize policies, programs and procedures; harmonization and alignment, poor project design within parastatals, public or private enterprises; to poor monitoring of foreign funded projects and consequently in indebtedness and poverty.

This international agenda has evolved over time, and hopefully will continue to evolve. Its principal manifestation at this time is the Paris Declaration of March 2005. The Paris Declaration on Aid Effectiveness represents a landmark achievement for the international community, which brings together a number of key principles and commitments in a coherent way. It includes a framework for mutual accountability, and identifies a number of indicators for tracking progress on the part of donors and partner countries. At the same time, there is a general recognition that the *Paris Declaration* is a crucial component of a larger aid effectiveness agenda that could engage civil society actors in a more direct manner. The power of the Paris Declaration is its focus on a limited number of general principles for action. As such, the Paris Declaration is not intended to provide operational instructions for how to achieve specific development results. The Paris Declaration is therefore limited in terms of the stated purpose of aid effectiveness in that it does not, and cannot, by itself, tell us how to reduce poverty, improve democratic governance, or promote greater gender equality.

As development actors, CSOs share an interest in the concept of aid effectiveness as an important one for keeping development efforts on-track, for drawing attention to outcome and impact level results, and for drawing lessons of good practice from accumulated experience. The shared pursuit of aid effectiveness provides a legitimate entry point for dialogue among all development cooperation actors, including CSOs. This case study by AFRODAD is but one of the civil society contributions to monitoring and tracking Aid effectiveness in Sub-Saharan Africa, which by and large constitutes the bulk of aid beneficiaries. We do hope that the thoughts and ideas shared by this case study will help enlighten issues and move the continent and its development partners a step ahead.



Charles Mutasa

Executive Director, AFRODAD

## **Acknowledgements**

AFRODAD's work on this subject matter would not have been possible without the input and assistance of many individuals and organizations. We are deeply grateful to all those listed here.

We owe a great debt of gratitude to Daima Associates for investing considerable time and effort in the research process of this report. The authors are indebted to various institutions and individuals who made invaluable contributions in terms of their key insights, opinion and data. We are particularly grateful to the Ministry of Finance and donor agencies that provided the main body of data necessary for the assessment made in this report. Nonetheless the views expressed in this report are those of the authors. We also remain indebted to Dr Nancy Dubosse, our Programme Director for Research and Policy Analysis, for the final edit and proof-reading of this report.

The central financial and technical support of Diakonia was invaluable to the project. We are also indebted to our colleagues Mandla Hadebe and Taurai Chiraerae for the time and effort they put in making this study and publication a reality. Last but not least many thanks to many of our colleagues whom we cannot all name but whose input into the national research validation workshop remain vital to this output.

# TABLE OF CONTENTS

<b>EXECUTIVE SUMMARY</b>	<b>9</b>
<b>1.0 INTRODUCTION AND BACKGROUND</b>	<b>10</b>
1.1 Research Objectives and Methodology	10
<b>2.0 AID EFFECTIVENESS IN TANZANIA</b>	<b>12</b>
2.1 Tanzania Assistance Strategy	12
<b>3.0 COUNTRY OWNERSHIP AND COUNTRY-LED PARTNERSHIP</b>	<b>14</b>
3.1 Ownership, Leadership and Partnership – The Concepts	14
3.2 The Strategy for Development Cooperation	15
3.3 Progress made in achieving leadership and ownership	15
3.4 CSO Participation	16
3.5 Participation of the Private Sector	16
3.6 Participation by Parliament	17
<b>4.0 ALIGNMENT AND HARMONISATION</b>	<b>19</b>
4.1 Aid Delivery Modalities	19
4.2 Alignment	21
4.3 Predictability	23
4.4 Harmonisation	24
<b>5.0 RESULTS ORIENTATION AND MUTUAL ACCOUNTABILITY</b>	<b>25</b>
5.1 Results Orientation	25
5.2 Mutual Accountability	26
<b>6.0 CONCLUSION AND RECOMMENDATIONS</b>	<b>28</b>
6.1 Strategic Aid Management	28
6.2 Reconciling Interests at Various levels	28
6.3 Deepening Participation	28
6.4 Technical Assistance	28
6.5 Governance, Transparency and Accountability	28
6.6 Exit Strategy	29
<b>REFERENCES</b>	<b>30</b>

## LIST OF ABBREVIATIONS

COMESA	Common Market of Eastern and Southern Africa
CSOs	Civil Society Organisations
DAC	Development Assistance Committee
DFID	Department for International Development
DP	Development Partners
DPG	Development Partners Group
GBS	General Budget Support
GNP	Gross National Product
GOT	Government of Tanzania
IMF	International Monetary Fund
IMG	Independent Monitoring Group
IRT	Investors Round Table
JAST	Joint Assistance Strategy for Tanzania
LGA	Local Government Authority
LGSP	Local Governance Support Programme
MDAs	Ministries, Department and Agencies
MDGs	Millennium Development Goals
MMS	MKUKUTA Monitoring System
MOF	Ministry of Finance
MOU	Memorandum of Understanding
MPEE	Ministry of Planning, Economics and Empowerment
MTEF	Medium Term Expenditure Framework
M&E	Monitoring and Evaluation
NBS	National Bureau of Statistics
NGOs	Non-Government Organisations
ODA	Official Development Assistance
OECD	Organisation for Economic Co-operation and Development
PAF	Performance Assistance Framework
PER	Public Expenditure Review
PFM	Partnership Framework Memorandum
PFMRP	Public Financial Management Reform Programme
PO-PSM	President's Office- Public Service Management
PRGF	Poverty Reduction and Growth Facility
PPP	Public Private Participation
PPW	Poverty Policy Week
PRS	Poverty Reduction Strategy
PRSP	Poverty Reduction Strategy Paper
SBS	Sectoral Budget Support
SIDA	Swedish International Development Agency
SWAp	Sector-Wide Approach
TA	Technical Assistance
TAS	Tanzania Assistance Strategy
TGNP	Tanzania Gender Network Programme
TNBC	Tanzania National Business Council
TWGs	Technical Working Groups
UNIDO	United Nations Industrial Development Organisation

## EXECUTIVE SUMMARY

Tanzania is one of the most aid dependent countries in Africa, though historically, it has been associated with a high degree of independence and policy space in matters of foreign affairs.

The main focus of the study is to collect information on aid management in Tanzania and make an assessment as to its impact on development efforts and how the country has been interacting with its development partners in such processes. In so doing the study examines how aid is been delivered and coordinated at country level (aid modalities) with particular focus on aid modalities (General Budget Support (GBS), Sectoral Budget Support (SBS) and pool fund arrangements) and mutual accountability.

Both Tanzania and its development partners have made progress regarding the Paris Declaration principles and their respective targets. The main findings of the study include:

- Leadership and ownership has been strengthened in recent years. The Government of Tanzania is more assertive, better organised and undertakes adequate preparations when in dialogue with the development partners. Further, the development plan, which is defined in the second generation of PRS (MKUKUTA), has been more consultative and national in character, though there remains challenges to attaining national ownership where it concerns local governments and parliament.
- Progress has been made in rationalisation, alignment and harmonisation of processes with a view to reducing transaction costs. Alignment of development partners' calendars to the national calendar has improved through the Performance Expenditure Framework/Medium Term Expenditure Framework (PER/MTEF) processes and by drawing a calendar of a rationalised cycle of policy mechanisms and consultative processes.
- The quality of exchanges between the Government of Tanzania (GoT) and Civil Society Organisations (CSOs) has reached a higher platform recently. For this interface, CSOs are starting to appreciate government effort in widening the participative process in generating policies so as to make them more effective. The level of internal organization of NGOs for purposes of enhancing their participation in the policy process has also improved.
- Participation in processes by the private sector has continued to deepen and institutionalize through various working committees under the Tanzania National Business Council (TNBC) and the Investors Round Table (IRT) and other business associations. However, as the participation of the private sector is becoming deeper and broader, it is facing new challenges such as the operationalisation of TNBC decisions.
- A notable development in managing aid relationships has been identified with the setting up of the Independent Monitoring Group (IMG). The terms of reference for the IMG are endorsed by government and donors and the reports produced by the IMG are subjected to joint discussion between the government and development partners with a view to reaching agreement on the next steps. A technical secretariat consisting of representatives from both sides has been established to carry out day to day monitoring of progress in implementing the recommendations of the IMG that have been agreed by both parties (government and development partners).

## 1.0 INTRODUCTION AND BACKGROUND

Tanzania is one of the most aid dependent countries in Africa. Historically, however, Tanzania has been associated with a high degree of independence in policy making including its foreign policy. This is a country which proclaimed the policy of socialism and self-reliance in 1967, six years after attaining political independence in 1961 from Britain. Tanzania was known to be a country that could take a firm stand on matters of principle especially in defence of its independence. For instance, Tanzania is one of the countries which broke diplomatic relations with Britain, the former colonial master, over differences on the Unilateral Declaration of Independence of the then Rhodesia (later renamed Zimbabwe). More broadly in the politics in Africa, Tanzania has played a critical role in the decolonization of the rest of Africa by actively engaging in liberation struggles, supporting liberation movements from Mozambique, Angola, Rhodesia (later Zimbabwe), Namibia and South Africa. The country is politically significant in the region although it is economically insignificant. This is what makes the country unique and interesting as a case study. The question that can be asked is whether a country can maintain the stance of independence while it is highly aid dependent. The post-independence period was a period of struggles between the international community and Tanzania over control of the economy and politics.

From 1967 to the early 1980s Tanzania followed a socialist path to development whereby major means of production were nationalized and the bulk of the subsequent investments took place in the public sector. The policy of self-reliance was proclaimed to declare the intention to shift from aid dependence to independence. Aid was to be accepted only on the understanding that it was necessary to help Tanzania move through the transition towards self-reliance. The role of aid therefore was essentially to enable Tanzania to build the capacity to stand on its own feet and be independent of other nations. However, by the early 1980s the country was still aid dependent, the socialist development model was coming under stress and pressure to change course was building up. The Tanzania leadership resisted pressure to change its policies in the first half of the 1980s. In 1986 Tanzania adopted the structural adjustment programme which also signified considerable erosion of independence in ownership and leadership of the development agenda.

The composition of aid has also been shifting over time. For most of the 1960s and 1970s, investment projects assistance comprised more than two-thirds of total aid. Project aid was the most preferred form of aid consistent with the dominant influence of the Harrod-Domar model of growth which put emphasis on capital investment as a major source of growth. The preference of project assistance to programme aid during this period can be attributed to three factors. First, projects appeared to be easy to plan, design, control, supervise and hence ensured visible results while allowing for direct accountability. Second, unlike programmes, projects are easy to tie to the procurement of goods and services from the donor. Third, projects provided donors with opportunities to by-pass national institutions and pursue their own objectives.

Since the mid-1980s, there has been a shift in emphasis from project aid to programme aid. The growing balance of payments problems and the declining utilisation of existing capacity in industry and other sectors prompted this shift. These developments were perceived as evidence of unsatisfactory performance of project assistance, and the realisation that import support would be critically needed to raise the level of output through greater utilisation of enterprise capacities. Another important change has involved a shift towards financing more explicitly the project forms of the government's recurrent budget. This shift has been a response to the growing awareness that insufficient allocations to the recurrent expenditure in the government budget had become a more serious constraint to the delivery of services than allocations to the development budget. However, limits to this form of programme aid are set by the perceived (by donors) degree of governance and accountability of Tanzania as the recipient country. The debates and negotiations between Tanzania and the donor community have largely gravitated around these issues. The evolution of the politics of aid in Tanzania can be categorized into four distinct phases. The first phase is that of the 1960s and 1970s where the degree of autonomy and sovereignty can be said to have been highest with aid being given without raising questions of domestic policy. The period 1981-85 depict the second phase which was a period of threatened erosion of autonomy and sovereignty whereby questions began to be asked about domestic policy. Tanzania put up resistance to change its domestic policies and debates were raging between the government and donors on the one hand and among internal groups on the other. The third phase (1986-95) was a period of defeat where the degree of ownership and leadership in the development process was eroded to very low levels and the fourth period (1996-2007) has been a period of struggle to regain ownership and leadership of the development agenda through negotiations with donors and internally through consolidation of democracy and improvement of governance.

While Tanzania declared priority in addressing poverty reduction right from the early post-independence years, the linkage between growth and poverty reduction is a relatively recent phenomenon. The pre-reform efforts to reduce poverty in Tanzania failed partly because of lack of sound macroeconomic policies to ensure robust growth and stability. Having dwelled on macroeconomic stabilization for growth for a decade, Tanzania started to address poverty as a major policy concern in 1996 within the framework of the macroeconomic policies which were being implemented. These initiatives started with the formulation of the National Poverty Eradication Policy and Strategy (1997). However, soon after the policy and strategy document was ready for implementation the discussions about debt relief were beginning to link debt relief to poverty reduction. These initiatives coincided with the World Bank's introduction of the Comprehensive Development Framework which essentially recognized that development had to be pursued in a comprehensive manner taking into account economic as well as social and political processes. It is in this context that the International Financial Institutions (IFIs) came with the concept of PRSP which was tied to HIPC debt relief funds. The Tanzania government responded quickly to the demand to prepare PRSP in order to gain access to the HIPC debt relief resources. PRSP attempted to integrate the poverty concern in the policy making process of indebted countries.

One important lesson that has been learned from the PRSP experience is the fact that consultation is important for subsequent positive impact of policy. Following this aspect, the PRSP has involved consultations with the key stakeholders, including the beneficiaries and donors. These consultations were deepened in the second generation of the Poverty Reduction Strategy (Wangwe, 2007). Another aspect is the recognition of the fact that for a balanced outcome, attention should be equally paid to growth, which is important in generating resources to address the poverty problem.

It is against this background that this study is addressing effective aid delivery, donor practices that have a bearing on partner governments in terms of ownership, transaction costs and institutional capacity as well as identify possible benefits and opportunities to cost effective development assistance delivery in the context of Tanzania.

## **1.1 Research Objectives and Methodology**

The main focus of this study is to enhance knowledge on aid management and its impact on development efforts and how Tanzania has been interacting with its development partners in such processes. In so doing the study examines how aid has been delivered and coordinated at country level (aid modalities) with particular focus on aid modalities (General Budget Support (GBS), Sectoral Budget Support (SBS) and pool fund arrangements) and mutual accountability.

The specific objectives of the study are:

- To assess the current salient aid facts (requirements and availabilities) and policies about the quality of aid and its effectiveness in the context of a possible large increase of aid.
- To recommend ways of making aid management and delivery effective to poverty reduction and development.
- To influence public policy makers and donor agencies to put in place national mechanisms of translating international donor commitments on aid to the national levels.

This study has been approached by making use of previous studies which are relevant to the subject at hand and that information was supplemented by information gathered from the field through interviews with the key actors on the government side, non-government actors and donor side. On the government side information has been collected from the Ministry of Finance, Ministry of Planning, Economy and Empowerment, President's Office - Public Service Management, Prime Minister's Office - Regional Administration and Local Government and from selected sector ministries notably agriculture, health and education. On the side of non-government actors, information has been collected from the private sector organizations and the civil society organizations. On the donor side information has been gathered from the embassies of France, Japan, Germany, European Union delegation, Britain and Sweden with whom interviews were conducted.

The rest of this report is structured as follows: Chapter 3 examines country ownership and country-led partnership. Chapter 4 addresses issues of alignment and harmonization, and Chapter 5 examines issues of results orientation along with the experience with mutual accountability. Chapter 6 presents the conclusion and recommendations.

## **2.0 AID EFFECTIVENESS IN TANZANIA**

Discussions on the relationship between aid and ownership of the development agenda did not arise until the 1980s. Following the economic crisis of the late 1970s and early 1980s, a substantial amount of aid was suspended in the first half of the 1980s pending the change of policies to what donors saw as sound policies for effective utilization of aid resources. Under this pressure reinforced by domestic policy debates, Tanzania adopted a structural adjustment programme in 1986 under the supervision of the international financial institutions. The first phase of reforms, as elaborated in the Economic Recovery Programme (1986-89), was essentially aimed at getting the prices right consisting of price decontrol, devaluation and freeing the interest rates and liberalizing markets. The implementation of the programme was facilitated by the resumption of aid flows.

The period 1989-92 started to address the social dimensions of adjustment and institutional reforms. The reforms became more difficult as they were entering the terrain of institutional reforms which require a higher degree of political commitment than the earlier phase of getting prices right. This political commitment was falling short and donors expressed concern in the early 1990s. Donors felt that Tanzania was falling short in implementing the reform programme with commitment and in mobilizing domestic resources. The Tanzania government was feeling that donors were interfering too much and eroding ownership of the then development agenda. This situation led to a deterioration of the aid relationships between GOT and donors in the first half of the 1990s.

During the 1990s (since 1995) a substantial initiative was undertaken to redress aid relationships in Tanzania. Relations between the two sides (GoT and donors) deteriorated to a low level in the early 1990s. In order to address this situation an independent group of experts led by Professor Gerald K. Helleiner was appointed to study the situation and make recommendations. The study was completed in 1995 and subsequent discussions between government and donors were based on that report. Based on the Helleiner report the third phase government (1995-2005) accorded high priority to dialogue between the government and donors starting with the dialogue of September 1996. This was followed by a workshop that was held between the government and donors in which an agreement was reached in January 1997 between the GoT and her development partners to jointly set out a programme to redefine the terms of their development co-operation. The result was a set of 'agreed notes' (in the form of 18 points) stating, among other things, that there was a need to ensure enhanced Government leadership in development programming, increased transparency, accountability and efficiency in aid delivery.

### **2.1 Tanzania Assistance Strategy**

The elaboration of a framework for co-operation culminated in the preparation of Tanzania Assistance Strategy (TAS) from 1998/99 which was finally published in 2002 following many sessions of dialogue and refinements. TAS was meant to be a framework for partnership which would also define the role of external resources for development in Tanzania. TAS provided the framework for strengthening donor coordination, harmonization, partnerships and national ownership in the development process. It provided a three-year strategic national framework covering aspects of national development agenda, policy framework, best practices in development cooperation and a framework for monitoring its implementation and priority areas and interventions. The TAS Action Plan was developed with a view to setting out practical steps for GOT and DPs to follow in implementing TAS. The action plan consisted of four priority areas: improving the predictability of aid flows, integrating external resources in the government budget system, harmonizing and rationalizing processes and capacity building for aid coordination and external resource management. In 2006, TAS was upgraded into the Joint Assistance Strategy for Tanzania (JAST) as a broad framework for all partners (domestic and external) to operate at a higher level of commitment to the principles of best practices in development cooperation.

TAS and JAST aim to achieve national development and poverty reduction goals as articulated in National Vision 2025, the National Poverty Eradication Strategy and the Poverty reduction Strategy which are broadly in line with the MDGs. The vision is to transform Tanzania from a least developed country to a middle income country with a high level of human development free from abject poverty by 2025. The Tanzania economy should be transformed from low productivity agriculture dominated economy to a semi-industrial economy with modernised and high productivity agriculture which will be well-integrated into the rest of the economy.

Tanzania of 2025 is envisaged to be imbued with attributes of high quality of livelihood; peace, security and unity; good governance; a well educated and learning society; and a competitive economy. Targets of Vision 2025 focus on three areas: high quality of livelihood; good governance and rule of law; and a strong and competitive economy.

The Vision 2025 is being operationalised through the second PRS (2005) known as the National Strategy for Growth and Poverty Reduction. The strategy has made a shift from priority sectors to poverty reduction outcomes. It has identified three major clusters of poverty reduction outcomes: (i) growth and reduction of income poverty; (ii) improvement of quality of life and social well-being, and (iii) good governance. Each cluster contains specific goals and actions; and many of these are interrelated and support each other. It is recognised more explicitly that growth leads to higher incomes, thus reducing income poverty, provided that the quality of that growth is pro-poor and broad-based. Higher incomes enable households to improve human capabilities through better education, health, nutrition, shelter, i.e. social well-being. Human capability is recognised as one of the critical sources of long-term growth. Also, growth enables the government to collect revenue for provision of public services such as health, education, administration and infrastructure. The third cluster, governance, is recognised as putting in place conditions within which growth, well-being and poverty reduction take place. A social-political environment is required that ensures equal access to productive resources, social services and transparency and accountability

The role of TAS and JAST is consistent with the challenges that were identified in Vision 2025 in terms of aid dependence and the way dependence on donors had eroded ownership of the development process, stifled local initiatives, which led many Tanzanians into unprecedented apathy. It is in this context, Vision 2025 is identified as a developmental mindset imbued with confidence, commitment and empowering cultural values as well as effective ownership of the development agenda. One important element in the implementation of Vision 2025 is identified as reactivating the commitment to self reliance and overcoming the donor dependence syndrome. TAS and later JAST are therefore consistent with the spirit and major concern of Vision 2025.

## 3.0 COUNTRY OWNERSHIP AND COUNTRY-LED PARTNERSHIP

Leadership and ownership has indeed been strengthened in recent years. The GOT is more assertive, better organised and makes better preparations in dialogue with the development partners. Progress has been made in terms of leadership and ownership in developing a clearer view of its role in the development agenda as has been defined in the second generation of PRS (MKUKUTA) which has been more consultative and more national in character. Nonetheless, the level of ownership is still rather narrow in GOT with many sector ministries showing a rather low level of ownership.

### 3.1 Ownership, Leadership and Partnership – The Concepts

The issue of ownership and country leadership was first addressed in OECD report (1996). Over the years, the concept has been developed; OECD (2003)<sup>1</sup>, Rome Declaration (2003) and World Bank (2003)<sup>2</sup>. These documents have culminated in the Paris Declaration (1995) where partner countries agreed to work towards ownership of their development agenda and to exercise effective leadership over their development strategies and co-ordinate development actions. Now donors are invited to support the national development goals and priorities of partner countries. Partner countries committed to exercise leadership in developing and implementing their national development strategies through broad consultative processes and to translate the national development strategies into prioritised results-oriented operational programmes as expressed in medium-term expenditure frameworks and annual budgets.

Tanzania and not donors should be in charge of its development: should be able to identify its development goals, and formulate its development strategy. Taking ownership and country leadership seriously implies, among other things, determination of aid modality and form of dialogue that would be in Tanzania's interest and best meets the country's requirements. Strong national ownership, however, cannot be confined to the government circles alone. National ownership of development policies must mean systematic, broad-based stakeholder participation, under government leadership, including civil society, private sector and local governments, with involvement of the Parliament. This implies that the process and strategies developed are to enjoy wide public support from top political leadership and intellectual conviction by key policy makers and strong links to institutions.

Donors are not to be passive in this context, but they are expected to change their policies and practices to give more space for domestic initiatives and facilitate progress towards national ownership by encouraging and supporting processes of analysis and discussion that leads to more informed and balanced domestic decision making.

Consistent with national ownership, country-led partnership represents a paradigm shift towards putting Tanzania in the driver's seat. Key instruments for fostering effective country-led partnerships include country-led coordination mechanisms, alignment of donor support to country strategy and priorities, more effective modes of aid delivery and harmonisation of donor practices and procedures.

The front-line initiatives in ownership, alignment and harmonisation of aid in Tanzania are now getting international backing as evidenced in the Paris Declaration on Aid Effectiveness of the Paris High-level Forum of 2 March 2005 in which partner countries and developed countries made specific commitments with target dates for achievement in favour of these objectives.

### 3.2 The Strategy for Development Cooperation

The GOT launched the Tanzania Assistance Strategy (TAS) in 2002 as a coherent national development framework for managing external resources to achieve the stated development objectives and strategies. TAS represents the national initiative to restore local ownership and leadership in promoting partnership in the design and execution of development programmes. TAS has been followed by an action plan from 2002/03 which has set out more practical steps for implementation in four areas: promoting GOT leadership, improving predictability of external resources, increasing capture of aid flows in the government budget and improving domestic capacity for aid coordination and management of external resources. The TAS process has continued to be institutionalized at all levels of GOT and DPG.

---

<sup>1</sup> OECD: Harmonising Donor Practices for Effective Aid Delivery. A DAC Reference Document. DAC Guidelines and Reference Series. OECD, Paris, 2003.

<sup>2</sup> World Bank: Toward Country-led Development: A Multi-Partner Evaluation of the Comprehensive Development Framework: Synthesis Report. Washington DC, 2003.

The implementation of TAS is now supervised by the Joint TAS/Harmonisation Group and Joint TAS Technical Secretariat; both draw membership from sector ministries, MPEE, VPO, MOF and DPs and are chaired by the Ministry of Finance. The Joint Assistance Strategy for Tanzania (JAST) is a higher stage following TAS as a guide towards attaining national ownership and leadership in the development process, reduce transaction costs by enhancing harmonisation and alignment to national priorities and national systems. JAST is a broad framework for all partners (domestic and external) to operate at a higher level of commitment to the principles of best practices in development cooperation. JAST is geared to contributing to consolidating and institutionalising current efforts towards harmonisation, alignment and managing for results.

### **3.3 Progress Made In Achieving Leadership And Ownership**

It has been acknowledged that GoT leadership has been strengthening in many respects (IMG Reports 2002 and 2005). These IMG reports have indicated that evidence is seen in the higher level of assertiveness, better organization and better preparation of policy documents. GOT leadership of the reform process, development agenda as well as the aid relationships has improved. MOF in particular has become more direct and more assertive in asking DPs to be committed to the national development priorities. Government leadership is evidenced by enhanced level of understanding of issues especially MoF providing clarity, coherence and guidance to sector ministries. The level of ownership is high in respect of MoF but for most sector ministries the level of ownership is still low. This is a challenge to attaining national ownership. Leadership in dealing with local governments is still not good enough as it is not well defined in practice. The role of Parliament in its involvement in policy processes and results evaluation is still growing from a rather low level. Parliament has largely been engaged in approving the budget and the legal instruments for policies and less engaged in debates on the national development framework, an activity that is critical for shaping ownership and leadership in the development agenda.

Progress has been made in terms of leadership and ownership in developing the national development framework starting with the Poverty Reduction Strategy Paper in 2000 and making further improvements on it to produce a clearer view of its role in the development agenda as has been defined in the second generation of PRS (MKUKUTA). Compared to the first generation of PRSP, the formulation of MKUKUTA has been more clear, more consultative and participative with greater demonstration of GOT leadership than the practice in the past, though this is not broad-based across the MDAs. The preparation of MKUKUTA has demonstrated a greater level of ownership in its formulation with DPs given the opportunity to make comments. These comments have been coordinated better than before. Results orientation has been endorsed as the approach of MKUKUTA. The challenge is to show evidence that implementation is in progress from input based towards output based results.

A challenge that has emerged in Tanzania is that preparation of joint strategies such as the JAST tends to suppress important differences of opinion and approaches, implying that mechanisms for settling and harmonising such differences have to be in place. The implication here is that the need to strengthen dialogue mechanisms in support of JAST is crucial and the internal incentives for harmonization and alignment within donor agencies and within sectors need to be understood better so their actions can be influenced in the desired direction.

Another challenge has been that of balancing between firmness to the established and agreed principles and flexibility to be inclusive of as many donors as possible. The JAST should clarify the process of transition under which DPs that are slow to join JAST but are supportive of its principles will be accommodated and encouraged so that they can overcome home institutional or political rigidities, whilst not holding back those that are ready to move forward.

National ownership and leadership goes beyond government to involve other key actors in society. In this regard, participation in policy dialogue has been broadened and is becoming more institutionalized. The policy-making processes have been broadened in terms of participation e.g. in PRS and PER processes. PER, PRS and Poverty Policy Week (PPW) processes have been broadened and deepened. The number and quality of exchanges has been much higher. The Poverty Policy Week for example has involved national as well as private sector and civil society participants. Tensions between government and other actors especially those from the civil society have been reduced as trust has increased.

### 3.4 CSO Participation

The quality of exchanges between GoT and CSOs has reached a higher platform recently. For this interface, CSOs are starting to appreciate government effort in widening the participative process in generating policies so as to make them more effective. Reciprocal recognition by government of this CSO positive attitude and contribution is enhancing the mutual trust. Openness by NGOs is no longer automatically taken as a hostile stance, although there is still some way to go before autonomy and 'watchdog' functions of NGOs are embraced by all in Government and among DPs.

The level of internal organization of NGOs for purposes of enhancing their participation in the policy process has improved. Some 70 NGOs have set up an NGO Policy Forum (NPF) to bring together NGO voices, particularly in public policy advocacy and policy influencing, to make policies more realistic, and the processes more inclusive and transparent. They have specifically targeted the PRS, PER and LGR processes, which they deem to be critical for development and citizens welfare.

Participation in policy and resource allocation processes has improved. For instance, CSO participation: e.g. in MKUKUTA formulation and in the poverty week has been higher than has been in the past. CSOs are increasingly being seen as providing added value to the processes, thus GoT getting useful contribution (e.g. HAKIKAZI Catalyst with ability to provide popular/simplified versions of policy documents) or professional bodies providing professionally strong comments on documents. In fact, it has been observed that certain CSOs/NGOs have become so successful that to leave them out of policy dialogue forums would raise questions from key stakeholders such as DPs and international organisations as to whether they have been consulted (e.g. TGNP on gender issues or HAKI ELIMU on education matters).

However, there are still a few challenges to be addressed, namely:

- Participatory approaches that are adopted are still not systematic as all depend on government felt need for extending invitations to CSOs. This challenge has been addressed by the proactive approach by the CSOs. Some CSOs have resolved to "knock the government doors" on processes they sense are being processed behind the curtain.
- Differences in approaches may be from sector to sector or subject to subject. In specific sectors, it is sometimes assumed that participation should be restricted to those CSOs specialising in the sector, often forgetting that impact of policy or policy measures being processed go beyond the sector: e.g. HIV/AIDS.
- Within government and political circles there are also subtle concerns that stronger NGO voices may not truly be representing large sections of society. This may be reinforced by the fact that most important NGOs are based in Dar es Salaam. CSOS/NGO participation is highest among CSOs in Dar es Salaam but participation at local level is still weak due to weak capacity of these organizations. Greater inclusion of rural-based NGOs and communities in policy dialogue is something the government should be concerned about. DP support in this area should be welcome.
- Some NGOs operate in local constituencies but are not accountable to the LGA or the people they serve. They feel they are accountable to the funders rather than the people.
- Lack of capacity amongst CSO/NGOs could be addressed through DP support but DPs have been reported to be reluctant to support institutional building in NGOs. They would rather provide money for projects.
- NGOs further expressed the feeling that sharing information with government could be misused to sour donors' attitude and affect the flow of aid or encourage a pretext to reduce assistance. An open mind and polite but frank expression of views in participatory processes should be encouraged. This fear should be addressed through defining a robust system of conditionalities with a view to enhancing predictability of resources.

### 3.5 Participation of the Private Sector

Participation in processes by the private sector has continued to deepen and institutionalize through various working committees under the Tanzania National Business Council (TNBC) and the Investors Round Table (IRT) and other business associations. Putting in place well-structured TNBC is in itself a notable achievement.

The Council chaired by the President and the Executive Committee chaired by the Chief Secretary have had a high profile. The functioning of the Executive Committee and the formation and functioning of various working groups and the establishment of a secretariat have put the TNBC in a good footing. The acquisition of an office building at a convenient location within the city centre, donated by the Tanzania Government, demonstrates the determination and commitment for forging of the public-private partnership. TNBC represents institutionalisation of the dialogue between the Government and the Private Sector.

Major achievements of private sector participation in the policy process have included:

- Contribution to the tax reform through participation in the Task Force for Tax Reform.
- The impact on improved attitudes of both the public and the private sector is positive. The willingness to work together and to concede that each side has something useful to offer has been demonstrated. There are indications of growing trust on the side of both actors. Accountability on both sides has been enhanced (TNBC, 2004)<sup>3</sup>.
- The private sector has participated effectively in the policy formulation in respect of MKUKUTA. With the assistance of UNIDO, a consultant was engaged under the management of the Private Sector Foundation, an apex body, specifically to carry out consultations with the key actors in the private sector. The resulting report was discussed in a workshop in which the private sector representatives made their contributions and the paper was finalized incorporating the additional concerns. Both the paper and the workshop report were submitted to the MKUKUTA drafting team as the contribution of the private sector.

However, as the participation of the private sector is becoming deeper and broader, it is facing new challenges. The key challenges this process is facing are:

- Operationalisation of TNBC decisions is being challenged by several operational level hurdles which reduce speedy implementation of decisions. It was observed that the capacity to solve problems on a day-to-day basis in a timely manner was rather weak both on the part of some government institutions and the private sector representation. The challenge is to strengthen follow up mechanisms to ensure timely implementation of the decisions made by the Council and its Committees (TNBC, 2004).
- Smart Partnership requires change in the attitude and mindset on the part of Government officials and private sector actors to effectively participate in policy dialogue. The learning process has taken place on both sides. However, there are die-hards on both sides (TNBC, 2004). The challenge is to generalize the capacity building experience and embark on more systematic and comprehensive programmes in change management directed towards changing attitudes and reorientation of culture on the side of actors in the public sector as well as the private sector. The Public Sector Management Reform is addressing this shortcoming, particularly the attitude of civil servants towards business operators.
- The concept of public private participation (PPP) has yet to be sufficiently operationalised at the level of implementation especially in public service delivery in local development (TNBC, 2004). On the ground, private sector participation is taking place in various sectors but with varying degrees of intensity and institutionalization (TNBC, 2004).
- In some cases major decisions affecting the private sector have been made without sufficient involvement of the private sector. An example of failure in consultation was cited in respect to Tanzania's withdrawal of its membership from COMESA. The private sector maintains that no consultation was made before the decision to opt out of COMESA was taken.

### **3.6 Participation by Parliament**

The participation process is being extended to Members of Parliament beyond issues of budget approval. For instance, Parliamentarians have participated through the Bunge Foundation as well as through a general workshop for the whole Bunge and through chairpersons of various Bunge Committees. Opposition in Parliament has been involved more explicitly. While the role of Parliament has been enhanced, the discussions could be deepened further.

---

<sup>3</sup>Interim Impact Assessment of the Consultative Mechanism Through Tanzania National Business Council.. Report submitted to TNBC by Daima Associates Ltd and presented to the TNBC meeting in November 2004.

Overall, it has been found that the level of participation in policy dialogue has grown considerably. However, there are concerns that the level of participation is still relatively weak on the part of the mass media and Parliament.

While leadership by GOT is improving, there are four concerns that need to be addressed:

- First, the number of active change agents within government is still quite small making the process rather fragile. The spread of GOT leadership within GOT and across ministries is still narrow. Some ministries have a rather low level of awareness and capacity to play their role as leaders in policy dialogue.
- Second, the participation process is increasingly involving Members of Parliament but there are concerns about the capacity of Parliament as an institution. While the role of Parliament has been enhanced, the discussions could be deepened further. The role of Parliament needs to go beyond the annual budget and influence medium term and long term planning and policy making. This may call for capacity building of Parliament and revisit the structure and processes employed. There is need to establish capacity needs in the area of research and technical support for Parliament. The legitimate and positive role of Parliament will be facilitated by participation in appropriately early stages of policy and plan formulation. The role of Parliament needs to go beyond the annual budget and influence medium term and long term planning and policy making. This may call for capacity building of Parliament and revisit the structure and processes employed.
- Third, the question of incentive structure has not been addressed adequately enough to underpin efforts in enhancing harmonization and ownership. The incentive structure relating to pay reform is being addressed but results have yet to be demonstrated. There are still challenges arising from the unsustainable place and role of workshops and the power and resources that are often associated with projects and parallel programmes.
- Fourth, there is concern that ownership and leadership has not trickled down to the people in local government authorities and communities. Three factors that explain the slow pace in realising ownership and leadership at local levels have been identified. First, internalisation of decentralisation policy remains tenuous in Tanzania with Central ministries continuing to seek direct control over LGAs. Second, the fact that decentralisation by devolution is essentially a political project involving the transfer of power has yet to be sufficiently internalised. Third, Sector ministries see decentralisation as a loss of their power and authority over resources and services. This situation manifests itself in subtle resistance to change their ways of operating and especially their relationship with LGAs. Planning at the local government level is still weak and adequate opportunity for capacity building at this level has not been availed. In addition, relationships between districts and villages in terms of planning and resource allocation have yet to be adequately addressed.

## 4.0 ALIGNMENT AND HARMONISATION

### 4.1 Aid Delivery Modalities

Project aid has been the dominant aid modality. Time has revealed that, as a modality for funding development interventions, direct project-type financing is not preferred because it is characterized by several shortcomings. The following are the main shortcomings of project funding which contribute to high transaction costs:

- large numbers of uncoordinated interventions by different donor agencies each following independent systems and procedures for management, monitoring, procurement, recruitment, staff remuneration, accounting, reporting formats, that place heavy demands on government's limited capacities;
- the fragmented nature of these interventions is associated with reduction of efficiency and development effectiveness of the resources so deployed;
- the direct disbursement of aid to the projects outside of the exchequer system, compromised transparency and thus accountability of the concerned development resources;
- the lack of synchronisation of the interventions among various donors and between donor support and the national development agenda; and
- limited GoT institutional and human resource capacities that made the government unable to adequately cope with the implied demands for servicing the interventions.

These shortcomings notwithstanding, direct project type funding has its merits under specific circumstances. For instance, the project aid modality has continued to be prominent especially in funding certain highly specialized, skills intensive interventions with specific time limits. Direct project funding was provided by the Japanese government through the Japanese International Cooperation Agency (JICA) of the computerization of the archival system at the National Bureau of Statistics (NBS), and the project funding by the Swedish government through the Swedish International Development Agency (SIDA) of capacity building for the NBS staff.

The first joint evaluation of GBS for Tanzania was carried out in 2004<sup>4</sup>. This evaluation revealed that since the thawing of relations between Tanzania and its principal development partners during the mid 1990s the flow of aid to Tanzania has increased very significantly. Over the period 2001/02 and 2005/06 total ODA almost trebled in current terms from about Sh.563 billion to about Sh.1.6 trillion. The evaluation indicated that on average (Table 3) nearly 54% (range 42.5% and 64.2%) of ODA flow to Tanzania is programme aid (GBS and Basket/Pooled funds). It confirmed that the mix of aid modalities varies widely between sectors and sub-sectors, with Basket and Pooled Funding being the preferred modalities in the health and education sectors and project financing dominating in other sectors. This data points to improvement in the development effectiveness of total aid resources flowing to Tanzania. Since 2002/03 programme assistance has remained a higher percentage of total aid flows than project assistance.

The GOT has expressed preference for GBS as an aid modality. In practice the GOT has not been sufficiently emphatic on this preference. GBS deserves to continue to be the preferred aid modality because it is more consistent with greater levels of ownership and greater degree of budget management, contestability of resources and strengthened government systems for expenditure management initiatives. However, GOT needs to be more assertive on this preference, by laying out the transitional plan in which the right mix of GBS, basket funds and project aid modalities coexist.

The joint evaluation of GBS in Tanzania confirmed that while GoT and DP officials shared the view that GBS was ultimately the preferred modality for channelling development aid there are inconsistencies in positions among various units within the government and between DPs with some DPs and sectors holding scepticism which central ministries were more optimistic about the shift towards GBS. This suggests that the shift is clouded with challenges of political economy and management of disparate interests. This situation strengthens the case for engaging in transparent dialogue within the stipulated frameworks with the desire to share ideas on national priorities and the attaining a close linkage between those national priorities and budgeting.

---

<sup>4</sup> A. Lawson, D. Booth, M. Msuya, S. Wangwe, and T. Williamson, Does General Budget Support Work? Evidence from Tanzania, Overseas Development Institute, London and Daima Associates, Dar es Salaam, July 2005.

An issue of serious concern is that in spite of setting up the LGSP, there are some DPs who are still continuing to support separate area-based projects despite a general understanding reached to phase them out. In fact new large programmes are still being prepared as area or district based that will continue to by-pass the government exchequers system. About 20 programmes operate in Agriculture. It is hoped that the implementation of the sector wide programme that has been started will link national level activities to local level activities.

The TA modality of aid has continued to be the most challenging in terms of continuing to be supply driven, tied procurement and little built in capacity building. The matter is worsened by the absence of government policy on TA. Several sector development partners have indicated that they are shifting away from making use of long-term expatriate specialists and of TA tied to project implementation and that they are engaging in capacity building which is needed if government is to take leadership in the reform process. The importance of capacity building is acknowledged in recent OECD/DAC guidelines on harmonization around procurement practices (2005). The centrality of capacity building is emphasised in this context.

The experience with SWAps and basket funding is worth bringing in here. There is a strong desire by some DPs to link their funding to specific sectors in development cooperation based on a desire to be seen to be supporting the MDGs. This is one reason why SWAps have started with the social sectors notably health and education. The case of education and health sectors has shown that SWAps are considered appropriate for those sectors while cross-cutting reforms like local government and public financial management reforms are considered more suitable for common basket funding. The health and education sectors have been the main areas for SWAps but there are also a number of SWAps in areas such as agricultural development, transport and water development. Reviews of SWAps have brought to the attention of the authorities some benefits in respect of governments' capacity to plan and implement programmes and of donor coordination. They have helped to improve the understanding of problems of service delivery and access by the poor, and the translation of stated sector priorities into resource allocations.

The Health Sector Basket has been in operation since 1999. As of 2006/07 a total of 8 bi- and multi-lateral agencies<sup>5</sup> contribute to the Basket. To date only DFID have completely shifted to GBS. The World Bank has indicated its desire to shift some of its contribution from the Basket to GBS in the near future. Other DPs prefer to remain in the Basket underscoring the complementarity of different funding modalities.

The Health Sector programme is the most advanced in Tanzania. Yet in terms of transition to GBS so far only the United Kingdom committed all its support to GBS and even this is presenting a serious challenge since after re-routing its support to GBS only half of the moneys so channelled ends up in the health budget.

The following lessons can be drawn from the experience of the health sector.

- The sector dialogue must identify priorities clearly and make sure the priorities are reflected in the national priorities as expressed in the national development framework.
- It is important to make sure that policy dialogue prepares strong arguments in support of the priorities identified in the sector.
- Donors' pooled funds were followed by MOU and code of conduct especially in areas where government would for the time being have difficulties financing them from the government budget.
- In the process of transiting from pooled funds to GBS some \$100,000 got lost on the way. The contribution by DFID, for instance, was Tshs. 22 billion of which only half came back through the government.

The experience from the Health sector suggests that for the funds going through the pool, the risk of facing budget cuts are real. This suggests action on two fronts. First, budget cuts are less likely where the argument for adequate resource allocation is sufficiently strong. Secondly, the sector in question should clearly be stated in the national policy framework that it is a priority sector and the priority activities should be identified clearly.

The problem of vested interests of sectors in collusion with DPs has often led to exaggeration of mistrust on MoF and engagement of lobbies to delay changing the system for the better.

---

<sup>5</sup>Canada (CIDA), Denmark (DANIDA), Ireland (Development Cooperation of Ireland – DCI), Germany (GTZ), Netherlands, Switzerland (SDC), UNFPA and the World Bank. UNICEF is expected to join in the Health Sector Basket during 2007/08 and World Bank is expected to shift part of its funding to GBS.

Over optimism on the part of some DPs to push money has coincided with the domestic interests in specific sectors in mobilizing as much money as possible to facilitate implementation of their programmes. The lack of trust in the domestic budget management process has led some sectors to see basket funding in the context of SWAs as a more effective way of achieving assurance of enhanced and predictable resources. The leadership in such sectors has tended to put greater trust in donors than in their own government's budget system.

The SWAs have tended to have a centralising effect on policy development and resource use in the priority sectors. There are many reasons for this but the main one appears to have been the de-linking of the resource allocation process from the normal political process where different parts of a country use their influence to get public resources. SWAs have established parallel systems of management and accounting and contributed significantly to transaction costs and have not always developed to ensure integration of national priorities and alignment to national processes. Preoccupation with resources and their confinement to the sector has sometimes encouraged the setting up of elaborate systems to monitor flow of funds and the work involved in this has sometimes overshadowed the actual sector dialogue.

So far only a few DPs have experience from de-linking sector support and sector dialogue. The relationship between dialogue on priority sector issues and the move towards general budget support as aid modality differs from country to country. The main impression from donors' experiences seems to be that there is a good possibility of maintaining a sector level dialogue in combination with a budget support aid modality. What appears to happen in most cases is a combination of two factors. Firstly, the general budget support dialogue "takes over" many of the policy and cross-cutting dialogue issues that were previously discussed in sector programme working groups. Secondly, administrative resources in donor agencies are freed to be more involved in output and outcome related issues in the sector. It is furthermore evident that there is an ongoing convergence of issues in the dialogue linked to budget support and traditional social sector dialogue. The macro dialogue has become more focused on PRSPs, poverty outcomes and governance, while sector dialogues have increasingly become involved in issues such as civil service reform and public sector financial management.

Technical assistance in Tanzania is usually engaged to augment the capacity of Tanzania a temporary gap filler to enable specific tasks to be carried out in the absence of adequate local capacity or to facilitate local capacity-building in the process. The first type of technical capacity is TA that is supposed to augment the capacity of Tanzania and is expected to give priority to domestic capacity-building. In practice, however, technical assistance has been one of the most problematic aid delivery modalities in terms of being tied to finance, being packaged into projects, and not always being demand driven. In some cases, it has even resulted in erosion or replacement of local capacities rather building those capacities.

In spite of the problems faced in this aid modality, two positive approaches to providing TA have been observed in the way TA is being managed. First, there are cases of pooling technical assistance. TA pooling has worked well in PER process.

Second, there are cases of untying TA and subjecting its procurement to more open, transparent and competitive recruitment procedures. Untying of TA is challenging for most donors. Good progress has been made in some MDAs regarding TA procurement using this open and competitive procurement of TA.

The most important challenge relating to TA is the absence of a clear Government policy which would facilitate delinking TA from financing and from projects to permit the use of TA for capacity-building and to make it more demand driven based on identification of TA needs.

## **4.2 Alignment**

Alignment calls for donors to base their overall support on partner country development strategies, institutions and procedures and conditionality is to be based on commitments made in the respective partner country national development strategies. This would also imply strengthened public financial management and procurement systems in the partner countries.

Progress has been made in rationalisation, alignment and harmonisation of processes with a view to reducing transaction costs. Alignment of DP calendars to the national calendar has improved through the PER/MTEF processes and by drawing a calendar of a rationalised cycle of policy mechanisms and consultative processes.

The calendar is increasingly being adopted. Progress in this matter is bringing the timing and output of all processes in line with the PRS and budget cycle. More specifically, "quiet times" have been identified with the aim of providing GOT with adequate time to concentrate on preparing the budget and participation in the Parliament budget sessions.

Alignment to the national budget system and procedures is a most critical aspect in terms of giving comfort to the donors that the resources they give will be managed prudently with a high degree of accountability. In this regard, a major development that has been identified is the adoption of a more strategic approach to public spending through the MTEF/PER with focus on priorities as articulated in the PRS. The link between PER and PRS and the budget in general has been strengthened. Sectors engage in prioritization of their activities more than they did in the past. Budget guidelines have been rewritten to reflect new developments. Mechanisms for continuous monitoring of progress are being made and impacts of development initiatives and actions have been put in place on the heels of progress after the first round of the public financial management. Further challenges of financial control as well as those of allocation of resources according to priority are being tackled. Public resource management has improved considerably in terms of transparency and accountability of public financial resources. All regions have been computerized. Since 2003 priority has been given to strengthening the infrastructure needed to make computerized sub-Treasuries work more effectively. Investment in capacity building in local government authorities is getting attention. Tanzania has been acknowledged as a leading country in implementing the IFMS and many African countries are keen to learn from the Tanzania's experience and to emulate it. These improvements have contributed to giving comfort to the DPs.

These improvements in public financial management are dampened by some weak points in the system. The weakest link is in the *quality of the budget process*. The budget does not yet function as the strategic policy and resource allocation tool it is supposed to be. In the policy-budget-service delivery chain, the budget formulation is seen as the weak link. A low quality budget process is a problem in any country but even more so in a country with severe resource constraints such as Tanzania. This has two important consequences:

- One is political. A parliamentary democracy is based on a full budget process but politicians will not bother much about the budget if they feel that it lacks coverage and is of low technical quality etc. Political ownership and accountability are likely to be undermined.
- The other is linked to fiduciary risk. Any modern public sector accounting and auditing service requires a good budget to measure results against.

The MTEF and PER processes have been introduced in order to improve the link between national priorities and the budget allocation system. MTEF in Tanzania is reported to be working but it works selectively with wide variations between sectors. The PER process at national and sector level has been functioning but the level of functioning varies widely depending on the quality of leadership in the respective working groups. The question being asked is whether the level of performance of the various working groups should continue to be left to the voluntary initiative by the respective working group leaders. More binding performance requirements could be put in place. The coordination between strategic plans, which is coordinated by the President's Office- Public Service Management (PO-PSM), and budgeting, which is coordinated by MOF is improving and initiatives are in place but it has yet to ensure that the budgeting process is driven by strategic planning and strategic thinking.

The public financial management system in Tanzania is coordinated under a reform programme known as the Public Financial Management Reform Programme. The evaluation of this programme has shown several weaknesses. Three weaknesses of PFMRP have been identified.

- First, the interviews confirmed that almost all PFMRP components are yet to adopt a strategic orientation by relating their planned reform activities to PFMRP targets, intermediate outcomes and reporting PFMRP achievements and non-achievements in those terms. This has also meant that synergy among the various component activities has not been maximised.
- Second, reporting at the PFMRP has faced the challenges of excessive or arbitrary reporting requirements and weak capacity or willingness to report. The challenge is to revisit the PFMRP performance indicators, which have been streamlined and improved in the revised Strategic Plan.

In this regard, performance indicators are being redefined to make them more result oriented. The indicators have related activities to intermediate outcomes and it has been proposed that the reporting format should reflect the same. However, this exercise needs to be undertaken with full participation of the respective departments in MoF.

- Third, while basket funding has been introduced, the PFMRP remains today a mixture of project aid, program aid, and GoT resources, to finance sets of activities most of which had been ongoing for years, each managed by a different department of the MoF. There has been weak horizontal coordination and little integration among the different components. This is associated with the low level of participation by components in the definition of goals and targets.

### **4.3 Predictability**

Since 2003 progress has been made in strengthening the predictability of resources especially through budget support. Projections of scheduled expenditures on projects and programmes were submitted by the DPs to the MOF through the PER process. The fact that disbursements started to be made under the harmonized PRBS and PRSC mechanisms has contributed to improving predictability of budget support inflows.

There is evidence of increased predictability of resource flows and improved data on commitments and projections of resources. For instance, during 2003 about 70% of DPs indicated to Government their planned aid releases for the next 3 years. Similarly, 75% of the DPs reported comprehensive and regular data in aid disbursement. The GOT has established a mechanism of collecting full projections as part of the routine activities of the annual PER. The tracking and recording of resource commitments and actual disbursements has improved.

GBS disbursements have improved considerably compared to commitments. Since 2002/03 GBS disbursements have been 100%. Out of this 80% is disbursed in the first half of the financial year. Disbursements within the first quarter of FY have increased from 8% in FY 2002/03 to 50% in 2003/04 and further to and above 80% as from 2004/05. This development has facilitated smooth release of government funds during the year. Predictability especially as the aid delivery modalities shift towards GBS is likely to be influenced by the manner in which PAF is redefined.

The stability and predictability features of GBS are not without qualification. A case in point is the recent (2006) withdrawal by Denmark of part of its GBS commitment on account of dissatisfaction with government speed in legislating measures against corruption. It is to be understood that the basis on which GBS is provided entails mutual obligations that must be respected by each party and in case of difficulties provide mechanisms and forum for consultations to resolve the difficulties.

Underlying the GoT/DP commitments for GBS are the Partnership Framework Memorandum (PFM) and the Performance Assessment Framework (PAF) that guide resource allocations and form the basis for the joint GoT/DP periodic progress assessments. These go hand in hand with continuous dialogue and periodic joint reviews that provide opportunities for GoT and DPs to engage in dialogue focusing on ensuring that undertakings on strategic issues and national processes are respected. If either party feels grieved or some how dissatisfied with the behaviour of the other, it may raise the matter during the dialogue and if its concerns are not addressed satisfactorily may choose to act as it sees fit. There are two main challenges in this regard. The first challenge is to derive conditionality from the national priorities as expressed in the national development framework. The second challenge is to anticipate instability and unpredictability as much as possible and make it an action of last resort. That would mean building into the system intermediate actions or sanctions which are not disruptive in terms of stability and predictability of resource flows.

Progress has been made in the use of common reviews frameworks such as the Performance Assistance Framework (PAF), which has increasingly been drawing from policy reforms and national priorities and policies contained in the PRS. The move away from rigid and one-sided (donor-driven) conditionality towards the adoption of jointly agreed prior actions that are an integral part of the government's reform programme has been consistent with promoting GOT ownership and leadership as well as reducing uncertainty in external resource inflow.

#### **4.4 Harmonisation**

Harmonisation principle requires that donors' actions are more harmonized, transparent and collectively effective. Commitment has been made to implement the donor action plans that would have been developed as part of the follow-up to the Rome High- Level Forum and to implement common arrangements at country level for planning, funding (e.g. joint financial arrangements), disbursement, monitoring, evaluating and reporting to government on donor activities and aid flows. It has been acknowledged that increased use of programme-based aid modalities can contribute to this effort. This would involve change of behaviour, policies and practices and adopting a pragmatic approach to the division of labour and burden sharing of responsibilities.

In the past each donor used to prepare their own country assistance strategies. JAST has made it less necessary for individual donor countries to prepare their own country assistance strategies. To that extent JAST has contributed to reducing multiplicity of donor processes and to enhancing aid coordination and promote collective support to Tanzania consistent with its national development goals and priorities.

Donors have organised themselves as a development partners group in order to coordinate and harmonise their activities. The Development Partners Group (DPG) has organised itself more formally recently partly in response to the launching of TAS and JAST at national level and the various initiatives at the international level (e.g. the Rome Declaration and Paris Declaration). The main objective of DPG is to increase the effectiveness of development assistance in support of GOTre:'s national goals and systems. It seeks to move beyond information sharing towards actively seeking best practice in harmonisation. The rationale for the DPG, which replaced the local DAC, is to complement GOT's own coordination efforts by promoting internal coherence and harmonisation among the DPs in the context of TAS and the Paris Declaration. DPG addresses harmonisation with a view to reducing transaction costs.

## 5.0 RESULTS ORIENTATION AND MUTUAL ACCOUNTABILITY

### 5.1 Results Orientation

Commitment has been made to managing resources and implementing aid in a way that focuses on desired results and making better use of information to improve decision making. This is particularly important for organizing monitoring. In Tanzania progress has been made in shifting towards results orientation.

Managing for results has important implications on monitoring. Effective monitoring mechanisms are necessary for managing for results to be realized. The MKUKUTA Monitoring System was established to serve as a pool of M&E expertise to follow up implementation of MKUKUTA in all aspects of the country's social and economic life in order to keep all stakeholders (the government, development partners, and the population) fully apprised on the successes achieved and constraints encountered. On that basis it would be possible to propose ways of overcoming challenges while amplifying successes by replicating them more widely in order to enhance progress towards attaining MKUKUTA goals. To this end, the MMS is required to produce periodic reports and other outputs on a timely and regular basis<sup>6</sup>. For these outputs to be convincing, they must be based on reliable statistical and factual evidence. For such evidence MKUKUTA Secretariat and the various technical working groups (TWGs) must procure the services of such specialised agencies as the National Bureau of Statistics (NBS) to carry out the requisite surveys and/or studies. To ensure the timely and regular production of its outputs, MMS adheres to a strict timetable for undertaking the various surveys and other information gathering activities. This requires both the adequacy and timeliness in the availability of funding.

To obtain budget resources adequate to facilitate the production of the data required for the regular and timely production of quality MMS outputs, the challenge of having to strengthen the capacities and motivate the relevant human resources at various key institutions has emerged. In this sense, capacity augmenting with technical assistance and capacity development among local staff are part of the strategy for managing the transition. Development of capacities is a challenge that needs to be addressed at three levels. First, it will involve capacity building in terms of the professional M&E and the related skills of analysing, report writing, conducting successful consultations, writing minutes, and ensuring effective follow-up. Second, it will involve capacity building and sensitization of various actors including those of a managerial, administrative and diplomatic nature. Third, building the capacity of top level national officials to internalise national development policies and priorities as a basis for carrying out successful dialogue with counterparts from the participating DPs.

Monitoring and evaluation has not taken root in the system as yet. Therefore its profile in society is still low. In order to raise the profile of M&E in society, it is important to engage in the development of skills for public relations (PR), dialogue and lobbying. These are important especially at executive levels where contacts may be needed to ensure commonality of objectives and resolve issues, for instance on governance etc.

The approach that will be taken in M&E development during the transition phase is that of consolidation and aggregation of the M&E of output reporting from MPEE, MDAs and LGAs based on their strategic plans, annual performance reports and MTEFs. In thinking about options for improving monitoring of commitments consideration three main issues have emerged in the case of Tanzania.

First, past experience with donors and their capacity to honour commitments suggests that it is important for both sides take a realistic view of likely flows and make arrangements and plans to monitor commitments made. There is need to adopt an appropriate results-based approach, in which there is an agreement to monitor specific outcomes or targets that are to be attained. Donors are generally shifting towards a results-based approach, but this is limited by the difficulties in finding appropriate and monitorable outcome indicators and collecting relevant data on them in a timely manner. In practice, most PAFs seek to measure progress in both policies (i.e. inputs) and results.

Second, all stakeholders consisting of domestic constituencies on the side of donors and country partners have not been given adequate space and impetus to participate more effectively in the monitoring processes.

---

<sup>6</sup> Principal MMS Outputs are: MKUKUTA Annual Implementation Report and the Strategic Policy Brief (to Parliament), and National Statistical Surveys produced annually; Poverty and Human Development Report, and Status Report on Growth and Poverty Status, produced on alternating years; Views of the People Report on MKUKUTA Implementation, produced ever 3 years. Intermittently brief are produced by stakeholders on MKUKUTA Implementation, and Briefs on Policy and Topical Papers.

It may take time to raise awareness enough for the populations in the respective countries to put pressure on their governments to meet the agreed commitments but it is important that a concerted effort is made in this direction. There is a real need for a set of country targets to be agreed upon between donors, governments and civil societies with the aim of improving the quality of aid and accelerating its disbursement. The matrix should be regularly monitored and effective sanctions imposed on parties who fail to meet their commitments. Civil societies and other pressure groups could be more involved in monitoring aid spending and encouraging public debate about aid performance and impact at country level.

The monitoring mechanisms should give space for all stakeholders including the civil society and the private sector to make a contribution to the monitoring process. The Government of Tanzania and the development partners in the country have agreed to establish a mechanism for monitoring and evaluating progress in the aid relationships. The Independent Monitoring Group (IMG) and the terms of reference are endorsed by both sides and the reports produced by the IMG are subjected to joint discussion between the government and development partners with a view to reaching agreement on the next steps. A technical secretariat consisting of representatives from both sides has been established to carry out day to day monitoring of progress in implementing the recommendations of the IMG that have been agreed by both parties (government and development partners).

Third, monitoring has not been harmonized at the national level between sectors and central ministries and between the centre and the local governments. Multiple and parallel reporting systems have been associated with high transaction costs. The policy is to harmonise reporting and accountability systems and align them to national systems. Some DPs have continued to insist on the use of their own reporting and accountability systems. In other cases DPs have indicated that they have been willing to use national systems but have been disappointed by responses from the GoT side. The experience of the Ministry of Education and Vocational Training was cited as a case in point. DPs have claimed that they requested the Ministry to give them a reporting format that could be adopted by all DPs. The reporting system that the Ministry gave to the DPs when they asked to be guided in this respect turned out to be different from the one the Ministry is actually using. This was interpreted to imply that the Ministry was using more than one reporting system. The problem of parallel reporting systems is serious and it seems the Ministry has not taken the necessary steps to facilitate DPs to adopt one reporting system.

There is need to design a harmonized and coordinated national monitoring system along the lines that the MKUKUTA Monitoring System is emerging. Monitoring at all levels, (national, sectoral and local level) should be designed to complement and reinforce each other.

The governments should improve their aid statistics and have them disaggregated in a manner which would help to identify which donor flows are truly helping governments to scale up and giving them fiscal space to effectively implement their development strategies for achieving growth and poverty reduction targets which will have incorporated strategies for achieving MDGs.

The challenge of broadening and mainstreaming MKUKUTA Monitoring System (MMS) and achieving a closer linkage between planning, budgeting and reporting is still being addressed. The process of harmonising national monitoring processes, sector monitoring and budgeting (PER/MTEF) processes is still in progress. Priority in the transition should be given to building a strong constituency and capacity for understanding M&E as a high priority activity. The currently fragile areas such as outsourcing services such as technical assistance, coordinating and consolidating M&E and appreciating M&E activities at all levels should be handled with great caution during the transition.

## **5.2 Mutual Accountability**

At the international level, commitment has been made by donors and partners to be accountable for development results based on continued high-level political support, peer pressure and coordinated actions at the global, regional and country levels. It has been agreed to adopt the practice of making joint assessment of mutual progress in implementing agreed commitments. In the case of Tanzania a mechanism for independent monitoring of aid relationships and performance on both sides (Tanzania and donors) was instituted as from 1997 and has been consolidated gradually over time.

The first steps towards establishing an independent mechanism for mutual accountability was taken in 1994 following the impasse between donors and government whereby the deterioration of aid relationships in 1993/94 had led to the withholding of aid. This situation was unlocked by engaging an independent group of experts to study the situation and provide independent advice. The GOT and donors jointly appointed a team of five experts that was led by Prof. Helleiner of the University of Toronto. Two of the other four members were Tanzanians and two were from donor countries. One qualification of the team members is that they were independent from donors and from GOT. The report of the team, better known as the Helleiner Report (1995), found that ownership of the development agenda had fallen to a very low level leaving donors and IFIs to drive the process. The report also found that GOT was uncomfortable with what was perceived as excessive interference into the internal affairs of the country and excessive demands from donors. The new government of 1995, being more committed to improving donor-GOT relationships, took up the Helleiner Report, subjected it to discussion in a workshop between GOT and donors (January 1997) on the basis of which 18 points were agreed upon on how to improve the deteriorated aid relationships and how each side should perform to make aid more effective. This was indeed the beginning of a mechanism for mutual accountability.

In addition, it was agreed to monitor the implementation of the agreed points and the reports would be presented to the Consultative Group meetings. Prof. Helleiner was appointed to review progress and reported to three successive CG meetings in 1997, 1999 and 2000. Both sides showed commitment to improving the deteriorated aid relationships. The use of an independent team of experts helped to break the impasse that had been reached in the aid relationships between donors and GOT.

In 1997, following discussions of the Helleiner Report, the GOT and DPs agreed to institute monitoring and evaluation mechanisms in which progress in the aid relationships would be reviewed and review reports submitted to GOT and DPs for discussion and agreement on the next steps. Initially Prof. Helleiner made the reviews in December 1997, March 1999 and May 2000. Subsequently, the task of monitoring has taken two strands: joint evaluations and through an independent review mechanism.

In his report to the CG meeting of year 2000, Helleiner recommended that the process of monitoring should be institutionalized. This recommendation was taken positively and a mutual decision was made that a local institution would be appointed for the purpose of providing an institutional home for independent monitoring of aid relationships and mutual performance by government and donors on the basis of agreed points of action.

Undertaking independent reviews was entrusted to an Independent Group known as the Independent Monitoring Group (IMG) appointed jointly by GOT and DPs. The first IMG Report was presented to the Consultative Group Meeting in December 2002. The second IMG was presented in April 2005 which provided a review of the status of the development partnership (aid/donor) relationship in Tanzania and made an assessment of the progress made towards principles and objectives set out in the TAS document since December 2002.

**The Paris Declaration has created space for stronger mechanisms for accountability** and promoting a model of partnership that can improve transparency and accountability on the use of development resources. It recognises that for aid to become truly effective, stronger and more balanced, accountability mechanisms are required at different levels. This agreement has given greater force to the national level initiatives towards mutual accountability as shown in the case of Tanzania.

## 6.0 CONCLUSION AND RECOMMENDATIONS

The conclusions and recommendations are grouped into five key issues: (i) strategic aid management and a quality budget process; (ii) reconciling (or harmonizing) interests at the sector and local government level (iii) deepening participation; (iv) technical assistance and capacity development; and (v) governance, transparency and accountability.

### 6.1 Strategic Aid Management

The GOT has demonstrated greater realism and assertiveness about national objectives and priorities. The expression of these priorities in MKUKUTA has shown encouraging progress. What is needed now is to elaborate these priorities in terms of sector level strategic planning that is consistent with the national development framework.

### 6.2 Reconciling Interests at Various levels

There should be a forceful drive (within specific sectors) to encourage development partners (particularly the multilaterals) to move away from project-based approaches in favour of sector-wide modalities of support and GBS. This stands to benefit local ownership and lower transactions costs. DPs that are supporting specific sectors should be required to move towards sector-wide funding modalities through common procurement and reporting arrangements, avoidance of earmarking, and parallel persistence with discrete projects.

- Sector specialists and Heads of Agency are not always consistent about harmonised approaches. Strengthened internal communication and dialogue would help eliminate some of this.
- Sector specialists should contribute to policy dialogue, a contribution that should be separated from direct advice on allocation of resources, except through an open competition for public resources based on openly debated arguments and consistent with national priorities.
- Participation and ownership by various civil society and private sector organisations has not been sufficiently institutionalised. Efforts towards consolidation and institutionalisation are welcome.

### 6.3 Deepening Participation

Participation in policy dialogue has been broadened and is becoming more institutionalized. However, the participation by the mass media and parliament has not developed sufficiently. The role of Parliament needs to go beyond the annual budget and influence medium term and long term planning and policy making.

### 6.4 Technical Assistance

Technical assistance as a modality of aid has not been sufficiently demand-driven and has not been directed to capacity-building in a sustainable manner. This situation has not been helped by the absence of a clear TA policy that would consider lessons from TA pooling and transparent recruitment procedures with a view to delinking TA from financing and from projects to permit the use of TA for capacity building and to make it more demand driven based on identification of TA needs.

### 6.5 Governance, Transparency and Accountability

*Governance is a major area of concern.* One priority area, which is rated as a high-risk area, is corruption and the need to formulate action plans which can lead to more concrete action. The dialogue on transparency and accountability has been dominated by concerns over corruption.

The challenge of governance, transparency and accountability is essentially calling for further investment in terms of time and effort allocated to come to a genuine understanding. This is a serious challenge against the current imbalance of power in donor/recipient relationships. High-level dialogue in key policy issues should be guided by clear national objectives and priorities. There needs to be a clear and common understanding of the terms 'leadership', 'ownership', 'partnership', 'accountability', and their practical implications.

## **6.6 Exit Strategy**

Concerns have been expressed about the dangers of deepening aid dependence. Yet this has not been an explicit point of policy dialogue. The foundations for a smooth exit from aid dependence have not been laid down. It is in this context that an exit strategy is an important part of the dialogue between DPs and government. This should lead to a common understanding of exit, leading to a common target for phasing out aid to the public sector budgets. This would create a mutual understanding of macroeconomic targets and a direction for the discussion on sustainability.

Aid resources should be seen as complementary to domestic resources and foreign direct investment. The various sources of financing development should be analysed and projected over time with a view to ultimately exit from aid dependence. In this context, there is need to establish medium- and long-term development finance scenarios as a roadmap for setting framework conditions for aid, domestic resource mobilization and foreign direct investment and paving the way for rising domestic resource mobilisation and intermediation to ensure that short- and medium-term increases in aid dependence (which may be necessary at this stage for meeting MDGs) do not become permanent features in the economy.

## REFERENCES

Harmonising Donor Practices for Effective Aid Delivery: *A DAC Reference Document. DAC Guidelines and Reference Series. OECD, Paris, 2003.*

Interim Impact Assessment of the Consultative Mechanism through the Tanzania National Business Council (TNBC): *Daima Associates Ltd, Dar es Salaam, Tanzania, 2004*

"Does General Budget Support Work?" Evidence from Tanzania: *Lawson A., Booth D., Msuya M, Wangwe S. and Williamson T., Overseas Development Institute, London and Daima Associates Ltd, Dar es Salaam, 2005.*

Towards Country-led Development: *World Bank – A Multi-Partner Evaluation of the Comprehensive Development Framework – Synthesis Report. Washington DC, 2003.*

Wangwe, S. M. The Second Generation PRSP: the case of Tanzania. Paper prepared for AFRODAD, March 2007.



