

2015-2017 strategy for the implementation of the URT Development Cooperation Framework (DCF) in Zanzibar: "the Zanzibar Compact"

Introduction

Eight years after the introduction of the Joint Assistance Strategy for Tanzania (JAST), development effectiveness, and more specifically aid effectiveness, still faces many challenges in Zanzibar. To a large extent, the aid management agenda as outlined in the JAST remains unfinished. This state of affairs is particularly unsatisfactory at a time when aid remains a major source of funding for the Government's development plans, and as expectations are that Zanzibar will become more autonomous in aid management over the medium-term. Existing weaknesses in aid management directly impact on the implementation of the Strategy for Growth and Reduction of Poverty (the MKUZA II), be it poor alignment of aid to development priorities, unreliability of the development budget, or lack of aid predictability. Moreover, with the emergence of new donors, new aid management challenges have come to light which have already negatively impacted on the implementation of critical priority MKUZA projects.

In addition to those aid management challenges, there is a growing realization, as articulated the most clearly so far in the recent *Results for Prosperity* Initiative, that Zanzibar needs more than effective support by its Development Partners (DPs) to achieve its development aspirations. Its development will be achieved first and foremost from developing and implementing home-grown plans, mobilizing its own resources and better linking with the private sector as partners in financing and implementing those plans.

Against that background, the Revolutionary Government of Zanzibar (RGoZ) welcomes the development of the URT's Development Cooperation Framework (DCF) as a tool to reaffirm the principles of development effectiveness and adapting those to the new, post-Busan, development landscape, characterized by the emergence of new players, new financial instruments and development vehicles. Given the long-term and high-level nature of the DCF, the RGoZ is also of the view that, in order to address some of the challenges outlined above, **the DCF needs to be operationalised by a shorter-term implementation strategy, the 'Zanzibar Compact'**. Without such an operational tool, the principles outlined in the DCF are unlikely to be implemented in Zanzibar.

The Compact is a prioritized medium-term implementation strategy aiming at closing the most significant gaps in development effectiveness by 2017. It takes the premise that two strategic areas of action are particularly critical going forward: **strengthening the efficiency and effectiveness of aid** on one hand, and on the other **to support the development of a dialogue framework** that will facilitate the development of synergies and complementarities between all development actors, with a view of ensuring that all the diverse forms of co-operation – not just aid - have a catalytic effect on development.

To reflect this dual emphasis, the document is divided into two parts: one focusing on the remaining aid effectiveness agenda – through a series of policy statements the RGoZ would expect development partners (DPs) to apply by 2017 as well as a series of concrete actions RGoZ is committed to undertake in order to support the adoption of those policy statements, and the other outlining the contours of a framework to strengthen dialogue, synergies and partnerships between all the different players in the development landscape. The monitoring of the Compact will be undertaken on an annual basis, through a mutual accountability matrix (see annexes x and y).

Background: the Zanzibar development cooperation landscape and its implications for the development cooperation management agenda.

Despite a drop in aid to budget ratios since 2011, Zanzibar remains highly aid dependent. Aid was estimated to finance 42% of the budget in FY2013/14, compared to 58% two years earlier. This share is likely to further decrease in the coming years, as GDP growth and domestic revenue mobilization are projected to remain strong. About 90% of the aid consists of project aid across both social and growth-orientated sectors, while the remaining is mostly disbursed in the form of general budget support (GBS), based on a formula agreed between Tanzania Mainland and Zanzibar (4.5% of the total GBS envelope to Tanzania is allocated to Zanzibar). The contributions of GBS have however rapidly decreased in recent years, from more than 15% of the budget in FY2008/09 to about 5% in FY2013/14. Meanwhile, largely thanks to their financing of a few very large infrastructure projects, the presence of “emerging donors” is rapidly increasing in Zanzibar, and was amounting to 59% of total project aid in the draft FY2014/15 budget – therefore overtaking support from traditional donors.

A comparison with other types of external financial flows suggests that aid is now matched by FDIs – which represent 98% of foreign investments in Zanzibar - as the biggest source of external flows (FDIs flows reached 170 million USD in 2011, from 40 million USD a year earlier). These FDIs flows were mostly directed to tourism (85%), highlighting the critical place of tourism in the Zanzibar economy. This increasing presence of FDIs is broadly in line with the MKUZA Implementation Plan (RGoZ’s main medium-term investment plan) which recognizes the particular role of private flows – in complementarity to more traditional financing - to support the development agenda of the government.

Against that background, the Government has made the following two-tier diagnostic:

- 1) *The continued high levels of aid flows and the ongoing challenges in managing these flows call for renewed efforts around the aid effectiveness agenda.* This is particularly the case as inefficient aid practices continue to lead to significant public finance management challenges, as recognized in the PEFA 2010 report. Budget preparation is being affected by the poor availability of project funding; cash flow management

and budget execution are impaired by the low predictability of disbursements. While the establishment of the JAST in 2006 has provided a useful framework for improving the effectiveness of aid interventions, a new framework (the DCF) and a more operationally-focused strategy ('The Compact') are required in order for both RGoZ and its partners to address these challenges. The rapid emergence of non-DAC DPs, in particular in the financing of large infrastructure projects, also calls for specific steps to address the significant challenges faced by Zanzibar in managing these projects.

- 2) *The increasing importance of other types of external flows such as FDIs and the recognition of these flows as an important engine of growth call for a closer – mutually beneficial – engagement between the different stakeholders involved in Zanzibar’s development.* It is increasingly recognized that aid and the private sector have a complementary – mutually-reinforcing - role in supporting developing countries’ development agenda.¹ To support that role, a more structured and inclusive dialogue framework is required, based on the DCF principles. The recently established *Results for Prosperity* initiative provides in that respect a particular opportunity to establish a more inclusive forum in the tourism area, the importance of which cannot be overstated in Zanzibar, including in terms of its spillovers into a number of sectors, such as agriculture.

Objectives

On the basis of the above diagnostic, the Compact has two complementary objectives:

1. **To improve the efficiency and effectiveness of development aid.** RGoZ considers that the Compact is a critical tool to help address the numerous challenges it has faced over the years around aid management. Specifically it seeks to ensure that aid is implemented and disbursed in the most cost-effective way and that this efficiently managed aid process manages to extract the maximum value for money out of each dollar of aid.² Efficient and effective management of aid will also send a positive signal to development partners and encourage them to extend their areas of support in

¹ Aid could play a bigger role in spurring growth in the tax base and providing infrastructure services to attract private capital; it could also do more to leverage other sources of financing for sustainable development and environment-friendly tourism; aid for trade could build productive capacity and promote approaches that mitigate the risks faced by the private sector. The private sector, by being more closely engaged with other actors, could better align its priorities with RGoZ; this could also strengthen its incentives to abide to social responsibility commitments, and compliment DPs’ efforts in capacity building.

² RGoZ also considers that the Compact will facilitate the development of specific procedures required in a number of aid management areas (i.e. resource mobilization, disbursement management,...). Similarly, it should help define the nature and scope of required capacity development interventions.

Zanzibar. Ultimately, strengthened aid effectiveness should also improve aid's potential in leveraging other resource flows to Zanzibar.

2. **To establish a framework that will facilitate dialogue between all the relevant actors aiming to support the development of Zanzibar, with a view of generating synergies, complementarities and partnerships.** All types of flows, not only aid, should improve their effectiveness and ultimately have a catalytic effect on development. On that basis, the Compact puts forward a framework to facilitate dialogue between all relevant stakeholders (RGoZ, DPs, NGOS, private sector, South South Cooperation) with a view to generate synergies and complementarities in their respective actions, better alignment with national priorities and systems, and encourage the development of partnerships. Particular attention will be given in ensuring stronger engagement between traditional development cooperation stakeholders and tourism stakeholders, in the framework of the recently established *Results for Prosperity Initiative*.

PART I: ADDRESSING REMAINING AID MANAGEMENT CHALLENGES

Policy statements

Role of aid³

1. Aid should continue to contribute significantly to the RGoZ development budget up to 2017. A reduction in aid dependency is a long-term policy goal, as Zanzibar increases its domestic resource mobilization in line with Vision 2020, but the objective up to 2020 is to continue to mobilize large volumes of external resources – including from innovative sources – to achieve the Vision 2020 objectives.
2. The main objective of aid is to support the Vision 2020, and more specifically the five-year development strategies, such as the ongoing MKUZA II, that enforce that vision. As such, a prime objective of aid is to support the public investment programme of the government, which is the main tool to implement the MKUZA II.
3. In parallel to its core function in supporting the public investment programme, aid will continue to play a role in supporting service delivery: a large quantity of service delivery will still be financed by donors in the coming years, especially in areas where donor interventions can play a role in improving the quality and efficiency of service delivery.

Type of assistance

³ Climate finance is not addressed specifically in the Compact, but it is generally recognized that the principles outlined in the ZDCC would also be broadly valid for climate finance.

The definition of ‘aid’ used in the Compact, rather than being based on the category of flows or development actors (i.e. ODA, vertical funds, South-South Cooperation,...), is linked to the type of assistance used. An intervention would be considered ‘aid’ if it uses one of the following types of assistance:

1. **Grant aid:** Wherever feasible, aid should be contracted in the form of grants administered through Government systems. In particular, any project or activity which is not expected to generate a narrowly-defined economic return (directly through increased taxation revenues or other payments to Government) must be financed by grant aid, so as to ensure a manageable debt burden.
2. **Concessional loans⁴:** Concessional loans can be contracted by RGoZ (through the Government of the United Republic of Tanzania) only for activities expected to generate a significant economic return. A thorough economic and financial appraisal of loan-financed projects should be systematically undertaken prior to approval.
3. **Semi-concessional loans⁵:** Semi-concessional loans that are not commercial in nature are for the purpose of this Compact considered as ‘aid’. Those loans, which would include loans from Export-Import Banks, are to be mobilized for large infrastructure projects with high economic returns.⁶ In addition to being subjected to thorough economic and financial appraisal, the supported projects would be expected to respect the specific rules set for large infrastructure projects (p. 12).
4. **Technical Assistance:** TA in the form of experts, consultants and other staff can play a valuable role in Zanzibar, but must be hired and evaluated according to the requirements of RGoZ. In particular, TA should be hired with the aim to address weaknesses in capacity development/governance that affect the functionality of government; should have TORs set jointly by RGoZ and the recruiting DP, and should be hired according to open selection criteria, not tied to any nationality requirements, except when local consultants are specifically requested by RGoZ.

On that basis, the following overall classification between flows can be made:

Category of flows	Is this aid?	Is it covered in the Compact?
ODA	Yes	Yes
Vertical funds and international foundations	Yes	Yes
South-South Cooperation funding: Provided by SSC partners and BRICs	Yes, unless offered on non-concessional terms	Yes, unless offered on non-concessional terms
PPP and FDI, other	No	No

⁴ These would be loans with a fixed rate of around 0.75 percent, a 40 year maturity and 10 year grace period

⁵ These would be loans with a rate of around 2 percent, a 25 year maturity and 5 year grace period

⁶ A large project is defined as a project of a total value superior to \$ 10 million.

Key features of an aid intervention for the RGoZ

Background and summary

The main focus around aid interventions has typically been on the nature of the aid modality used and on whether the technical and financial management arrangements underpinning those programs use the recipient country's financial systems. On that basis, a hierarchy of aid modalities has been defined in the DCF, with general budget support being referred to as the preferred aid modality. The Compact, in line with emerging aid management literature and the new 'development effectiveness' focus as outlined at the Busan High Level Forum, aims to develop a more specific approach that pays attention not just to these dimensions, but also differentiates aid interventions on the basis of their capacity to address more deliberately weaknesses in the institutional framework and governance of service delivery and infrastructure provision.

Ultimately, through the adoption of the proposed approach, the following three-dimensional policy direction is being pursued:

- 1) With the view of supporting the progressive development of sector-wide approaches (SWAPs) or multi-sector approaches (such as the Multi-sector Tourism Development Plan) across Government, RGoZ wishes to promote the increasing alignment of all aid interventions, be it sector budget support, basket funding or project funding, to sector plans and systems, even if those remain at an early stage of implementation.
- 2) While the small size of Zanzibar makes it generally possible for project funding to scale up interventions to the required levels, sector budget support-type modalities are RGoZ's preferred tools to support sector approaches and systems, as offering on average better predictability and less transaction costs than projects, and shifting the focus from project management to sector planning and service delivery.
- 3) Given the continued critical role of project aid and also bearing in mind that programme aid is not favored by a number of DPs, RGoZ recognizes the particular need to strengthen the effectiveness of the project modality. That process would focus on the following: 1) alignment of project aid to sector and/or other RGoZ plans; 2) utilization of RGoZ systems and adoption of a number of defined financial management rules; and 3) use of project aid beyond the delivery of services as a tool to address, to the extent it can, governance and institutional capacity issues.

Aid modalities

The RGoZ agrees with the hierarchy of aid modalities as presented in the DCF, but wishes to further outline what it sees as the specific objectives of each of these modalities in the Zanzibar context. The RGoZ also recognizes that the distinction between aid modalities is increasingly blurred (there are now large variations in practice within each category) and, as such, that such hierarchy should not be applied over-rigidly.

- 1) **General budget support:** The main objective of General Budget Support (GBS) is to support Zanzibar's development budget, and more specifically its public investment plan. This implies that recurrent expenditures should not be funded by GBS (or SBS), but be instead covered by domestic revenues only.

As the current arrangements around GBS are not optimal, with the entire value of support to Zanzibar being decided through processes on the mainland, RGoZ wishes to introduce a new form of budget support to be transferred directly from DPs to RGoZ from FY2016/17, the exact design and features of which will depend on the design and nature of the new development strategy – its focus may be a priority area or a cluster within that strategy, or a group of interlinked priority areas.

- 2) **Sector budget support** (as well as basket funding): The strengthening of sector-wide approaches is a critical step towards the better operationalisation of the MKUZA II and the follow-up development strategy. Aid modalities such as sector budget support, whether earmarked or not, or basket funds can – in environment of mutual trust between DPs and Government - play an important role in supporting those approaches as well as government systems, even when the development of the SWAP is still at a relatively early stage. SBS (as well as GBS) triggers, which should not include 'policy conditionality', will need to be agreed jointly.

Basket funding can play a similar role, and may be – subject to the presence of a critical mass of donors - preferable to sector budget support if the SWAP is still in its infancy. Baskets may also play a role in supporting sub-sector programmes (such as currently in the health sector) with the aim of bringing government officials more in the front-line when it comes to programme management and service delivery (as

compared to project support), and, as such, support a learning process that could facilitate the subsequent transition to sector budget support.⁷

- 3) **Projects:** projects are expected to continue to be the main aid modality to Zanzibar in the coming years. For a number of DPs, including non-DAC DPs, there will be the only modality of support available. Their main focus will be to either support the public investment program or to support service delivery, in line with existing sector and other RGoZ plans. In supporting service delivery, attention will be as much on providing services as ultimately improving the governance and institutional capacity around service delivery. As such, when projects cohabit with a sector budget support programme, part of their role should be to strengthen the efficiency of the sector budget support. Projects will be expected to use RGoZ's financial management systems.

The implementation of those policy statements will call for a number of actions across RGoZ. While some actions are less-specific and more medium-term, some steps can already be taken in the near-term. To that effect, the RGoZ has agreed to commit to the following over the next 18 months:

Commitment 1: *The new development strategy will be finalized by March 2016*

Financial management features:

RGoZ has a strong preference that financial assistance be administered through the RGoZ financial systems, and use the RGoZ **procurement, accounting** and **audit** functions. With the exception of procurement, all these areas have shown marked improvement according to the latest PEFA report – with a new PFM reform plan (2015-2017) aiming at consolidating progress in these and other PFM areas. Any funding streams in support of Government (as opposed to NGOs) that does not use the Government systems must be justified in writing, with the specific issues encountered by the DP enumerated, so as to ensure steps can be taken to address these.

Project support to NGOs can be administered either via the Exchequer (where NGOs are performing functions in conjunction with Government) or directly disbursed.

Regardless of the channel of funding, donor financial procedures should adhere to the following principles:

1. **Disbursed through the exchequer:** Aid should be deposited and disbursed through the RGoZ treasury (and not directly to a project/MDA account)

⁷ The recent independent assessment of the District Health Services Basket in the Ministry of Health – the only basket fund in Zanzibar – came to similar conclusions.

2. **Flexible:** donors should be flexible in their financial programming, in order to respond as far as possible to the changing needs of a project or sector by being open to reallocation of funds, frontloading of finance or other requirements of project implementation.
3. **Predictable and timely:** DPs will release aid in a timely and predictable fashion in relation to the Government budget cycle. Aid should be disbursed as per the schedule indicated to the Ministry of Finance and the Line Ministry.

In addition to these principles, the following financial management requirements should be adhered to:

- a. **Accounting, auditing and procurement:** All projects should preferably use RGoZ auditing and procurement systems. All projects should also use the government's accounting system or alternative systems that are closely aligned to RGoZ's.
- b. **Counterpart funding:** Counterpart fund requirements in cash (by RGoZ) should be avoided as they often result in significant disbursement delays
- c. **Management:** As far as possible, projects should be managed by staff from RGoZ ministries. No specific Project Management Units should be created to that effect.

With a view to facilitate the adoption of these principles by DPs and to support the increase use of RGoZ systems by DPs, RGoZ, on its side, commits to the following:

Commitment 3: RGoZ commits to the launch of the 2015-2017 Public Finance Management action plan by April 2015, and to progressively scale up the programme towards 2017.

Commitment 4: RGoZ will disclose to all stakeholders the FY2014/15 external audit report of RGoZ by its statutory required date of March 31 2016. The subsequent audit report for FY15/16 will be disclosed at the same respective statutory date.

Planning and monitoring features:

To ensure that an aid intervention will be effective in delivering the services or infrastructure effectively as well as fostering better performance and functionality in the beneficiary institution and those charged with managing and delivering public services, a number of features are particular critical within the aid intervention that will need to be incorporated in the formulation/monitoring process:

1. The diagnostic effort has been comprehensive
2. The intervention includes activities such as technical assistance, policy dialogue, change facilitation that support a learning and adaptation process during project implementation

3. There is consensus within RGoZ around the aid intervention, as reflected by adequate consultations. This supposes, among other things, that RGoZ is actively involved in discussions around DPs' Tanzania country strategy programmes.
4. No conditionality is imposed, except relating to the project management set up.

This is also where consideration of performance-based financing approaches may come in, such as cash on delivery or performance-based finance as currently used in the Ministry of Health – the core requirement being evidence that those approaches develop the recipient institutions.

With a view to encourage DPs to support such an approach to project formulation and monitoring, RGoZ commits to the following over the next 18 months:

Commitment 5: RGoZ will finalize by January 2015 internal guidance on project planning and resource mobilization

Provision of Data

In the interest of improved aid transparency, in line with the IATI and Publish What You Fund initiatives, the RGoZ operates the AMP database to collect and analyze data on development partnerships. The full rules and schedule for data required is covered in a dedicated guidance note, which all DPs have already received. However, the key requirements are re-stated here:

1. New projects, including those to NGOs, must be entered into the system by the DP
2. All disbursements must be entered into the system on a monthly basis, by the 7th day of each month.
3. MTEF projections and actual commitments data must be entered into the appropriate section of AMP in line with the budget calendar.

The RGoZ is committed to use the AMP as its main budget preparation tool, and as a instrument to strengthen aid data analysis and transparency. To underscore the importance of the AMP in those respects, it commits to the following:

Commitment 6: The RGoZ will use the actual commitment data as provided by DPs in the AMP for the preparation of the FY2015/16 budget onwards.

Commitment 7: An annual report on the aid portfolio will be produced for FY2013/14 onwards for circulation to all DPs, NGOs and the public by February 2015. Subsequent reports will be produced by March of the following years.

Role of NGOs

NGOs play a vital role in enabling people to claim their rights, promoting rights-based approaches, shaping development policies and partnerships, and providing an independent ‘watchdog’ function of overseeing progress in implementation of agreed commitments.

NGOs interventions should generally be aligned to national priorities. NGOs support should preferably be in areas that do not duplicate RGoZ efforts, or in areas where NGO intervention – through for instance a pilot project – can test innovative approaches.

Specific dialogue forums have been established between RGoZ and NGOs, with meetings taking place on a quarterly basis. NGOs may also participate in specific sector dialogue forums and in the High Level Annual Dialogue Forum to be established.

RGoZ encourages NGOs to implement practices that strengthen their accountability and their contribution to development effectiveness, guided by the Istanbul Principles and the International Framework for NGO Development Effectiveness.

In view of supporting NGOs to adopt the following work practices and principles, RGoZ commits over the next three years to the following:

Commitment 8: *RGoZ will improve the opportunities for participation of civil society in the dialogue mechanisms by inviting NGOs to the Annual High Level Forum (starting in 2015)*

Application of the Compact to Non-DAC Development Partners

Non-DAC development partners, such as China, the Gulf States, or the BADEA, play an increasingly important role in the Zanzibar aid landscape, in particular in terms of bridging identified gaps in infrastructure financing. The fiscal year 2014/15 will be the year when non-DAC DPs overtake traditional DPs in terms of total aid volume.

The RGoZ expects all DPs, including non-DAC ones, to follow the policy statements outlined in the Compact, but is also mindful that some of these policy statements will be difficult to be adopted in the near term by a number of ‘new’ DPs. As such, while strongly encouraging these DPs to rapidly comply with those statements, it recognizes that a gradual approach may be required towards their adoption by a number of partners.

At the same time, given the strong emphasis given to infrastructure by non-DAC DPs and the major challenges experienced so far in the management and implementation of some of the large infrastructure projects financed by these DPs in Zanzibar, RGoZ expects DPs – starting with non-DAC development partners – to follow a series of specific principles when supporting large infrastructure projects, with a view of ensuring better project implementation, quality and service delivery. The main principles are as follows⁸:

⁸ Annex x (to be finalized) lists all the principles.

1. Contracts signed between RGoZ and project contractors should systematically use templates from the International Federation of Consulting Engineers (FIDIC).
2. Even in the case of tied aid, procurement of project contractors should be subject to a competitive bidding process.
3. Contractors among the World Bank's list of ineligible contractors should not be eligible for tendering.

Commitment 9: RGoZ will apply specific principles (listed) for all large infrastructure projects signed off after January 1st 2015.

PART II: A FRAMEWORK TO FACILITATE DIALOGUE AND PARTNERSHIPS BETWEEN ALL DEVELOPMENT PLAYERS.

Introduction

As much as the need to strengthen aid effectiveness is fully recognized, there is within RGoZ a growing realization – as clearly articulated in the recent *Results for Prosperity* Initiative – that Zanzibar needs more than DPs to support its development aspirations. Zanzibar's development will be achieved first and foremost from developing home-grown plans, mobilizing its own resources for those plans and better linking with the private sector as partners in financing and implementing those plans. The focus of the *Results for Prosperity* initiative on respectively tourism, private sector development, and resource mobilization as well as the inclusiveness and the ownership of the initiative underscore RGoZ's intention's to move toward a more integrated development cooperation framework in which the private sector plays a bigger role and RGoZ's own resources become progressively the main funding source for development.

The focus of this section is not to elaborate on the way forward in implementing this emerging home-grown development cooperation framework but rather to ensure, more modestly, that the dialogue between the main stakeholders (RGoZ, private sector, DPs, NGOs) involved in this new framework is strengthened. As such, this section will aim at outlining the design and broad characteristics of a dialogue framework between RGoZ, its development partners, as well as NGOs and the private sector. That dialogue framework, critically, aims at applying in the Zanzibar context the dialogue principles outlined in the DCF. It is, as such, not a separate framework to the DCF.

The contours of this framework will need to be further specified as implementation moves forward, and as initiatives such as *Results for Prosperity* reach full speed. The ultimate objective of this dialogue framework is to generate synergies and complementarities in the respective actions of the various development actors, better alignment with national

priorities and systems, and encourage the development of partnerships that promote inclusive forms of development cooperation (such as trilateral cooperation). Ultimately, this more inclusive approach should promote broader development effectiveness along the lines of the Busan partnership agreement. To ensure progress in those areas, an action plan will need to be developed, that will be monitored and updated on an annual basis.

Nature of the dialogue

Dialogue being primarily a tool to improve the effectiveness of development cooperation, and with the recognition that bottlenecks to that effectiveness lie often more at the operational rather than the policy level, the priority in that dialogue will be given to technical issues related to the operationalisation and implementation of development strategies as well as the achievement of development results.

Within Zanzibar, development partners and NGOs are expected to remain the main counterparts of RGoZ in dialogue, but increasingly be joined by other players, namely 1) vertical funds and international foundations; 2) South-South Cooperation partners and BRICS; and 3) more commercially-orientated players, such as private investors and operators. Many of the latter are likely to be involved in the tourism area, given its critical importance in the Zanzibar economy.

The dialogue structure

The relative limited size of the non-state sector in Zanzibar and its relative concentration in a few areas presents opportunities in terms of the design of an inclusive dialogue structure. Contrary to Mainland Tanzania for example, where the number and complexity of various counterparts is much higher, the establishment of joint dialogue platforms including all relevant stakeholders can be envisaged in Zanzibar – as opposed to parallel platforms for each group of stakeholders. As such, dialogue platforms including all players will be established in identified key sectors, the exact design of which will depend on the specific characteristics of the sector.

On the basis of the above, the RGoZ outlines a three-tier dialogue structure that aims at enabling a dialogue that will be inclusive of all these partners, while taking into account their various characteristics and interests:

a) A High Level Annual Forum

The focus of this event, to be chaired at ministerial level, will be three-fold:

- **Discuss progress on the implementation of the development strategy** with representatives of DPs, private foundations, NGOs, private sector, on the basis of the MKUZA Annual Implementation Review (and the annual review of the follow-up

development strategy). Such discussion would also focus on the implementation of related multi-sector plans, most notably the Multi-sectoral Tourism Development Programme (MTDP).

- **Discuss annual progress in the implementation of the dialogue framework**, with a view of strengthening it and ensuring that its main objectives (i.e. development of synergies and partnerships, better alignment to national priorities) are achieved. This discussion will include in February 2015 a discussion on the type of (light) action plan required to ensure progress in implementation. A specific working-level technical group consisting of representatives of the different groups of stakeholders will need to be established beforehand to prepare such a discussion and then follow-up on the conclusions of the meeting.
- **Discuss between Government and DPs, as well as other relevant actors, progress in the implementation of the aid management implementation strategy (section I of the Compact)**. To prepare such a meeting and to monitor the implementation of the action plan on a regular basis, a working-level technical group will be created, which will include representatives of RGoZ and DPs and meet on a regular basis.

It is planned, in order to reduce transaction costs, to hold the High Level Forum in the framework of the URT Poverty Week.

b) Sector dialogue

It is expected that dialogue at sector level be strengthened, with a view of feeding the High Level Dialogue Forum. This is especially the case for sectors with a large donor presence. These sectors will be encouraged to establish, if not already operational, regular (quarterly or bi-annual) dialogue meeting with their partners. The dialogue is to focus primarily on implementation and monitoring of sector strategies and plans. The meetings should include representatives of the relevant line ministry, DPs active in the sector, as well as relevant civil society actors, private sector stakeholders and other actors. The meetings should also preferably include representatives of the Ministry of Finance (Department of External Finance) as well as from the Planning Commission. The Ministry of Finance will report on the status of the sector dialogue at each High Level Dialogue Meeting.

c) Aid coordination meetings with NGOs

Meetings with NGOs to discuss aid coordination are expected to continue to take place on a quarterly basis.

In view of having this dialogue structure fully operational by June 2015, the RGoZ commits to the following steps:

Commitment 9: RGoZ will launch the first High Level Annual Forum in February 2015. The event will be used to present and discuss the MKUZA annual implementation report as well as officially launching the Compact. The RGoZ will be represented at the ministerial level. Subsequent High Level Annual Forum will take place in October of the following years.

Commitment 10: From FY2014/15 onwards, RGoZ will finalize the MKUZA Annual Implementation Report by September of each year. The FY 2014/15 report will be the basis for discussions for the October 2015 High Level Annual Forum.

PART III: IMPLEMENTATION AND WAY FORWARD

To ensure that all parties approach this in the correct spirit, as broad a consultative process as possible in the development of this implementation strategy should be pursued, to ensure broad ownership beyond just the Government.

Similarly, ensuring that these policy statements are realized will depend on donor and other stakeholders' goodwill, high-level leadership in the Ministry of Finance and a great deal of effort and cooperation from all parties.

PART IV: ANNEXES

a. Policy statements monitoring table

Result	No	Indicator	Baseline 2014	Target 2017	Data Source/Frequency
Domestic Accountability	1	CSOs implement practices that strengthen their transparency and accountability for development results	tbd	tbd	NGOs
	2	% of development cooperation funding that is recorded in the annual budget approved by Parliament	tbd	tbd	MoF (Budget and AMP data)
Inclusive Dialogue	3	Quality and Inclusiveness of High Level Forum	N/A	Progress over time	Joint RGoZ/DPs/NGO review committee
Mutual Accountability	4	Mutual accountability is strengthened through inclusive reviews	N/A	Progress over time	Joint RGoZ/DPs/NGO review committee
Transparency /provision of data	5	% of DPs reporting on AMP per AMP guidelines	tbd	85%	AMP administrative data
Predictability	6	% of GBS disbursed in or before the quarter it was scheduled for	tbd	tbd	IFMS
Use of country systems	7	% of development cooperation disbursements passing through Exchequer	tbd	tbd	AMP data
Alignment	8	Proportion (%) of Development cooperation funding that is provided as part of programme-based approaches	tbd	tbd	AMP data

b. List of commitments by Revolutionary Government of Zanzibar

2015	
<i>RGoZ will finalize by January 2015 internal guidelines on project planning and resource mobilization</i>	January
<i>RGoZ will launch the first High Level Annual Forum in February 2015. The event will be used to present and discuss the MKUZA annual implementation report as well as officially launching the Zanzibar Compact. The RGoZ will be represented at the ministerial level. Subsequent High Level Annual Forum will take place in October of the following years</i>	February
<i>will improve the opportunities for participation of civil society in the dialogue mechanisms by inviting NGOs to the Annual High Level Forum (starting in 2015)</i>	February
<i>An annual report on the aid portfolio will be produced from FY 2013/14 onwards for circulation to all DPs, NGOs and the public by February 2015. Subsequent reports will be produced by March of the following years.</i>	February
<i>RGoZ will apply specific principles (listed) for all large infrastructure projects signed off after March 1st 2015.</i>	March
<i>The RGoZ will use the actual commitment data as provided by DPs in the AMP for the preparation of the FY2015/16 budget onwards.</i>	April
<i>RGoZ commits to the launch of the 2015-2017 Public Finance Management action plan by April 2015, and to progressively scale up the programme towards 2017.</i>	April
<i>RGoZ will finalize the MKUZA Annual Implementation Report by September of each year. The FY 2014/15 report will be the basis for discussions for discussions for the High Level Annual Forum of October 2015.</i>	September
2016	
<i>The new development strategy will be finalized by April 2016</i>	April
<i>RGoZ will disclose to all stakeholders the FY2014/15 external audit report of RGoZ by its statutory required date of March 31 2016. The subsequent audit report for FY15/16 will be disclosed at the same respective statutory date.</i>	March