

Joint Government and Development Partners
ROADMAP
to Improve Development Cooperation in Tanzania

2011

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PREAMBLE

Tanzania has been implementing aid management reforms as part of the broader economic reforms undertaken since 1990s. The aim is to make aid more effective and supportive to national development and poverty reduction efforts, as well as to country systems, structures and processes. The Government of Tanzania has made a good progress in fostering closer relations between the government and its development partners through implementing the Tanzania Assistance Strategy (TAS) and Joint Assistance Strategy for Tanzania (JAST). This process of enhancing partnership relations was supported by the Independent Monitoring Group (IMG). Independent monitoring is at the heart of Tanzania Mutual Accountability structures. Independent monitoring and evaluation have been undertaken since 1994, followed in 1997, 1999, 2000, 2002, 2005 and 2010.

Following the release of the 2010 Independent Monitoring Group report on ODA and Aid Effectiveness which outlined a number of challenges in the existing development cooperation, two Development Cooperation Forum meetings were organised during the month of September 2010 between a Government delegation led by the Chief Secretary and a DP delegation led by the DPG Co-Chair. Key issues emerging from the IMG report were discussed:

- Development partnership in Tanzania is considered at a low point in terms of trust and confidence between the Government of Tanzania and its Development Partners.
- Quality of dialogue is low and impacts negatively on the development cooperation.
- Issues around attitudes among Government and DPs towards one-another have been noted.
- Slow progress and even reverse trend in some areas of the aid effectiveness agenda.

- The GBS instrument is surrounded by a number of areas of concern and lack of mutual understanding which needs to be addressed in order to sustain the current levels of ODA.

Strengthening aid management in Tanzania which is one of the main recipients of ODA should receive higher priority. In order to analyze and find a way forward the DCF agreed that the JAST working group should prepare a Roadmap outlining key activities needed to address the main concerns raised. To this end it was agreed that the Roadmap should focus on the following:

- a) Key recommendations from the IMG report.
- b) Other discussion points from the DCF meetings.
- c) Re-assess validity of ToRs for Dialogue Structure.
- d) Address areas where progress is slow but GoT and DP attention high

Mutual trust cannot be addressed squarely through a targeted Roadmap but will need to receive dedicated attention at many levels over a period of time. The JAST working group has therefore, based on the approximately 40 recommendations of the IMG report, selected a few key recommendations and grouped them under three headings of improving: ODA management and aid on budget; effectiveness of aid modalities; and Quality of dialogue, mutual trust and aid architecture. Government and DPs agree that the actions identified represent a strong joint effort to improve the current status quo but that further initiatives might be needed to further improve the development cooperation. Important point of departure for the work has been to identify concrete, implementable and realistic proposals that the JAST working group has a mandate to deal with. Hence some of the IMG recommendations have not been addressed in the enclosed draft Roadmap.

Joint Roadmap to improve Development Cooperation

	Objectives, Results, Key Activities		Timeline	Responsible	Verification
Improving ODA management and Aid on Budget					
Result 1: Improved AMP and budget cycle performance through linking Exchequer System and MTEF Cycle and enhancing AMP monitoring.					
	Key Area 1.1	Capacity building of MDAs to use AMP and improve link to Exchequer System for automated feeds of ODA disbursement information.	Jul.-Oct. 2011	MoF MDAs	AMP reporting.
	Key Area 1.2	Produce and distribute monthly monitoring reports to improve DP and MDA performance and adherence to AMP Guidelines (disbursement, MTEF, CSO).	May 2011 onwards	MoF MDAs	AMP reporting.
Result 2: Budget planning process strengthened through enhanced predictability of aid					
	Key Area 2.1	Analyse discrepancy between MTEF projections and Aid disbursed for 2009/10, discuss findings between MoFEA and DPs with an aim to improve accuracy aid flow information.	Apr.-Sept 2011	MOF	Report
	Key Area 2.2	Review and put in place actions to enhance disbursement of ODA through the exchequer system	Jul.-Sept. 2011	MOF	Report and Action Plan
Improving effectiveness of aid modalities					
Result 3: GBS instrument and effectiveness of other modalities strengthened					
	Key Area 3.1	Evaluation of GBS	Feb.2011-Apr.2012	GBS Troika	Evaluation report.
	Key Area 3.2	Prepare and agree on Strategic PAF.	Mar.2011	GBS Troika	2011 PAF

	Key Area 3.3	Improve efficiency and harmonization of basket standards and alternatives.	Oct.2011	Reform Coordination Unit	Common Basket Guidelines
	Key Area 3.4	Assess and propose steps to improve alignment of project modality to national priorities.	Oct 2011	MoF	Assessment report
Result 4: JAST revised and MoU signed					
	Key Area 4.1	Revise JAST and role of IMG in national MA framework.	Sept.2011-Jan.2012	JAST WG	JAST II
Quality of dialogue, Mutual Trust and Aid Architecture					
Result 5: Improved operationalisation of the Dialogue Structure					
	Key Area 5.1	Develop ToRs for all working groups at all levels together with annual working plans covering key discussion themes and clarifying level and principles of engagement of GoT, DPs and non-state actors.	Jun.-Sept.2011	JAST WG	ToRs and Work Plans
	Key Area 5.2	Strengthen domestical accountability measures	Ongoing	MoF	Minutes
	Key Area 5.2	Strengthen the PER Process	Jun.2011	MKUKUTA/PER Main	Minutes
Result 6: Improved and expanded DP engagement in the Dialogue Structure.					
	Key Area 6.1	Include participation of non-DAC DPs in the Dialogue Structure.	Sept.2011	MOF	Invitation
	Key Area 6.2	Update Division of Labour and review relevance of working groups.	Jun.2011	JAST WG	DoL agreement.

ACTION PLAN - Joint Roadmap to improve Development Cooperation

		Timeline	Responsible	Verification
Results areas 1				
Activity 1.1.1	Training of Trainers on AMP New Version	Jul-11	DGF/MoF	Training Conducted
Activity 1.1.2	Conduct Study to establish possibilities of linking AMP to Exchequer System	Aug-11	DGF/MoF	Study in Place
Activity 1.1.3	Develop ToRs to establish possibilities of linking AMP to Exchequer System	Sep-11	MoF	ToRs in Place
Activity 1.1.4	Deepen AMP Roll-out to key ministries (Health, Infrastructure, Agriculture, Education, Energy and Natural Resources) through 3 trainings to MDAs to use AMP (Training to DPPs, MDAs AMP Focal points and DPs as well as sensitisation of key MDA PSs)	August, September, October 2011	MoF MDAs	ODA QRT REPORTS PRODUCED
Activity 1.1.5	Monthly validation of data by DPs and MDA focal points on ODA.	May 2011 onwards	MoF MDAs	Validation undertaken
Activity 1.2.1	Produce monthly flash monitoring reports to improve DP and MDA performance and adherence to AMP Guidelines (disbursement, MTEF, CSO).	May 2011 onwards	MoF MDAs	ODA QRT REPORTS PRODUCED
Results areas 2				
Activity 2.1.1	Pilot Sector dialogue on MTEF projections to feed in to the budget process for FY 2011/12 (Health, Education, Transport and Agriculture)	Apr-11	MoF	Sector WG minutes
Activity 2.1.2	Analyse discrepancy between MTEF projections and Aid disbursed for 2009/10.	Sep-11	MoF	Report
Activity 2.2.1	Undertake a review of the use of the exchequer system with a view to simplify and reduce the time taken for disbursements through the exchequer to reach the implementing agencies	Jul-11	MoF	Review report

Activity 2.2.2	Train DPs on the use of the exchequer system as per review recommendations.	August - September, 2011	MoF	Attendance sheet
Activity 2.2.3	Train MDAs on the use of Exchequer system and process as per review recommendations.	August - September, 2011	MoF	Attendance sheet
Results areas 3				
Activity 3.1.1	Review ToRs for Evaluation of GBS	Feb-11	GBS Troika	ToRs in place
Activity 3.1.2	Undertake evaluation of GBS	Apr-12	GBS Troika	Evaluation report.
Activity 3.2.1	Prepare criteria for Strategic PAF	Aug-10	GBS Troika	Criteria in place
Activity 3.2.2	Prepare and agree on Strategic PAF.	Mar-11	GBS Troika	2011 PAF
Activity 3.3.1	Review basket funding standards with a view of harmonization and implement key recommendations.	September-October, 2011	Reform Coordination Unit	Report
Activity 3.4.1	Review and formulate criteria for selection of projects in line with national priorities and update relevant documents such as ODA Manual, JAST II etc.	Sep-11	MoF	Report
Results areas 4				
Activity 4.1.1	Produce JAST implementation report	Sep-11	JAST WG	JAST Implementation report
Activity 4.1.2	Develop JAST 2 and Action plan	Dec-11	JAST WG	JAST 2 and Action plan in place
Activity 4.1.3	Launch JAST 2	Jan-12	GoT, DPs	
Results areas 5				
Activity 5.1.1	Finalize ToRs for all working groups at all levels together with annual working plans covering key discussion themes and clarifying level and principles of engagement for GoT, DPs and non-state actors.	Jun-11	JAST WG & CWG Leads and Sector Leads	ToRs and Work Plans

Activity 5.1.2	Conduct training sessions at Cluster WG level incl. Sector Leads in duties as Leads, issues of representation and information sharing, purpose of the Dialogue Structure, how to achieve better and more substantive dialogue.	Sep-11	CWG Leads and Sector Leads	Minutes
Activity 5.2.1	Sensitize Members of Parliament and CSOs on national aid management priorities.	Sep-11	MoF	Minutes
Activity 5.3.1	Discussion of Plan and Budget Guidelines FY 2011/12	Apr-11	CWG 4 PER Main	Minutes
Activity 5.3.2	strengthening the PER Process	Jun-11	MKUKUTA/PER Main	Minutes
Results areas 6				
Activity 6.1.1	High Level Dialogue with Non-DAC partners to strengthen South-South Cooperation and enhance information sharing.	Sep-11	MoF	Minutes
Activity 6.2.1	Review Sector Classifications and relevance of working groups incl. update Division of Labour.	Jun-11	JAST WG	GoT Sector Classification and DoL agreement in place

SUBMITTED TO:



THE UNITED REPUBLIC OF TANZANIA

MINISTRY OF FINANCE AND ECONOMIC AFFAIRS

EXTERNAL FINANCE DIVISION

FINAL REPORT

**ASSESSMENT OF EFFECTIVENESS OF DEVELOPMENT
COOPERATION/EXTERNAL RESOURCES AND PARTNERSHIP
PRINCIPLES IN CONTEXT OF THE MKUKUTA/MKUZA REVIEW**

Submitted by:



Economic and Social Research Foundation
51 Uporoto Street (Off. Ali Hassan Mwinyi Rd.) Ursino Estate
P.O.Box 31226 Da es Salaam
Tel +255 22 2760260, Fax +255 22 2760062
www.esrftz.org

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LIST OF ABBREVIATIONS

AfDB	African Development Bank
AMP	Aid Management Platform
BOT	Bank of Tanzania
CAG	Controller and Auditor General
CD	Capacity Development
CDB	China Development Bank
CSO	Civil Society Organization
CWG	Cluster Working Group
DCF	Development Cooperation Forum
DPG	Development Partners Group
DPs	Development Partners
EPA	External Payment Account
ESDP	Education Sector Development Programme
EU	European Union
FBOs	Faith Based Organizations
GBS	General Budget Support
GDP	Gross Domestic Product
GEF	Global Environment Facility
GFATM	Global Fund for Aids Tuberculosis and Malaria
GOT	Government of Tanzania
IDA	International Development Assistance
IDI	India Development Initiative
IFMS	Integrated Financial Management System
IHP	Ifakara Health Project

IMG	Independent Monitoring Group
JAST	Joint Assistance Strategy for Tanzania
JCG	Joint Coordination Group
LGAs	Local Government Authorities
JISR	Joint Infrastructure Sector Review
JTC	Joint Technical Cooperation
LGR	Local Government Reform
MCA	Millennium Challenge Account
MCC	Millennium Challenge Corporation
MDAs	Ministries, Department and Agencies
MDGs	Millennium Development Goals
M&E	Monitoring and Evaluation
MHSW	Ministry of Health and Social Welfare
MKUKUTA	Mkakati wa Kukuza Uchumi na Kupunguza Umaskini Tanzania
MKUZA	Mkakati wa Kukuza Uchumi na Kupunguza Umaskini Zanzibar
MOFEA	Ministry of Finance and Economic Affairs
MOU	Memorandum of Understanding
MSD	Medical Stores Department
MTEF	Medium Term Expenditure Framework
NGOs	Non Governmental Organizations
NSAs	Non-State Actors
NSGRP	National Strategy for Growth and Reduction of Poverty
NTP	National Transport Policy
ODA	Overseas Development Assistance
PAF	Performance Assessment Framework

PBAs	Programme Based Approaches
PCCB	Prevention of Corruption Bureau
PD	Paris Declaration
PEDP	Primary Education Development Programme
PEFAR	Public Expenditure and Financial Accountability Review
PEPFAR	Presidents Emergence Plan for Aids Response
PER	Public Expenditure Review
PFMRP	Public Finance Management Reform Programme
PMO – RALG	Prime Minister’s Office Regional Administration and Local Government
PMU	Project Management Unit
PPRA	Public Procurement Regulatory Authority
REPOA	Research on Poverty Alleviation
RFE	Rapid Funding Envelop
SSA	Sub-Saharan Africa
SWAPs	Sector Wide Approaches
TA	Technical Assistance
TAS	Tanzania Assistance Strategy
TAZARA	Tanzania and Zambia Railway Authority
TC	Technical Cooperation
TGNP	Tanzania Gender Network Group
TOR	Terms of Reference
TSIP	Tanzania Sector Investment Programme
UNESCO	United Nations Educational, Scientific and Cultural Organization
UNFP	United Nations Food Program
UNHCR	United Nations High Commission for Refugees

UNICEF	United Nations Children's Fund
WHO	World Health Organization
ZSGPR	Zanzibar Strategy for Growth and reduction of Poverty
ZPRP	Zanzibar Poverty reduction Plan

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- Prof. Lennart Wohlgemuth** - **Professor at the School of Global Studies, University of Gothenburg**
- Prof. Haidari Amani** - **Principal Research Associate at ESRF and Consultant at Daima Associates Ltd**
- Dr. Marcellina Chijoriga** - **Senior lecturer in Finance at the Business School at University of Dar es salaam, Tanzania**
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DR. H.B. LUNOGELO

EXECUTIVE DIRECTOR

ECONOMIC AND SOCIAL RESEARCH FOUNDATION

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EXECUTIVE SUMMARY

0.1 Introduction

This report has been prepared in the context of the overall objective of the JAST which is to have external resources contribute to sustainable development and poverty reduction in line with the National Vision 2025, the Zanzibar Vision 2020, MKUKUTA and MKUZA. This is to be achieved by consolidating and coordinating Government efforts with DPs' support under a single Government-led framework. The report has recognized the changing trends in international development cooperation.

0.2 Objectives and methodology

The key objective of the assessment is to determine how external finance/ODA supported the implementation of the MKUKUTA and MKUZA, and how it can most appropriately continue doing so under MKUKUTA II and MKUZA II. In this context, the assessment has addressed two key sets of questions:

- (i) The first set of questions concerns the size and anatomy of aid flows, including the evolution of aid and its impact over the 2005/6-2008/9 period.
- (ii) The second set of questions relates to aid effectiveness and it includes the performance of aid modalities, aid instruments, and the mix of instruments. In addition, it looks at effectiveness of impact on transaction costs.

The methodology that has been adopted started with the Inception Report which basically focused on agreement of scope of the assignment milestones. The study proceeded to undertake an in-depth review of relevant documents/literature both national and international, and included interviews with a cross section of stakeholders in Government, DPs, and various types of Non- State Actors. The procedures for collecting this information were mainly through interviews with individuals and roundtable discussions. As regards to the anatomy of aid flows, trends data on the overall ODA allocation and execution was collected mostly from MOFEA (Mainland) and MOFEA (Zanzibar), BOT, MDAs (Line Ministries, Departments and Agencies), DPs/Donors and OECD.

0.3 Main findings and Recommendations

0.3.1 Volume and Anatomy of Aid Flows

0.3.1.1 Completeness of Data on Aid Flows

- **The volume and composition of ODA flows** to Tanzania between 2006/07 to 2008/09 show an increasing trend for grants, with a fluctuating trend for loans funded through GBS (28.7%, 23.9%, and 28.3% respectively). Notable is the increase in loans funded through projects which have increased 1.5 times in terms of volume, but relative percentages show modest increase (12.6%, 10.9% and 18.0% respectively).
- **The achievements made under the AMP Facility are commendable but improvement is needed.** The statistics on aid are still fragile with many sources not yet fully reconciled with each other. Yet there is a need to build on the achievements of the AMP Facility to develop a system of mutually agreed data on aid flows. The practice of DPs providing annually commitment data for the coming three year period, and disbursement data including all kinds of support, is a positive development and should be encouraged. Pressure should be exerted on the relatively low performers within the AMP information supply system.
- **Aid Captured in the budget has not increased consistently and sufficiently: improvement is needed.** Some donors and DPs, old and new ones, still do not use government's budgetary system - a situation which has tended to aggravate the discrepancies between DPs disbursements and what is captured in the government budget system. It is recommended that all DPs be encouraged to channel their assistance through the budget or at least disclose to GOT all aid flows. For improved aid effectiveness, coordination and aid management, transparency, disclosure and accountability are critically important.
- **Capturing Aid Flows to the CSOs has been partial, an issue that should be squarely addressed.** The aid flows to the CSOs have not been adequately captured in the statistics. This puts to question the transparency in their funding sources and whether use of these resources is consistent with the priorities in MKUKUTA and MKUZA. More transparency in their funding sources and uses of resources is consistent with making comprehensive efforts to achieve the national development goals. The annually publication of the Tanzania Development Corporation Report or the JAST Annual Report with the approved AMP statistics will impose a deadline on updating the relevant aid information.
- **Aid Dependency is high and a strategy to progressively reduce it should be put in place.** It has been found that external funding to Tanzania has been playing a significant role - and it is slated to continue to do so - in supporting government expenditure with ODA averaging around 40% of the national budget and 80% of the development budget. The percentages of total expenditure and

development expenditure financed by ODA show declining trends. The decline is an indication of increased internal resource mobilization as evidenced by declined share of ODA in GOT resources and increase in the GDP-to-tax ratio. A major concern here is that while internal revenue has increased, the country's tax base is still too narrow to generate domestic revenue that is consistent with a firm trend to graduate from aid dependency. In this regard therefore:

- ✓ Aid Dependency should ultimately be reduced mainly by more vigorous efforts in domestic resources mobilization through taxation. This could largely be achieved by widening the country's tax base in order to generate domestic revenue that is consistent with a firm trend to graduate from aid dependency.
 - ✓ In the draft MKUKUTA II considerations for reducing aid dependence have been made in respect of the options of borrowing on non-concessional terms, and domestic borrowing of around 2 percent of GDP is projected in the medium term. The projected trend is consistent with Government intention to scale up investment in basic infrastructure development.
 - ✓ The projected tentative indications from donors shows that aid flows are slated to decline, but this situation also depicts incompleteness in the data gathered from some donors who have not given their indications. The data is expected to be revised at the time of preparing the next MTEF. The actual volume of aid flows will be influenced by the level of trust and openness with which the status of performance of the economy and policy reforms will be discussed and agreed in the dialogue between GOT and the DPs. Resuming the dialogue based on trust is critically important in this regard.
- **Allocation according to MKUKUTA and MKUZA priorities needs to be improved.** Tanzania mainland has been allocating more funds to Cluster II of MKUKUTA, while Zanzibar has been allocating more funds to Cluster I of MKUZA. The low funding of Cluster I which is focusing on Growth and Reduction of Income Poverty is raising concern because Cluster I expenditures have inherently high potential to stimulate growth and reduce income poverty. Allocation of resources should continue to adhere to MKUKUTA and MKUZA priorities. The priorities themselves within MKUKUTA II and MKUZA II should be narrowed down and sequenced for annual implementation.

0.3.1.2 Relative Merit of Aid Modalities

- GBS is clearly government proclaimed preferred modality of aid delivery to Tanzania, in view of its ability to enhance both government ownership and alignment of aid to government policies and priorities. It is recognized that GBS has the potential to strengthen partnerships and minimize mistrust between the Government and DPs. However, the trend in GBS in recent years shows that the share of GBS has plateaued, and the current mood among most DPs indicates that reversal of this trend is not in sight. An increasing number of DPs are questioning the effectiveness of the GBS modality and *ipso*

facto wanting to go back to projects modality (the modality which voices from MOFEA believe had failed after many years of implementation). The reasons for shifting from projects to GBS should be revisited first to see if they are still valid. The GBS modality seems to be too new for its performance to be judged negatively. The pros and cons of project financing have to be discussed openly including transaction costs to all parties involved. It is recommended that these questions be posed within the dialogue fora, so that if there are downsides of GBS they should be addressed positively. For instance a solution to unpredictability of the governance conditionality should be found and agreement made on criteria and indicators of good governance with a view to avoiding or minimizing incidences of unforeseen withholding of resources on the basis of events seen as depicting shortfalls in good governance.

- Although the GBS continues to be the preferred modality of aid delivery, different sectors have been giving mixed signals to the DPs. On the part of the DPs, some of them have reduced trust on the government budget management systems and anchored their support to those government departments which are questioning the efficacy of GBS. It is to be understood that MOFEA is the GOT institution which has the national mandate to mobilize and allocate public resources. Other institutions (and sectors) are contending for these resources, so their views on how resources are to be allocated and managed need not necessarily to be taken as representing official government position on preferences.
- Our view is that GBS should continue to be the preferred aid modality and it should continue to operate along with other aid delivery modalities in a complementary manner. GBS should be used to strengthen partnerships and minimize mistrust between the Government and DPs. The doubts which are emerging against GBS should be presented and discussed openly and frankly in the renewed dialogue fora in order to find solutions agreeable to both sides, DPs and GOT. Renewed dialogue should address what needs to be done to increase predictability of GBS and to allow it to function as the important tool for ownership it has potential to be.
- It has been observed that basket funding seems to stay on its own right and has not functioned as a transition to GBS. The envisaged transition from SWAPs to GBS has been inhibited by large funds from the World Bank and the global funds, which not only come in large amounts of funds but they operate outside the regular SWAPs. It is proposed that efforts should be made to make all funds and dialogue go through SWAP so the government can send the right signals to all donors that SWAP and GBS are the preferred modalities of managing aid relationships at sector level.
- Implementation capacity of sector programmes was found to be taking many forms. These need to be addressed in every sector to allow for smoother implementation of the sector programmes.

- The project financing aid modality was slated to decline over time in favour of SWAPs and GBS. However, in practice the prevalence of project financing has persisted. It was also found that some projects which have been financed directly through project funding have been implemented smoothly and efficiently. As a result, compared to projects funded under GBS, key actors in the respective sectors expressed opinion in favor of project financing modalities where project funds are specifically ring-fenced and channeled direct to those projects through specific accounts. However, there are also cases of delays in executing projects under the project financing aid modality. The critical issue of ownership, sustainability and scale up is always a concern when the projects end and the funders pull out.
- In our opinion, to enhance government ownership, sustainability and scale up of development projects, project financing should be maintained within GBS whereby specific project funding is ring-fenced as capacity for managing projects in GBS is being developed.
- The experience with the various aid modalities poses a challenge and begs for revisiting their merits and demerits from the point of view of their contribution to realization of the goals of MKUKUTA/MKUZA, as well as the issues of ownership and leadership and other principles of the Paris Declaration.

0.3.1.3 Managing Relations with Emerging Donors

Engagement of emerging donors should be recognized explicitly; they should be brought into

dialogue: Engagement of emerging donors is becoming more and more important in Tanzania, however their presence has not been felt in the dialogue mechanisms. Where emerging donors have local offices in Tanzania, they should be engaged at the country level annual discussion forums (e.g. DPG, GBS Review, Annual Poverty Policy Week, MKUKUTA and MKUZA working groups, etc), or associated informally as much as it is possible in the DPG framework. This will help in drawing them closer to aligning with country systems and policies. JAST-II should highlight the need to build up strategic cooperation and collaboration with the emerging donors.

Vertical Funds should be better understood , and better ways of managing them should be devised:

The role of global and vertical funds are growing and are likely to be expanding in the coming years as consequences of demands of climate change and other environmental hazards. However, there is limited knowledge and analysis of the potential benefits and distortions that could be created by these funds for Tanzania. An investigation should be made on the potential benefits and distortions that they might create with a view to developing a policy on how best to manage them.

Strategic partnership with selected non-traditional donors to be initiated: The traditional ties between Tanzania and both China and India inspire optimism that good trading and investments relations will

continue to develop. This opportunity should be used to consolidate Tanzania as a top beneficiary of aid from these two countries, aid that is cost effective and supports transfer of appropriate technology in specific sectors. Government should regard cooperation (and dialogue) with these donors as essential in the upcoming MKUKUTA II. Strategizing the progress of relations with these two large countries, as typological examples, ironically motivates the need to work more systematically at reducing Tanzania's aid dependency and thus wrestle with the question of why Tanzania is still approaching inordinately too many emerging nations for official development aid¹.

Incorporate strategic cooperation with emerging donors in the next JAST: It makes sense now to propose that in the next version of the JAST, there is need to develop a separate theme for carrying out strategic cooperation with emerging market economies (or new donors) by identifying the link between aid and investments, aid and trade, technology and knowledge transfers, and aid with strategic geopolitical considerations that Tanzania needs to give priority to in enhancing the effectiveness of foreign assistance. Such approach will require a more comprehensive approach in planning of aid management in MOFEA, with diversified staffing and working tools, as well as close cooperation among MDAs and NSAs in Tanzania that are involved in promoting foreign relations, industry, trade, FDIs and non-official foreign borrowing. Such a strategic approach will be equally advisable to apply to relations with OECD /DAC countries in the long run.

0.3.1.4 Technical Assistance

A National Technical Assistance Policy has been developed by the Government and a dialogue has started between the DPs and the Government on details of that policy. It appears that certain issues have so far not been clarified between the two parties and that further dialogue and discussion is therefore needed. Thus there is a concern that the effect of such policy is not likely to be felt as long as it is not supported by a clear position on the part of the Government on where to go with TA, what to include and what to leave aside, and how to proceed operationally. Also a number of important issues have to be dealt with in order to improve the utilization of National Technical Assistance.

0.3.2 Progress in Aid Effectiveness

0.3.2.1 Cultivating Ownership and Leadership in Development

While the government has made progress in ownership and leadership there are signs of slippage in ownership, apparently undermined by both sides. On the side of government articulation of the development agenda and policy dialogue has waned and on the donor side DPs have often fallen into the temptation of feeling obliged to fill what they see as a vacuum, a situation which amounts to playing a role which the government is supposed to play. Without high level of ownership and leadership there cannot be meaningful harmonization, alignment, mutual accountability and managing for results, hence

¹ This does not apply to trade or FDIs which should be promoted with widest possible diversification

there will be no sustainable results with regard to Tanzanian development. Government leadership is essential in improving quality of dialogue among others. Strong Government leadership is also needed to engage emerging donors and to progressively bring their development cooperation into alignment with the principles of the JAST and the Paris Declaration.

Development cooperation has to be sufficiently discussed in terms of the big picture of the development framework and progress made in meeting the development agenda. The government should show greater clarity in its development agenda from which it will derive what it wants to achieve in terms of development results. These should in turn form the basis of PAF targets. Greater effort should be put into getting the implementation reports in the agreed time and with greater clarity. Reporting system for MKUKUTA whereby one report is prepared for all constituencies, has been commended as a move in the right direction and should be consolidated.

One problem which has been raised by government side is the preponderance of bilateral agreements which seem to take precedence over PAF. On this point government should stick to the harmonization to the Paris Declaration and JAST principles when they negotiate and sign bilateral agreements, as well as DPs should strive not to depart from the national development framework as a reference for setting targets and conditionalities. The key reference points should continue to be JAST and Paris Declaration with new insights from Accra in 2008.

GOT needs to improve the way it is organizing itself for policy dialogue in terms of quality of preparation. It has been observed that dialogue between GOT and IMF has been going well in recent years due to the high quality of input by GOT resulting from excellent preparations. The same should be emulated for preparations for the national development agenda and sector policies. Clarity in these areas has important implications on JAST, PAF and DPs dialogue with GOT. Close collaboration between MOFEA and the Planning Commission is recommended. The lead in this regard may be taken by Planning Commission and MOFEA supported by a team of senior officials assisted by experts so that the quality of preparations and the profile of policy dialogue can be raised to new heights.

0.3.2.2 Alignment

Performance in terms of alignment has been modest and challenges have emerged. Of the five principles of the Paris Agenda the conclusion was drawn at the Accra follow up meeting that the agenda on alignment was the most difficult to adhere to. Also the simplest steps such as aligning to the budget system in the host country have been difficult to live up to. The experience of Tanzania is similar to the observations in Accra. Alignment should be given priority to make sure that DPs operations promote and

develop rather than undermine country systems. The government and DPs should formulate a clear strategy of making DPs increasingly use country systems where these are of sufficient quality and to work jointly (GOT and DPS) to strengthen them where they are perceived not to be of sufficient quality.

0.3.2.3 Capacity Development for the Purpose of Enhancing Ownership

Ownership and alignment seem to have stagnated or even eroded. One of the factors which have dampened development of ownership is capacity. Capacities of CSOs and the capacity of government especially within the MOFEA are regarded as an essential ingredient in increasing country ownership. Deliberate effort should be made to enhance the capacity of the respective departments of MOFEA.

0.3.2.4 Mutual Accountability

Accountability requirements are often applied more comprehensively on the government than on DPs. Aid is more effective when the government exercises strong and effective leadership over the development policies and strategies, while the donors fulfill their obligations without undue hesitations and new demands. Mutual accountability needs to be articulated for both partners for purposes of achieving development results.

0.3.2.5 Lessons from Sector Studies

The selected sector studies have brought into the picture several lessons:

First, it has been demonstrated that the national level progress in government and DP coordination and other ideals enshrined in the JAST are not uniformly rolled down to sector levels and the rates of achievement vary by sector. The composition of aid modalities varies by sector with greater levels of project aid more likely to be preferred in infrastructure where large projects are dominant, while GBS is more likely in governance reforms where projects are less tangible. A related lesson is that the modality of project funding is likely to remain suitable for funding certain sectors (e.g. transport investments) than others (e.g. health or governance) that can more readily be adapted to GBS and basket funding.

Second, the notion that SWAPs are to be an intermediate stage in transition to GBS has proved to be very challenging. The envisaged transition from SWAPs to GBS has been inhibited by large funds from the World Bank and the global funds, which not only come in large amounts but they operate outside the regular SWAPs. They have become large players operating in parallel structures like a super structure not integrated into the sector SWAP or basket fund. It is proposed that efforts should be made to make all funds and dialogue go through SWAP so the government can send the right signals to all donors that SWAP and GBS are the preferred modalities of managing aid relationships at sector level.

Third, the relationships between Government and DPs can move from the currently poor state to an improved state through persistent dialogue as education sector has demonstrated. This case has shown that those steps taken to build capacity for providing effective leadership in policy dialogue and stepping up capacity building in policy discussions and enhancing clarity of the long term strategy, has paid off.

Fourth, implementation capacity takes many forms such as late disbursement of basket funds, low absorption capacity, delay in tendering process, different financial management procedures among donors and delays in processing and warranting of funds and payments contributed. These need to be addressed in every sector to allow for smoother implementation of the sector programmes.

Fifth, decentralization and the related process of devolution has to be guided by sufficient communication between the Ministries and PMO-RALG. Phasing of the reforms and mobilizing participation of communities, private sector and NGOs is essential for effective reform.

Sixth, the manner in which governance - and in particular political governance- concerns have been practised in Tanzania has introduced an element of uncertainty, resulting in reduced predictability of resource flows. There is a need to improve the manner in which governance concerns are expressed in the GOT-DP dialogue. There has been a concern that the assessment of the cluster on governance and accountability has been constrained by data limitations for several indicators and the appropriateness of many of the indicators used has been questioned. The need to improve indicators for measuring performance in the area where governance is being acknowledged. Sometimes both parties have been tempted to agree on performance criteria which do not take full account of the time it takes to change traditions and cultures and to build institutions of governance and democracy. In this regard, it is proposed that dialogue on governance should be characterized by deeper dialogue in which agreement should be reached on indicators to which incentives may be tied.

0.3.2.6 Restoring Dialogue and Rebuilding Trust

- While **trust** between the JAST partners were at a peak at the time of the last IMG consultation we have found that this is less so today. It seems that expectations have been divergent in terms of performance and perceived speed at which certain targets could be achieved. The question of trust needs to be revisited with a view to taking a longer term perspective than the case has been in recent years. The bottom-line is to create a good and all inclusive partnership;
- There is need to restore the dialogue at least to the level it was 5-6 years ago. The way out is not for the GOT to decline to engage, rather to engage actively and tactfully. In fact, it will help greatly if more senior officials are engaged more regularly in the dialogue and the quality of preparations for

dialogue is improved. This requires that GOT goes with a plan of how best to engage, raises the profile of the policy dialogue and enhance the quality of preparations. The Government representatives should exercise more explicit leadership in all meetings between the government and DPs. One implication of this is that the Government representatives should be of the right competence, authority and decision-making level.

- Voices from the GOT have expressed concern that the quality of staff and institutional memory on the DP side need to be improved so the good experiences of the past are not forgotten. In our opinion, a renewed dialogue based on a higher level of trust is a more lasting solution. In this regard, DPs should engage more in bringing to bear good practices from elsewhere to enrich the policy dialogue.
- DPs and GOT should agree on boundaries of dialogue respecting the right of government to have state secrets which cannot be subjected to dialogue with DPs like any government does. The government should come out clearly on the boundaries of issues to be subjected to dialogue distinct from those which are not to be subject to discussion in the dialogue. In this regard, transparency and trust are of essence.
- There is need to find ways to improve discussions at cluster meetings. Contrary to some respondents' views, the current IMG team believes the cluster framework is still an important category of the dialogue process, which is particularly suitable for harmonising issues that cut across sector-specific concerns. However, improvements need to be made so that they become more constructive and substantive, as is the case with sector and thematic dialogue meetings. The sector and cluster forums will be more efficient if they operate under a MKUKUTA that hinges on a development and poverty reduction agenda that articulates clear strategies for resources management and policy direction. In this context, a clear articulation of the role of the Planning Commission vis-à-vis MOFEA will be helpful.
- The difficulties that have been experienced in the dialogue have made both parties feel like appealing to higher levels. The DPs have been reported to be appealing to the level of Permanent Secretaries and Ministers and the GOT officials have been wishing to appeal to DP capitals. All these efforts are symptomatic of the failure of dialogue and the resulting frustration. They should be addressed by reviving and improving dialogue along the following four lines:
 - ✓ Consistent with the evolving global concern over development results, the dialogue should formally shift from process to performance, based on results and outcomes. Linking non-performance to the release of funds can work where criteria for performance are worked out in terms of development results based on specific criteria.

- ✓ In order to get a better feel of the sensitivities in the DP capitals and their constituencies GoT should engage more effectively the Tanzania Embassies abroad in sending feelers and engaging in dialogue with the DP capitals in the same way that ambassadors of DPs in Tanzania take up issues with the GOT. Such a move would capitalize on the new foreign policy economic diplomacy.

- ✓ Politicians - notably Members of Parliament - and Ministers should be engaged more effectively in the dialogue. In particular the Minister of Finance should feature more prominently in the dialogue structure. In fact, an option which should be considered seriously is that of having the Minister of Finance chair the DCF instead of the Chief Secretary. This would enable the DCF to address difficult and sensitive issues in the relationship including those which are political in nature. Parliament needs to be more closely involved and in a more systematic manner in the dialogue on aid relationships with a view to enhancing oversight. The relevant parliamentary Committee should be engaged more actively in this regard.

- ✓ The ultimate solution is for the GOT and DPs to enter into a more frank dialogue based on trust and discuss the problems more openly and agree on how best to do business together.

- In the dialogue between GOT and DPs, PFM has become a nagging issue which deserves special attention to facilitate resumption of dialogue. The GOT believes the PFM is functioning well while the DPs believe that it is not functioning well. This is a subject which has now been better resolved by an independent study whose results have formed the basis of working out an action plan which is currently being implemented by both GOT and DPs. One lesson to be drawn from this experience is that where differences arise they can be resolved through honest dialogue facilitated by an independent and objective study.

- There is need to renew the trust which is currently at a very low ebb. Both sides need to act and both sides should show interest in going back to the negotiation table and show interest in getting things back on track and on the right footing.