

United Republic of Tanzania - European Community

**Country Strategy Paper
and
National Indicative Programme**

for the period 2008-2013

The Government of the United Republic of Tanzania and the European Commission hereby agree as follows:

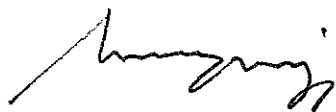
- (1) The Government of the United Republic of Tanzania (represented by Mr. Gray S. Mgonja, Permanent Secretary, Ministry of Finance) and the European Commission (represented by Mr. Frans Baan, Head of Delegation), hereinafter referred to as the "parties", held discussions in Dar es Salaam from January 2006 to August 2007, with a view to determining the general orientations of cooperation for the period 2008 – 2013. Both parties agreed that the Indicative Programme of Community Aid in favour of the United Republic of Tanzania should be drawn up in accordance with the provisions of Articles 2 and 4 of Annex IV to the ACP-EC Partnership Agreement, signed in Cotonou on 23 June 2000 and revised in Luxembourg on 25 June 2005. Both parties further agreed that the Indicative Programme should be complementary to the Joint Programming Document being agreed between the Government of the United Republic of Tanzania and the majority of Tanzania's Development Partners, as part of the Joint Assistance Strategy for Tanzania (JAST). The Joint Programming Document/Country Strategy Paper and the Indicative Programme are annexed to this document.
- (2) As regards the indicative programmable financial resources which the Community plans to make available to the United Republic of Tanzania for the period 2008 - 2013, an amount of **€555 million** is scheduled for the allocation referred to in Article 3.2 (a) of Annex IV to the ACP-EC Partnership Agreement (A-allocation) and of **€10.1 million** for the allocation referred to in Article 3.2 (b) (B-allocation). These allocations are not entitlements and may be revised by the Community, following the completion of mid-term and end-of-term reviews, in accordance with Article 5.7 to annex IV of the ACP-EC Partnership Agreement.
- (3) The A-allocation is destined to cover macroeconomic support, sectoral policies, programmes and projects in support of the focal or non-focal areas of Community Assistance. The Indicative Programme under part 4 concerns the resources of the A-allocation. It also takes into consideration financing from which the United Republic of Tanzania benefits or could benefit under other Community resources. It does not pre-empt financing decisions by the Commission.
- (4) The B-allocation is destined to cover unforeseen needs such as emergency assistance where such support cannot be financed from the EU budget, contributions to internationally agreed debt relief initiatives and support to mitigate adverse effects of instability in export earnings. The B-allocation shall be triggered according to specific mechanisms and procedures and therefore does not yet constitute a part of the Indicative Programme.
- (5) Resources can be committed within the framework of this Joint Programming Document/Country Strategy Paper, and Indicative Programme upon the entry into force of the 10th EDF multi-annual financial framework for the period 2008-2013 of the revised ACP-EC Partnership but not before 1 January 2008. Financing decisions for projects and programmes can be taken by the Commission at the request of the Government of the United Republic of Tanzania within the limits of the A- and B-allocations referred to in this document. Financing decisions can also be taken on the basis of Article 15(4) in conjunction with Article 4(1)(d) of Annex IV to the APC-EC Partnership Agreement for

support to non-State actors or on the basis of Article 72(6) to the ACP-EC Partnership Agreement for humanitarian and emergency assistance funded from the B-allocation. Financing decisions shall be taken and implemented according to the rules and procedures laid down in the EC Council regulations on the implementation of the 10th EDF and on the financial regulation applicable to the 10th EDF and in Annex IV to the ACP-EC Partnership Agreement.

- (6) The European Investment Bank may contribute to the implementation of this Joint Programming Document/Country Strategy Paper, and National Indicative Programme by operations financed from the Investment Facility and/or from its own resources, in accordance with Paragraphs 2 (c) and 3 of Annex Ib to the ACP-EC Partnership Agreement regarding the 10th EDF multi-annual financial framework for the period 2008-2013.
- (7) In accordance with Article 5 of Annex IV to the ACP-EC Partnership Agreement, the National Authorising Officer and the Head of Delegation shall annually undertake an annual operational review of the Indicative Programme and undertake a mid-term review and an end-of-term review of the Indicative Programme in the light of needs and performance at the time, as well as planned reviews of the Joint Programming Document, and in particular the Response Strategy.
The mid-term review shall be undertaken in 2010 and the end-of-term review in 2012. Following the completion of the mid- and end-of-term reviews, the Community may revise the resource allocation in light of prevailing needs and performance.
Without prejudice to Article 5.7 of Annex IV concerning reviews, the allocations may be increased according to Article 3(5) of Annex IV in order to take account of special needs or exceptional performance.
- (8) The agreement of the two parties on the Joint Programming Document/Country Strategy Paper and National Indicative Programme, subject to the ratification and entry into force of the revised ACP-EC Partnership Agreement and the 10th EDF multi-annual financial framework for the period 2008-2013, will be regarded as definitive within eight weeks of the date of the signature, unless either party communicates the contrary before the end of this period.

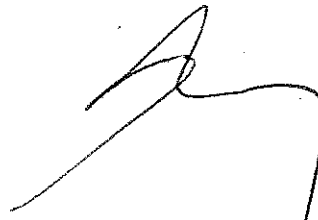
Done at Lisbon on 9 December 2007

For the Government of
the United Republic of Tanzania



Gray S. MGONJA
National Authorizing Officer

For the European Commission



Louis MICHEL
Member of the Commission in charge of
Development and Humanitarian Aid

ABBREVIATIONS

List of Abbreviations

ACP	African Caribbean and Pacific
AfDB	African Development Bank
AI	Avian Influenza (bird flu)
AIDCO	EuropeAid Co-operation Office
ALAT	Association of Local Authorities of Tanzania
APRM	African Peer Review Mechanism
AU	African Union
BOT	Bank of Tanzania
CBO	Community-based organisation
CCM	Country Co-ordinating Mechanism
CDE	Centre for the Development of Enterprise
CDTF	Community Development Trust Fund
CEO	Chief Executive Officer
CEP	Country Environmental Profile
CET	Common External Tariff
COMESA	Common Market for Eastern and Southern Africa
CSOs	Civil Society Organisations
CSP	Country Strategy Paper
DANIDA	Danish International Development Agency
DCF	Development Co-operation Forum
DFID	Department for International Development (UK)
DP	Development Partner
DPG	Development Partner Group
EAC	East African Community
EADB	East African Development Bank
EBA	Everything but Arms Initiative
EC	European Commission
ECHO	European Commission Humanitarian Office
EDF	European Development Fund
EFA	Education for All
EIA	Environmental Impact Assessment
EIB	European Investment Bank
EPA	Economic Partnership Agreement
ESA	Eastern and Southern Africa
EU	European Union
FDI	Foreign Direct Investment
FMO	Framework of Mutual Obligations
FP	Financing Proposal
FTI	Fast Track Initiative
FY	Financial Year
GBS	General Budget Support
GDP	Gross Domestic Product
GFTAM	Global Fund to Fight AIDS, Tuberculosis and Malaria
GNI	Gross National Income
GNP	Gross National Product
HDI	Human Development Index
HIV/AIDS	Human Immuno-deficiency Virus /Acquired Immune Deficiency Syndrome
HQ	Headquarters

IFC	International Finance Corporation
IFMS	Integrated Financial Management System
IMF	International Monetary Fund
IMG	Independent Monitoring Group
JAST	Joint Assistance Strategy for Tanzania
KfW	Kreditanstalt für Wiederaufbau
LGA	Local Government Authority
LGRP	Local Government Reform Programme
LSRP	Legal Sector Reform Programme
LVFMP	Lake Victoria Fisheries Management Plan
MDA	Ministries, Departments, Agencies
MDGs	Millennium Development Goals
M&E	Monitoring & Evaluation
MFIs	Micro-Finance Institutions
MKUKUTA	Mkakati wa Kukuza Uchumi na Kupunguza Umasikini Tanzania
MKUZA	Mkakati wa Kukuza Uchumi na Kupunguza Umasikini Zanzibar
MPAMITA	Mkakati wa Pamoja wa Misaada Tanzania
MPs	Members of Parliament
MS	Member States (of the EU)
MTEF	Medium Term Expenditure Framework
MTR	Mid-Term Review
NAO	National Authorising Officer
NACSAP	National Anti-Corruption Strategy and Action Plan
NGO	Non-governmental organisation
NIP	National Indicative Programme
NPES	National Poverty Eradication Strategy
NSAs	Non State Actors
NSGRP	National Strategy for Growth and Reduction of Poverty
ODA	Official Development Assistance
O&OD	Opportunities and Obstacles for Development
PACE	Pan-African Programme for the Control of Epizootics
PAF	Performance Assessment Framework
PCM	Project Cycle Management
PEFAR	Public Expenditure and Financial Accountability Review
PER	Public Expenditure Review
PFM	Public Financial Management
PFMRP	Public Financial Management Reform Programme
PHDR	Poverty and Human Development Report
PIF	Performance Improvement Fund
PIU	Project Implementation Unit
PMS	Performance Management System
PMU	Project Management Unit
PRS	Poverty Reduction Strategy
PRBS	Poverty Reduction Budget Support
PRGF	Poverty Reduction and Growth Facility
PRSP	Poverty Reduction Strategy Paper
PS	Permanent Secretary
PSI	Policy Support Instrument
PSRP	Public Service Reform Programme
RAS	Regional Administrative Secretary
RBM	Results Based Management
RGoZ	Revolutionary Government of Zanzibar
RIP	Regional Indicative Programme

ROM	Results-Oriented Monitoring
SIDA	Swedish International Development Agency
SMEs	Small and medium enterprises
SPSP	Sector Policy Support Programme
STABEX	Stabilisation of export earnings
SWAP	Sector Wide Approach
TA	Technical Assistant /Assistance
TAS	Tanzania Assistance Strategy
TCF	Technical Cooperation Facility
TNBC	Tanzania National Business Council
TOR	Terms of reference
TWGs	Technical Working Groups
UK	United Kingdom
UN	United Nations
UNDP	United Nations Development Programme
UNICEF	United Nations Children's Education Fund
URT	United Republic of Tanzania
US	United States
USAID	United States Agency for International Development
USD	United States Dollar
VFM	Value for money
WB	World Bank
WTO	World Trade Organisation
ZPRP	Zanzibar Poverty Reduction Plan
ZSGRP	Zanzibar Strategy for Growth and Reduction of Poverty

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Supplementary annexes related to the joint programming:

- List of evaluations serving the Joint Programming Document
- Cluster Results Matrices for MKUKUTA (PRSP)

Note: A detailed contents list of Part 4 (EC response) is provided at the front of that document

SUMMARY

The period of implementation of the 9th EDF has seen Tanzania and its principal Development Partners take important steps towards the goals of aid effectiveness and donor harmonization. The Joint Assistance Strategy for Tanzania (JAST, Part 1 of this document) is the central articulation of that process and of the commitments which it entails. The Joint Programming Documents (Parts 2 and 3) contain a country analysis and a joint response strategy which will be the basis of the Government of Tanzania's interactions with the Development Partners in the period to 2010. These joint documents reflect the known volume of planned Development Partner support and commitments to Tanzania over the remaining years of the poverty reduction strategy MKUKUTA: that is the period to mid-2010. It is envisaged that these documents will be revised on a periodic basis. Revision of JAS and joint documents will be an essential input into the EC's own evaluation and review processes under the 10th EDF.

At the same time, the European Commission is bound in preparing its financial support, and in its trade policies and political dialogue, by the general framework and conditions of the Cotonou Agreement. Article 20 of Cotonou sets out the key goals of ACP-EC co-operation: economic growth, human and social development, promoting cultural values, institutional reforms, and environmental sustainability. In line with the decision taken by the General Affairs and External Relations Council in November 2004 which encouraged joint frameworks for multi-annual programming, the Commission has participated actively in the joint programming process, and in consultation with EU Member States, with a view to ensuring that the Cotonou objectives are recognized in the overall planning of co-operation. Furthermore, the Commission has taken account of the principle of concentration by discussing and agreeing with Government, Non-State Actors and other Development Partners on the areas where it has the strongest experience to add to its financial resources.

The Joint Response Strategy (Part 3) is followed by the Specific response of the European Commission, including the 10th EDF National Indicative Programme (Part 4). Similar specific documents are being prepared by other Development Partners, including EU Member States, according to their programming cycles.

PART 1

RESUME OF THE JOINT ASSISTANCE STRATEGY IN TANZANIA (JAST)

The Joint Assistance Strategy for Tanzania (JAST) is included in full as annex 1 of the Joint Programming Document, accompanied by a glossary of shared terminology.

The idea of a joint assistance strategy reflects the desire of both the Government of Tanzania and Development Partners (DPs) to reduce the still high transaction costs incurred through the pursuit of different strategies with multiple and often overlapping processes. Despite progress made in recent years, government is still weighed down by parallel systems and procedures for delivering, managing, monitoring and evaluating development assistance as well as multiple missions, meetings and studies. The still widespread provision of off-budget financing, most notably for projects, has impeded strategic resource allocation in the national budget process as well as transparency and domestic accountability in the utilisation and performance of external resources.

The overall objective of the JAST is to contribute to sustainable development and poverty reduction by consolidating and coordinating Government efforts and DP support under a single Government-led framework to achieve results on the National Strategy for Growth and Reduction of Poverty (NSGRP/MKUKUTA) and the Zanzibar Strategy for Growth and Reduction of Poverty (ZSGRP/MKUZA). JAST should extend progress in enhancing national ownership and Government leadership of the development process to all levels of society and Government: it should also shift Government accountability from donors to domestic stakeholders.

JAST was formulated in the spirit of national and international commitments and initiatives on aid effectiveness – most notably the Tanzania Assistance Strategy (2002), the Monterrey Consensus on Financing for Development (2002), the Rome Declaration on Aid Harmonisation (2003), the Marrakech Memorandum on Managing for Results (2004) and the Paris Declaration on Aid Effectiveness (2005).

JAST covers a renewable cycle of five years and outlines the main objectives, principles and broad arrangements of the development partnership. It is complemented by an Action Plan covering concrete activities, targets and timeframes for implementation and a monitoring framework with indicators to measure Government and DP performance.

The European Commission intends to adopt JAST as a basis for guiding the management of its development co-operation with the Government and other stakeholders.

PART 2 – THE JOINT ANALYSIS

Table of Content: Country Analysis Section

1. Background and Context

- a. Political Context
- b. Economic Overview
 - Fiscal Policy
 - Monetary Policy
- c. Poverty and Inequality
 - Progress towards achieving MDG Targets

2. The Government's Strategy Response

- a. Tanzania's National Strategy for Growth and Reduction of Poverty (MKUKUTA)
- b. Zanzibar's Strategy for Growth and Reduction of Poverty (MKUZA)

3. MKUKUTA Cluster I: Growth of the Economy and Reduction in Income Poverty

- a. Investment Climate
- b. Financial Sector
- c. Trade Competitiveness
- d. Agriculture and rural economy
- e. Fishing
- f. Food Security
- g. Manufacturing
- h. Tourism
- i. Mining
- j. Transport
- k. Energy
- l. Forestry and Beekeeping
- m. Wildlife/Hunting
- n. Cross-cutting Growth Challenges

4. MKUKUTA Cluster II: Improvement of Quality of Life and Social Well-Being

- a. Education
- b. Health
- c. HIV/AIDS
- d. Environment
- e. Water and Sanitation
- f. Urbanization
- g. Gender

5. MKUKUTA Cluster III: Governance and Accountability

- a. Government effectiveness
 - Public Service Reform
 - Local Government Reform
 - Public Financial Management Reform
 - Legal Reform
- b. Corruption and Anti-Corruption
- c. Public Accountability
 - Parliament
 - Civil Society Organizations

- Mass Media
d. Human Rights

JAST, Part II: Joint Country Analysis

1. Background and Context

a. Political Context. Tanzania is one of the few countries in Africa which has enjoyed peaceful political development. Surrounded by a number of conflict-prone neighbours, it has enjoyed virtually uninterrupted political stability and peace apart from a brief but bloody revolution in Zanzibar in 1964 and a short and victorious war with Uganda in 1978. Recognising the importance and precariousness of regional stability, Tanzania has played a significant role in the Great Lakes peace process and is currently home to more refugees – 346,000 – than any other African country. Tanzania also enjoys internal peace and stability. With some 120 tribes, Tanzania has one of the greatest ranges of ethnic and religious diversity in the world. Whether because or despite this diversity, the country manifests a tradition of strong ethnic and religious tolerance.

Tanzania is an emerging multiparty democracy. Executive power rests with the president and the ruling party *Chama Cha Mapinduzi* (CCM; Party of the Revolution). The CCM, a merger of the mainland TANU and Zanzibar's ASP, has effectively dominated Tanzanian politics since shortly after independence in 1961. After assuming the Presidency in late 1995, President Mkapa governed for 10 years through 2 terms, leaving an impressive track record on economic growth, fiscal management (including recognized leadership in aid effectiveness), governance, and steady progress on a number of the Millennium Development Goals (such as primary education, water, and child health). In late 2005, President Jakaya Kikwete, the CCM candidate, won an overwhelming victory in Tanzania's third elections. Observers concluded that voters were able to cast their ballots according to their choices. President Kikwete has committed to continue the strong reforms and policies of his predecessor and to accelerating the process of reconciliation on the islands.¹

b. Economic Overview. Economic growth averaged 4 percent in the mid to late 1990s rising to an average 5.8 percent since 2000, reaching 6.8 percent in 2005. Over the past five years, growth has been led by mining (15%), construction (10.2%), trade (7.2%) and communication (6.1%). The largest sector, agriculture, which contributes more than 40% of GDP and employs up to 80 percent of the population, grew more slowly, at an average annual rate of 5.1 percent. Trade and financial services account for about 27 percent of GDP, while industrial activities, including mining, account for about 12.5 percent.

Fiscal Policy: Over the last five years, revenue has performed well, rising from 11.3 percent of GDP in FY00 to 13.6 percent in FY05, with a projected 14.2 percent in FY06. These gains have been made through improvements in tax administration, reducing exemptions, and broadening the tax base. Nonetheless, the contribution of revenue remains low by regional standards with the tax base hampered by the high share of subsistence agriculture in GDP and a large part of business activity remaining in the "informal sector." The last five years have also seen a significant increase in government expenditure rising from an average of 17 percent of GDP in the 1990s to an estimated 28 percent in FY06. This has been fuelled by: increases in domestic revenue; Official Development Assistance (ODA - grants and concessional loans); debt relief (see box 1); and domestic borrowing (negligible in recent years). ODA has risen from about 6 percent of GDP in FY00 to 11 percent in FY05 (equivalent to levels experienced in the 1980s and early 1990s.) The primary challenge for fiscal management is to further enhance the quality and efficiency of public expenditure and ensure that efforts to strengthen Tanzania's absorptive capacity keep pace with increases in

¹ Speech to inaugurate the Fourth Phase Parliament on December 30, 2005.

government spending. Tanzania's high aid dependency makes it vulnerable to fluctuations in aid flows, and puts a significant burden on Tanzania's budget, requiring it to remain flexible enough to accommodate changes in the resource envelope without creating macro-economic distortions, and necessitating the enhancement of aid predictability and domestic revenue.

Monetary Policy: Money supply expansion (28% in 2005/06) was consistent with low inflation. However, in 2006 inflation has risen significantly, to close to 8%, fuelled by the impact of the recent drought on food prices, and the pass through of international oil prices. Private sector credit is still very low (10% of GDP in 2005) but growing fast. There remain concerns that an expansionary fiscal stance by the authorities will crowd out private sector borrowing. The sharp rise in government domestic spending has necessitated rising sales of Treasury bills to sterilize liquidity. As a result, the Treasury bill interest rate increased from a weighted average of 7.7 percent in 2003 to 9.6 percent in 2004, and 14.8 percent in 2005, although it is now declining, and stands at about 10 percent.

The primary challenge for monetary policy is management of large aid inflows and their potential impact on the exchange rate, interest rates, and the rate of inflation. Since high rates of monetary growth have been consistent with relatively low inflation rates (at least until recently), the Bank of Tanzania is considering reducing sterilization while continuing to monitor closely the inflation rate. Financial deepening of the economy, together with structural reforms that will strengthen its international competitiveness, are critical to mitigating potential negative impacts of large aid inflows.

Box 1: Tanzania's Debt sustainability.

Tanzania's total external debt at end December 2005 was at US\$7,931.4 million (about 65 percent of GDP) with total domestic debt at TSh.1,625.1 billion (about 12 percent of GDP). After receiving HIPC debt relief in 2001, Tanzania's NPV of debt-to-export ratio declined to about 130. By 2004, it had further declined to 118. The most recent debt sustainability analysis prepared by IMF and World Bank staff concludes that Tanzania's external debt position is sustainable, with moderate risk. However, this favourable development of debt indicators depends critically on sustained economic growth and enhanced export performance.

Relief under the Multilateral Debt Relief Initiative (MDRI) will see Tanzania's debt burden (up until December 2005) cancelled with the World Bank (IDA), African Development Bank (ADB) and IMF. According to the MDRI, the World Bank will cancel about SDR1,898 million or (US\$ 2,804.07 million); African Development Fund UA 415.27 million or (US\$644.92 million); and the IMF, US\$336 million. Total cancellation under MDRI is expected to amount to about US\$3,785 million; leading to a reduction of total external debt by over 45 percent. While the IMF MDRI was given in a one upfront debt cancellation in January 2006, the World Bank relief will be spread over the period 2007-2044 with an average annual saving of \$74m each year.

Russia has also announced its intention to cancel bilateral debt and Spain is expanding its debt relief to cover 100 percent of debt. In addition, progress in securing debt relief from non-Paris Club creditors is critical to ensure the continued sustainability of Tanzania's debt. Negotiations have been concluded with eight creditors (Kuwait, India, Bulgaria, China, Hungary, Libya, Slovak Republic, and Czech Republic). Negotiations are underway with two creditors (Iran, and United Arab Emirates) and negotiations are pending with seven other non-Paris Club creditors.

c. Poverty and Inequality. Poverty remains a critical concern for Tanzania, with income levels amongst the lowest in Africa. In 2001, 58 percent of the population lived in poverty (international dollar a day poverty line) or 36 percent based on the national poverty line. Infant and maternal mortality rates remain amongst the highest in the world, literacy rates are low and more than one third of all children under five are malnourished. The proportion of the rural population with access to safe water remains very low (See Table 1 for data.)

Between 1992 and 2001, the proportion of people living below the national poverty line fell slightly from 39 percent to 36 percent. Since 1995, the Tanzanian economy has benefited from high annual GDP growth, averaging almost 6 percent since 2000. These recent growth rates have not yet been captured in the poverty estimates and it is likely that poverty today is below the 2001 levels. Progress has been recorded in non-income aspects of well-being, especially health and education. Net primary school enrolment increased from 57 percent in 2000 to 95 percent in 2005; life expectancy from 44 years in 1978 to 54 years for males and 56 years for females in 2002 (however, it dropped back to 46 and 47, respectively in 2004); infant mortality dropped from 100 to 68 per 1000 between 2000 and 2004, while child mortality dropped from 141 to 112 per 1000 in 2004. The fraction of chronically undernourished or stunted children declined from 44 percent in 1999 to 38 percent in 2004.

Income inequality in Tanzania appeared fairly stable during the 1990s, with the Gini coefficient² increasing from 0.34 in 1991 to 0.35 in 2001. This compares favourably with a phenomenon of increasing inequality in Tanzania's East African Community neighbours Uganda and Kenya. However, the small increase in the Gini coefficient over the 1990s conceals significant regional differences: in Dar es Salaam poverty fell from 28 percent to 18 percent while in rural areas income poverty remained more or less unchanged. The 2001 poverty map shows how district poverty incidence varies from less than 20 percent (Arusha, Bukoba) to more than 50 percent (Lindi, Singida Rural). Poverty remains largely a rural phenomenon as 87% of the poor live in rural areas. Now that agriculture has started to record growth rates significantly above population growth rates, the overall rate of poverty reduction should start to decline, helped by rural-urban migration. Tanzania needs real per capita rural growth rates of 2-3 percent if it is to reach its goal of halving the incidence of poverty by 2010.

Exposure to climatic and price risks, to human, animal and crop disease are important causes for downward income mobility and poverty. In combination with imperfect financial intermediation, exposure to uninsured risk is an important impediment for households to attain their growth potential. Many risks are preventable, however. An increased focus on risk prevention in the health, agriculture and water sectors, improved market access and better financial services have the potential to contribute significantly to reduced vulnerability and enhanced growth.

Based on current trends, Tanzania's population is likely to increase by 4 to 5 million by 2009/10, diluting the impact of GDP growth on individual welfare, creating additional challenges for youth employment as well as tensions between resource requirements needed for private consumption and those available for private investments. This tension is exacerbated by the fact that almost half (48 percent) of the population is now in the dependent age groups with the young requiring primary and secondary education and the old seeking health care.

Progress towards achieving MDG Targets: The country is making progress towards achieving the MDG targets (consistent with targets articulated in Tanzania's own poverty reduction strategy (MKUKUTA) and Zanzibar's MKUZA - see section 2 below. Much more needs to be done if all targets are to be achieved. As Table 1 illustrates, Tanzania has achieved some selected targets already: Goal 2 (universal primary education); Goal 3 (gender equality in primary schools, although not in secondary schools); Goal 7 (proportion of urban population with access to safe water and basic sanitation); and Goal 8 (Global partnership for

² The Gini coefficient is a measure of inequality of a distribution. It is often used to measure income inequality. It is a number between 0 and 1, where 0 corresponds to perfect equality (i.e. everyone has the same income) and 1 corresponds to perfect inequality (i.e. one person has all the income, while everyone else has zero income).

development). Where goals are not yet achieved, ongoing trends make it likely most if not all are achievable by 2010. With an increased focus on (rural) growth, and implementation of improved policies, strengthened institutions, and additional funding, Goal 1 (eradicate extreme poverty and hunger) is feasible. Progress is most problematic with the health-related Goals 4, 5 and 6 (reduction of child and maternal mortality, combating HIV/AIDS, malaria and other diseases) even with improvements in policies, institutions, and funding and despite the significant progress that has been made to date, especially in combating child mortality.

Table 1: Tanzania's MKUKUTA and MDG targets and status

	1990 (or closest available)	2006 (or closest available)	2010 MKUKUTA Target	2015 MDG target	2010 MKUKUTA Target - at current trend	Target - with better policies, instit. and additional funding
Goal 1: eradicate extreme poverty and hunger						
2015 target = halve 1990 level of income poverty and malnutrition						
Income						
- % below the national poverty line	39%	36%	24%		Uncertain	Yes
- % below dollar a day poverty line	61%	58%		31%		
Child malnutrition						
- % of children under 5 underweight	29%	22%		15%		
- % of children under 5 stunted	43%	38%	20%		No	Uncertain
-- % of children under 5 wasted	6%	3%	2%		Yes	Yes
Goal 2: Achieve universal primary education						
2015 target = net enrollment of 100%						
Net enrolment in primary school	51%	91%	99%	100%	Met	Yes
Goal 3: Promote gender equality, empower women						
2015 target = equal gender ratio						
Girls / boy ration for enrolment in primary school	1.01	0.99	1	1	Met	Yes
Girl / boy for enrolment in secondary school	0.70	0.81	1	1	Yes	Yes
Goal 4: Reduce child mortality						
2015 target = reduce 1990 child mortality by two thirds						
Under five mortality (per 1000)	141	112	79	47	No	Uncertain
Infant mortality (per 1000)	92	68	50		No	Uncertain
Goal 5: Improve maternal health						
2015 target = reduce 1990 maternal mortality by three fourths						
Reduce maternal mortality by three quarters (per 100,000 births)	529	578	265	132	No	Uncertain
Births attended by skilled staff (% of total)	53%	46%	80%		No	Yes
Goal 6: Combat HIV/AIDS, malaria, other diseases						
2015 target = halt and begin to reverse AIDS etc.						
HIV prevalence in the total population (%)	n.a.	7.0		<7.0		
HIV prevalence among 15-24 year pregnant women	n.a.	7.6	5		No	Uncertain
Goal 7: Ensure environmental sustainability						
2015 target = integrate into Gov. policies, reverse loss of environmental resources, halve proportion of people without access to safe water and sanitation						
Proportion with access to clean and safe water in urban areas	92%	91%	90%	90%	Met	Yes
Proportion with access to clean and safe water in rural areas	36%	47%	65%	90%	No	Yes
Proportion of people with access to basic sanitation in urban areas	98%	96%	95%		Met	Yes
Proportion of people with access to basic sanitation in rural areas	91%	92%	95%		Yes	Yes
Goal 8: Develop global partnership for development						
2015 target = sustainable debt, make available benefits of new technologies						
Debt service (% of exports of goods and services)	**	**	***			

2. The Government's Strategy Response

a. Tanzania's National Strategy for Growth and Reduction of Poverty, known as the MKUKUTA (Mkakati wa Kukuza Uchumi na Kupunguza Umaskini Tanzania) was completed in June 2005 for implementation over the period 2005-2010. It is the successor to Tanzania's Poverty Reduction Strategy Paper (a first generation PRSP, formulated in 2000). It builds on Tanzania's *Development Vision 2025*, especially in its emphasis on growth and long term strategy for reducing aid dependence.³ MKUKUTA has an increased focus on

³ *Development Vision 2025* envisages Tanzania in 2025 as a nation with social and economic justice, rule of law, peace, stability, and unity. It foresees an educated population, a cultural renaissance, and a strong, self-reliant, competitive and sustainable economy. Specific targets for 2025 include: universal primary education and the eradication of illiteracy, universal access to primary health care and quality reproductive services, universal access to safe water, gender equality and empowerment of women, reduction of infant and

equitable growth and governance, and is an instrument for mobilizing efforts and resources towards targeted poverty reduction outcomes. MKUKUTA includes targets and poverty reduction outcomes which are consistent with, and indeed in many cases go beyond, the Millennium Development Goals (MDGs).

MKUKUTA was based on extensive consultations within government, with Parliament, civil society, faith based groups, private sector, districts and villages, and development partners. It is based on the principles of national ownership, political commitment to democratization and human rights, maintenance of macroeconomic and structural reforms, building on sector strategies and cross-sectoral collaboration, building local partnerships for citizens to engage in policy dialogue, harmonization of aid, equity and sharing of benefits, sustainable development, strengthening of macroeconomic links and decentralization, and mainstreaming cross-cutting issues.

MKUKUTA identifies three clusters of broad outcomes: (i) growth of the economy and reduction of income poverty; (ii) improvement of quality of life and social well being, and (iii) governance and accountability. Each cluster has a set of goals and targets. To achieve each target, interventions and actions are identified. Annex C provides a summary of MKUKUTA goals and targets in each of the three clusters. The Government recognizes that the monitoring and evaluation of MKUKUTA is essential in promoting accountability and in assessing developmental effectiveness. Tanzania has made considerable efforts to develop its monitoring and evaluation systems and practices, including the strengthening of the statistical system.

Development and implementation of the MKUKUTA has taken place in the context of a significant overhaul of national planning and budgeting systems aiming at comprehensive results based management, increased domestic accountability and greater alignment and harmonization of external financing. The Government has taken very seriously the task of building national planning and budgeting institutions which fully integrate MKUKUTA, recognizing the need for ownership not only of the policy content but also of the instruments and processes for its effective implementation. In line with this approach, the Government has pursued an ambitious program for integration of external financing within national systems, while also attempting to carry through reforms in a manner which builds domestic accountability. (See also Part II, Section B1.)

b. Zanzibar Strategy for Growth and Reduction of Poverty (MKUZA): In Zanzibar, similar strategy responses have been developed. *Zanzibar Development Vision 2020* provides the over-arching framework to reduce poverty. It focuses on improving purchasing power, ownership of productive resources, quality of welfare, and freedom and peace. In 2005, the Revolutionary Government of Zanzibar embarked on a major review of the first generation Zanzibar Poverty Reduction Plan (ZPRP, 2002-05) with the primary objective of accelerating progress towards *Vision 2020*. Additionally, there was commitment to enhance participation in the review process, to better reflect national priorities in a revised Plan, and to better 'localize' the MDGs. Just as on the Mainland, specific attention was paid to the importance of growth, as well as harmonization and alignment. The objective and modalities of the review have been articulated in a Strategic Framework, Guidelines and a Work Plan.

The review process sought ways to align and harmonise the new strategy with core reforms and policy processes that have been undertaken both on the Mainland and in Zanzibar.⁴ In line with the MKUKUTA, the second phase MKUZA has adopted an outcome-oriented

maternal mortality rates by three-quarters of current (1998) levels, food self-sufficiency and food security and elimination of corruption.

⁴ These include the MKUKUTA, Local Government Reform Programme (LGRP), the Public Expenditure Review (PER), the Public Financial Management Reform Programme (PFMRP), and the Joint Assistance Strategy (JAS).

approach with emphasis on cross-sector collaboration and inter-sector linkages and synergies. It will be implemented over a four-year period (2006/07 – 2009/10), to coincide with the MKUKUTA implementation cycle. The monitoring framework for the MKUZA is intended to be as comprehensive as that of the MKUKUTA and aims to produce outputs in the same timeframe in order to enable better coordination in planning and implementing the two strategies.

3. MKUKUTA Cluster I: Growth of the Economy and Reduction in Income Poverty

High rates of growth are essential to reducing income poverty. Making growth more pro-poor implies improved production, marketing and trading conditions in those sectors on which the majority of the poorest people depend, and in particular agriculture and fisheries. The multilateral trade system has created significant preferences for least developed countries in terms of market access, and although there is room for expansion of these advantages, the key to optimizing the benefits to Tanzania lies in addressing supply side constraints which hold back competitiveness of exports, both within regional and global markets. This implies continuing investment in infrastructure, including energy and water, in modernizing the logistics chain, in meeting demanding standards set by export markets, in working towards a user-friendly and efficient customs system and in consolidating the gains already made at regional level, notably the Customs Union operating in the EAC. Poor service delivery, notably in public utilities, has a negative impact on inward investment and public confidence, and must be recognized as a significant constraint. Finally, the public sector should interact with the private sector to create an enabling environment for the private sector to grow including at the grass roots level where access to credit and advice remains a priority.

Tanzania's impressive global growth since the mid-1990s conceals significant disparities. Six⁵ out of twenty regions account for over half of the annual national GDP (1992-2003). The wealthier regions generally have better infrastructure, climate and natural resource endowments and are less dependent on low productivity agriculture. Basic education statistics and poverty indicators for Tanzania largely conform to the regional variations in incomes.

a. Investment Climate: The overall investment climate reflects the cost of doing business and the attractiveness of the country to outside investors. Both the public and the private investment to GDP ratio increased by two percentage points, reaching 7.7 and 13.2 percent in 2004, respectively. Foreign direct investment (FDI) remains fairly static at 3% of GDP, with an estimated inflow of US\$ 495 million in 2004/05 - the majority going into the mining sector, with manufacturing, tourism, agriculture, the financial sector, and trade benefiting less. The predictability and credibility of Government policies, and a sound legal and regulatory framework, are key elements in targeting the investment climate. There is much to do in this regard as Tanzania ranked 140th out of 155 countries in terms of the ease of doing business in the World Bank's 2006 Doing Business report. A further constraint to domestic investment is the high real interest rate underpinned by high t-bill rates as well as low levels of access to finance.

b. Financial Sector: The financial sector in Tanzania is growing, albeit from a very low base. It is dominated by banking. Reforms over the last decade have focused on privatization of the state-owned commercial banks, enhancing the capacity of the financial sector regulators, and promoting the development of contractual savings and capital markets. In response over the past two years, private sector credit has nearly doubled (9.4% of GDP

⁵ Dar es Salaam, Mwanza, Shinyanga, Arusha, Mbeya and Iringa.

2004) and financial intermediation is deepening. Rural deposits have increased by more than 80 percent. Even with these improvements, the overall stock of credit to the private sector outstanding in Tanzania remains exceptionally low and large swathes of the economy (agriculture and rural) are still working with little formal credit (around 6% of the population have access to a bank account). Government's Second Generation Financial Sector Reforms outline an ambitious program of financial sector deepening. The new agenda is to make financial markets work and to develop new business models and lending technologies

c. Trade Competitiveness: Exports of goods and services have contributed nearly 60% of overall GDP growth since 1990. Non-traditional exports (tourism and gold) have taken over the dominant share once enjoyed by traditional exports (coffee, cotton, tea, tobacco, and sisal). Pro-poor growth will require greater export diversification with manufacturing and agriculture (particularly value-added) exports as potential growth areas. Tanzania's export growth is constrained mainly by a vast "behind the border agenda" in particular high transport costs, and poor access to transport in rural areas, human capital constraints, in particular lack of adequate skills for horticulture, floriculture and tourism; and inadequate trade facilitation, including lack of management capacity to address sanitary and phytosanitary standards requirements, and slow customs processes, though the customs part of the TRA reform programme is showing improvements. Trade policy issues constrain Tanzania's exports less than the behind the border problems, except for a few problem areas: export taxes/royalties on raw hides, fish, raw cashews, and cotton constrain exports in these sectors; India and China, important emerging markets for Tanzanian exports, charge high tariffs on some of Tanzania's important export goods, namely cashews, cotton, coffee, tea, gemstones, fish and horticulture. Tanzania is a member of two regional trade agreements (East African Community (EAC) Customs Union, and Southern African Development Cooperation (SADC) Preferential Trade Area); participation in multiple regional trade agreements is a potential risk both by stretching limited capacity and potential incoherence in tariff rates and rules of origin, in particular if both EAC and SADC deepen their regional integration towards a common market and a customs union respectively.

d. Agriculture and the rural economy: Agriculture as the largest sector in the economy made the most significant contribution to growth by virtue of its large share in the economy. Nearly 90% of the poor in Tanzania are in rural areas and the sale of crop and livestock products accounts for about 75% of rural households' cash income. Farming (primary agriculture) contributes more than 40% of GDP and employs up to 80% of the labour force. Growth in the agriculture sector and the rural economy generally is therefore central to Tanzania's overall growth performance and its success in reducing poverty. The decline in traditional agricultural exports appears to have been compensated by increasing trade in food crops to urban areas, especially Dar Es Salaam, and cross border. Much of this trade is informal. Recovery of traditional agricultural crop exports and continued expansion of non-traditional off-farm sales would contribute significantly to overall growth and poverty reduction. Key policy actions to enable this include: reduce transport bottlenecks; better access to support services for the agricultural sector, in particular research and extension services need to be strengthened with a view to responding to market demands, better access to rural finance; implementation of land reform with security of tenure; rationalized local taxation and regulation. Emerging non-traditional floriculture and horticulture exports to Europe are constraint by problems with high cost and limited availability of freight services in Tanzania, a shortage of skilled workers, slow duty and VAT refunds, and limited access to agro-chemicals.

e. Fishing: Fisheries is one of the major emerging non-traditional exports of Tanzania. It accounted for 15% of exports in 2003 (US\$154m) and employs 150,000 artisan fishermen. There is potential to further exploitation of the offshore Exclusive Economic Zone along with

fish farms in the shallow waters surrounding offshore islands. The predominant source of fish is from Lakes Victoria, Tanganyika and Malawi, averaging approximately 300,000 tonnes per year. This fishery is dominated by artisan fishers, in particular Lake Victoria (for Nile Perch). However, the fishing of Nile Perch is believed to be at or above maximum sustainable yield (estimated between 300,000 to 400,000 tonnes) as there are no quotas and inadequate fishing controls and surveillance. The marine fishery is dominated by artisan fishers (reef fish) fishing from 0-12 miles and foreign fleets (tuna) from 12-200 miles. The marine artisan sector is faced with illegal and unregulated practices (eg dynamite fishing) and the lack of effective co-management in the 12-200 mile fishery (responsibilities are currently not shared between mainland Tanzania and Zanzibar).

f. Food Security. Tanzania's agricultural system is rain-dependent and highly susceptible to climatic shocks, particularly in the semi-arid and arid areas of central and northern Tanzania, where chronic and transitory food insecurity significantly hampers household's ability to meet their food needs at all times. Over the past decade, many parts of the central and northern regions have experienced food shortages, although the country has been self-sufficient in its staple crop, white maize, during normal years. Since 1996 Tanzania has experienced a series of poor harvests caused by a combination of droughts and floods, leading to a loss of productive assets for many households. Poor infrastructure in rural areas associated with high transportation costs and malfunctioning markets, has limited internal food distribution from surplus areas to deficit areas. Since the most vulnerable rural poor cannot afford to create a demand for food, there is no incentive for farmers to sell their surplus, sometimes even to neighbouring districts. As a result, most of the surplus is being traded across borders to food deficit countries.

g. Manufacturing: Tanzania's manufacturing sector is small, contributing only about 8% to GDP. Production is concentrated in Dar es Salaam and a few urban centres in three types of firms agro-processing and food; textiles and other light industry, and; heavy industry producing metals cement, paints and plastics. Following a downturn in the early 1990s manufacturing exports have recovered in recent years, mostly in consumer goods. The main constraints for manufacturing exports are: limited availability of graduate and post-graduate education and computer literacy; limited access and high prices for power and transport infrastructure; limited integration into global production chain which restricts technology transfer.

h. Tourism: Tourism receipts rose rapidly in the 1990s but have since stagnated at around US\$750 m, as have visitor numbers at around 580,000. The tourism sector employed 160,000 people in 2004. Tanzania is a high-end destination with average daily expenditure per tourist a healthy \$172 in 2003. Tanzania's current competitive position is weak but there is general consensus that Tanzania has significant potential in tourism through (a) tapping underused assets such as the Southern Circuit and (b) increasing domestic value added in the tourism product. Tanzania's international competitiveness is also being jeopardized by poor service levels hence the need for upgrading teaching standards, introducing a national curriculum and establishing an institutional framework for tourism training. Furthermore, there are significant opportunities for strengthening tourism backward linkages in agriculture, manufacturing and services sector which would lead to local value-addition, and thus contribute to poverty reduction. Currently, there are multiple constraints regarding low quality of locally produced produce, poor communication between suppliers and tourism businesses, and a shortage of skilled workers.

i. Mining: Mining exports increased from \$26 million in 1997 to US\$690 million (just over half of all merchandise exports) in 2004, mostly gold. Large scale gold mining in Tanzania reflects the attraction of \$1.5 billion of foreign private capital. However, mining contributes

little to overall economic growth, principally because gold production is import-intensive and currently employs only around 10,000 people with limited linkages to the local economy. The sector is unlikely to contribute greatly to broad based growth other than as a potential source of revenue for the government. Artisan and small scale mining employs many more (estimates range in the hundreds of thousands). However, technologically it is not a substitute for large scale mining and faces a host of challenges associated with informality including labour exploitation and environmental risks.

j. Transport: Transport infrastructure in Tanzania is insufficiently developed to support balanced growth of the economy and reduction of poverty, notably in the less populated areas of the country. The condition of the 4,000 km paved main road and 25,000 km all-weather main and regional gravel roads network is for 84% of these roads good to fair. However, the major part (75.4%) of the 50,000 km network of rural roads is in poor condition. Long distance rail transport is hampered by the poor condition of permanent way and rolling stock and the volume of goods transported by rail is stagnant. The Dar Es Salaam port has seen rapid growth particularly in the container sector (19.5% per annum) and its container terminal is operating to capacity. The rapidly growing traffic in the Dar Es Salaam urban area is causing severe congestion on the main urban arteries. In order to achieve the objectives of the 2003 National Transport Policy, the transport sector has an annual financing requirement of US\$ 1.15 billion. The 2006 draft Transport Sector Investment Programme estimates the funding gap at 77.5%. To cover the cost of road maintenance, a fuel levy has been put in place at T.Shs. 100 (equivalent of US\$ 0.07) per litre. However, monetary erosion and tax evasion mean that this levy only covers 40% of the road maintenance needs. Inadequate trade and transport facilitation is one of the most serious constraints for Tanzania's export competitiveness. To improve competitiveness, key issues of intermodality, interoperability, sound management and good governance both along the corridors and at the border (customs and other border agencies) have to be tackled simultaneously since competitiveness depends upon maximizing efficiency across the whole logistics chain.

k. Energy: Despite having abundant primary energy resources, Tanzania's per capita energy consumption is amongst the lowest in the world. The energy balance is dominated by biomass (firewood and charcoal), amounting to 90% of total energy supply. Overdependence on hydropower electricity generation coupled with a series of droughts, has led to generation capacity shortages. High world oil prices and understandably low electricity tariffs that do not fully recover costs have contributed to poor financial performance and lack of investments by TANESCO (Tanzania Electric Supply Company). The Power Sector Development Plan (updated 2003 – further update due in 2007) recommended implementation generation investments adding 1500 MW of new generation capacity over the 2004 to 2027 period to the current installed capacity of 947 MW. Progress to date has been slow. Future priorities include increasing access to commercial energy sources in urban and rural areas, increasing competition in the supply and delivery of energy to consumers; increasing the utilization of alternate energy resources (geothermal, renewables, etc.); setting energy prices to recover operating, maintenance and investment costs; promoting demand side management; and strengthening the regulatory regime.

l. Forestry and Beekeeping: Forests and woodlands are key elements in the livelihoods of hundreds of thousands of households across Tanzania and cover an estimated 38.5 million hectares (ha). They provide a wide range of benefits both directly in the form of timber, forage, fruits, honey and beeswax, charcoal, traditional medicines, and gums and resins, and indirectly through their *ecosystem functions* including regulating water catchments, erosion control, nutrient cycling, maintaining local climates, and in supporting a rich biodiversity. Despite their importance, about two-thirds of the forests and woodlands are currently unreserved and lack effective management. The sector's true value to Tanzania's

development remains largely unrecognized. Recent estimates, that also include the illegal use of forest products, as well as tourism-related income, suggest that the forest sector's total annual contribution may be as high as 10%-15% of total GDP. Although the generation of revenues from forest-related activities is improving, it is estimated that only 5-10% of the potential revenue is actually collected. Technical capacity in the forestry and beekeeping sectors is inadequate at all levels, particularly regarding land-use planning, forest management systems, processing of bee products, business and financial management, participatory methods for planning, resource inventories and valuation, monitoring and evaluation and data-management. Despite the problems in the sector, the legal and policy framework is largely in place with the National Forest Policy of 1998, the National Beekeeping Policy of 1998, the National Forest Act (2004), the National Beekeeping Act (2004), together with the National Forest and Beekeeping Programme (NFBKP).

m. Wildlife/Hunting: Wildlife is an important source of income in Tanzania. The primary sources of income are hunting concession leases, game fees, and trophy licenses, the exports of live animals, and the expenditures of an increasing number of tourists that visit the country's unparalleled game parks and wildlife reserves. In rural Tanzania, moreover, most local people depend to a considerable extent on wildlife, for their livelihoods. Managing the country's wildlife is, therefore, not only an issue of conservation, but also one of ensuring that wildlife contributes to sustainable rural livelihoods and poverty reduction. Regrettably, the wildlife hunting sector is characterized by an inefficient system for allocating concessions, as well as for establishing and enforcing quotas; imperfect rates of revenue recovery; a lack of transparency and accountability; and a limited participation of local communities in management decisions. Poaching also continues to be a threat, particularly outside game parks and reserves.

n. Cross-cutting Growth Challenges: Tanzania's *National Vision 2025* seeks to transform the country's agriculture-based economy into a competitive and dynamic semi-industrial economy. The 2005 National Strategy for Growth and Reduction of Poverty (MKUKUTA) sets one hundred individual Cluster Strategies to deliver sustained growth (see the MKUKUTA Matrix). The MKUKUTA's operational targets of improving infrastructure and enhancing the enabling environment for private sector-led growth will require increased public spending on physical infrastructure, including roads and transport gateways, and the provision of electric power and water. Such infrastructure spending should be done within the fiscal framework and in the context of a consistent macroeconomic and regulatory framework. Finally, a number of environmental drivers for growth are set out in MKUKUTA: household income from natural resources, the use of alternative energy sources and the incorporation of high quality and timely environmental impact assessments are examples.

Conclusion. MKUKUTA and recent growth analyses offer useful inputs to sharpen the focus on priority growth actions. Key priorities include:

(1) Consolidate and harness international economic linkages. The major trade issues are on the supply side related to Tanzania's capacity to supply foreign markets trade policy issues arise from export taxes, and specific problems of market access for key Tanzanian exports in dynamic Asian markets that should be addressed in the context of the current WTO Doha Round. In addition, Tanzania needs to reap the benefits of its participation in the regional and multilateral trading system, starting with the powerful economic centre of gravity represented by the East African Community Customs Union. Through its simultaneous membership in the EAC and SADC, Tanzania has close economic linkages with both southern and eastern Africa. However, this dual membership also has risks, in particular if Tanzania enters into commitments that are not mutually consistent. To ensure such consistency, the Government

needs a clear vision and strategy for its regional integration priorities, whereby regional trade integration in the EAC has been more dynamic over the past decade, compared with progress in SADC. A third opportunity for Tanzania to increase and intensify international economic linkages lies in the upcoming EPAs with the EU which Tanzania is currently planning to enter as part of the SADC negotiating group. Tanzania's decision to negotiate its Economic Partnership Agreement with the EU as part of the SADC group also raises the problem of potential inconsistencies of Tanzania's commitments vis-à-vis the other EAC member states who have decided to negotiate their EPA as part of the Eastern and Southern African (ESA) group. The EPA negotiation configuration thus presents another important reason for Tanzania to develop a coherent regional integration strategy that might entail consolidation of its membership in regional bodies and the EPA negotiation group.

(2) Manage the impact on the private sector of the envisaged scaled up aid commitments. To develop and deepen the financial sector to channel liquidity into productive investments and thus absorb increasing levels of aid. To balance aid expenditure between investments which expand productive capacity sooner (e.g. infrastructure) and later (e.g. health and education).

(3) Address the most pressing structural constraints to growth, including: investing in infrastructure especially road, rail and air transport, and electricity; To provide increased access to capital and finance services; to enhance the investment climate by cutting red tape especially in the areas of customs and tax administration, commercial dispute resolution, business registration and licensing, and land administration.

(4) Support innovation by investing in secondary and higher education and strengthening Tanzanian firms' capacity to adopt new technology and processes.

(5) Enhance the capacity of the poor to participate in growth, with broader, 'enabling' policy actions for pro-poor growth such as macroeconomic stability or infrastructural investment. Whether and how to target these broader investments requires consideration, particularly of: improving the quality of health and education services for all; increasing agricultural productivity, and stimulating diversification into off-farm income generation, and providing social protection.

4. MKUKUTA Cluster II: Improvement in the Quality of Life and Social Well-Being.

The quality of life and social well being cluster puts emphasis on outcomes that can reduce vulnerability, and ensure access to quality services. Improving efficiency in the delivery of social services is given a special focus. Attention will be paid to the promotion of clean and healthy environment and sustainable use of natural resources. The aim will be to minimize disparities between rich and poor, persons with disabilities, across age groups, and between urban and rural citizens in access and use of social services. The cluster has two broad outcomes: improved quality of life and social well being, with a focus on the poorest and vulnerable groups and reduced inequalities across regions, income, age, gender, and disability. Progress on these two broad outcomes will also directly contribute to achievement of Cluster I growth and income poverty targets.

a. Education. Tanzania has used global and national policies - Education for All (Jomtien, 1990), The Dakar Framework for Action (Dakar, 2000), the National Education and Training Policy (1995), and the Education Sector Development Programme - as the basis for a sector wide policy for education. Education is also a key plank of the government's growth agenda. Statistics show significant gains in the sector since 2002, particularly with regards enrolment

in primary education. However, significant challenges remain with respect to retention of students in primary, transition to secondary (currently around 10%), and gender equity in achievement. Scaling up of secondary and further education is a particular issue as the government pursues its ambitious targets for economic growth.

The sector is facing huge pressures as government attempts to increase access to secondary education from a very low base while maintaining the gains made in primary education and improving quality. The sector remains under-financed with about 18% of government expenditure. A key challenge is to work with sector processes to ensure that planning is robust enough to make a rational case to the Ministry of Finance for sufficient funds. The government's ambitious target of 50% enrolment in secondary education will require substantial investment in teacher training and improved policies around recruitment and retention if quality is not to suffer. The links between secondary education and economic opportunity will also need to be significantly strengthened. Finally, exclusion from education continues to be a challenge for vulnerable and marginalised groups (including: the blind, orphans and vulnerable children).

b. Health. The government's health sector development programme aims to improve the accessibility, delivery and quality of health care services available in the country, underscored by far-reaching reforms at all levels. In-line with the devolution policy of the government, the sector has decentralised power and authority to all 121 district councils in the country that are now planning, budgeting and implementing health care services nearer to the communities that they serve. The sector is supported by a mix of financing: domestic resources (tax-based), external resources (general budget support, health sector basket and project/programme support) and complementary financing (fees for services; pre-payment schemes and national health insurance). While there has been a substantial increase over the last few years, financing available to the sector is extremely low in relation to the costs of delivering on health sector goals (including the MDGs). In 2004, health comprised 9.7 percent of total Government spending, which is well below the internationally agreed target of 15 percent.

Over the last five-years there have been some remarkable gains in health: infant and under-five mortality has declined significantly and childhood malnutrition has also showed improvement although it still remains an underlying factor of almost 50% of under-five mortality (see Table 1.) At the same time there has been significant progress in preventing and treating malaria with a large increase in the proportion of children under-five that sleep under an insecticide treated net: Tanzania is on track to meet the Abuja target. Unfortunately, there has been much less progress in the area of reproductive health with the rate of maternal mortality stagnating. However, an encouraging effort underway is the development of a Maternal and Newborn Road Map which, with adequate support will help to address the challenges. Finally, so-called "neglected tropical diseases" such as Trachoma, Onchocerciasis and Lymphatic Filariasis have had a social impact and deserve appropriate treatment in the future.

The sector has experienced a substantial decline in availability of human resources over the last decade, to the point that Tanzania has one of the lowest per capita ratios in the developing world, which has impacted on the quality of health care services. Lack of skilled staff is further complicated by inadequate distribution and lack of flexibility in decentralised human resource management. At the same time, the financing of health care services remains a significant challenge with competing priorities, increasing demands, new technologies and growing drug resistance. Important cross-cutting issues, such as the inclusion of a disability component in health programmes, do not receive the attention they merit.

c. HIV/AIDS. MKUKUTA includes a clear articulation of the HIV/AIDS burden and subsequent implications across the MKUKUTA clusters. HIV/AIDS is a leading health, social and economic problem, affecting health, growth, quality of life and social well-being. Life expectancy has fallen from 53 years in 1990 to around 46 years (2004). About 7% of the adult population of 15 to 49 years is HIV infected. Women are more likely to be infected than men. There are also large regional differences with urban residents having prevalence rates twice those in rural areas. Latest data show signs of a possible stabilisation of the epidemic. For the wider age group of 15 to 49 year olds, there was a small fall from 9.6% to 8.7%. However, with successful introduction of Antiretroviral Therapy, overall prevalence will tend to rise as less people are dying.

Sector financing has been positive over the past five years with HIV/AIDS expenditure likely to exceed per capita spending in public health. Government spending on HIV/AIDS has increased by 79% since 2002/3, and was budgeted to nearly triple in 2005/6. Donor spending on HIV/AIDS has increased even faster, representing over 90% of total expenditure and expected to rise to 15% of total ODA during 2005/6-2007/8 MTEF period. However, pledges secure (external) funding until 2008 / 2009 only, and divergent timing of disbursements weakens the Government's planning exercises. Thereafter the pipeline is alarmingly short given the long-term and recurrent nature of the spending obligations. The major challenge lies in the need for long-term sustainable funding of activities related to the fight against AIDS. Experts foresee the need of about US\$100 M (external) funding annually, provided it is spent efficiently. There is also need to rationalize diverse HIV/AIDS budgets across government, and to increase the capacity of Local Government Authorities, with local civil society organizations, to plan and deliver services. Finally, the district response continues to be the most elusive and critical piece to lowering prevalence and providing care and treatment.

d. Social Protection. Social protection features prominently in Cluster II of MKUKUTA, which is a reflection of the Government's concerns with social equity, and reflects the vision that social protection is integral to a broad based growth strategy. Especially in a context of widespread socioeconomic insecurity, social protection can be viewed as essential to escaping from a low-equilibrium poverty trap. A distinctive feature of social protection in Tanzania is the diverse collection of arrangements combining low coverage in provisioning with high fragmentation and dispersal of efforts involving a multitude of actors. The Tanzania Social Action Fund's (TASAF's) social protection elements and food distribution from the National Grain Reserve to deal with the consequences of drought are the Government's largest interventions in monetary terms. There are also some limited small scale transfer schemes such as support from Dept. Social Welfare. During the MKUKUTA period, it will be important to: rationalize the sector, including expenditure and policy reviews, develop a national policy framework to improve coherence, focus on risk prevention and mitigation through sectors, and identify social assistance mechanisms for social transfers that suit the Tanzanian environment.

e. Environment. The National Environment Policy (NEP) of 1997 identifies six environmental challenges: land degradation and erosion, deforestation, lack of clean water, pollution, loss of habitats and diversity, and deterioration of water quality in sea, lakes and rivers – challenges which remain to date, as evidenced in the recent energy-water crisis, daily press recordings of illegal logging, and obvious pollution problems in the cities. While the 2004 Environmental Management Act (EMA) grants rights and responsibilities to individuals and national and local institutions with respect to the challenges mentioned above, MKUKUTA recognizes the possibility for the sector to increase its contribution to reduction of poverty: by increasing incomes and revenues from natural resources and wetland resources, by protecting the environment and providing environmental services with benefits

for the well-being of Tanzanians, and by addressing equity and transparency issues in the access and control of resources. With MKUKUTA's successful mainstreaming of environment (15 environment targets out of a total of 108 targets), and NEP and EMA in place, Tanzania is in a good position to address its environmental challenges.

Natural resources are of great importance to the development of Tanzania. The top 3 growth sectors (mining, tourism and fisheries) are all natural resources based. The recent energy crisis, partly due to environmental degradation, has greatly impacted industrial production and competitiveness, as well as household economies. The potential revenue from the resources are much higher than amounts actually collected and there is limited information about how to ensure revenues are re-invested in the sector. In addition, there is a gap between policies and legislation and action on ground. Finally, capacity constraints are significant, in terms of staffing and skills, and are due in part to the cross-cutting nature of the sector. The sector dialogue and the coordination within government, and with Development Partners (DPs), civil society and private sector, have improved over the past years.

f. Water and Sanitation. The Government of Tanzania has made significant strides in its water sector policy environment over the last decade, from water resources management to sanitation services delivery with good results and with the support of many development partners. However, reforms have been slow in ensuring both the Government's water sector targets and the MDGs. About 16.6 million of 30.8 million people in rural areas and small towns, and 7.5 million of 9.7 million urban people, have access to safe drinking water. To achieve the MKUKUTA targets, 11.2 million more people will need access by 2010, and to reach MDG targets an additional 11.6 million will need services by 2015. Finally, to meet the *Development Vision's* target by 2025, a further 24.6 million will need improved water supply. Sanitation coverage is good but more in quantity than in quality of the services. Among the key constraints to effective sector development are the following: (i) Insufficient mobilisation and targeting of resources for investments and capacity building; (ii) Weak Water Resources Governance Framework; and (iii) Inadequate Sector Coordination and Institutional Capacity.

g. Urbanisation. Tanzania's urbanisation rate increased when Tanzania moved towards liberalization and a market based economy. Population growth rates in cities are more than double the growth rates in rural areas e.g. the average national growth rate from 1948 to 2002 was 2.81%, but the annual urban growth rate was 7.22%, and the rural 1.02%. The lack of opportunities in rural areas pushes Tanzanians to the cities. The urban centres are characterised by unplanned settlements (squatter/slum), which lack basic services including housing and secure tenure, water supply, sanitation, access roads, drainage and waste collection/management. Dar es Salaam hosts 56 unplanned settlements accommodating approximately 70% of the population. This situation also influences HIV-Aids rates, security and crime rates. Furthermore, the urban centres depend on goods and services from the rural areas, such as charcoal, food, and water, and urban centres are contributing to the on-going degradation of the environment.

MKUKUTA includes targets related to urbanisation (with links to MDG targets on slums, water and sanitation), and distinguishes between reduction of poverty in rural and urban areas. The Government has over the past year developed a programme to address urban development, which will deal with the investment burden of urban councils by making additional financial resources available within the block grant system, and will build capacity and initiate a policy process. After the development of the Rural Development Policy, the development of an Urban Development Policy is on the agenda. This policy will build upon existing policies with urban aspects, including the Human Settlement Policy, but will also address the challenges of urbanisation.

h. Gender. Gender equality interventions in Tanzania take place in the context of international agreements signed and ratified, and in response to national constitutional, legal and policy agreements.⁶ Institutional mechanisms have been put in place to facilitate gender equality: these include the Gender Policy (2000), a Ministry responsible for mainstreaming and monitoring of gender accountability in all other sector Ministries, and the establishment of Gender Focal Points at ministerial, regional and district levels. The *National Vision 2025* pledges that by 2025 gender imbalances will have been redressed. In the medium term the MKUKUTA has sought to try and address some of these gender imbalances, and recognizes gender issues as crosscutting in nature. Also embedded in the constitution is the 30% quota system of nominating women to political power through parliament and 33.33% for councillors in local government. The current government has 97 women and 227 men MPs; 6 women and 23 men Ministers; and 10 women and 20 men Deputy Ministers.

The government has been active in responding to rectify gender inequalities, encouraging and empowering women for their increased participation in economic, social and political undertakings. There have been widespread campaigns against women's discrimination and human rights violations and capacity skills development of women and men among donors, government and community members. Challenges remain in implementation and monitoring of existing international and national commitments, whilst ensuring gender concerns and targets are adequately addressed and reported.

5. MKUKUTA Cluster III: Governance and Accountability.

In the governance and accountability cluster, the MKUKUTA focuses on four broad outcomes: good governance and the rule of law, accountability of leaders and public servants to the people, deepening democracy, political and social tolerance and cultivating and sustaining peace, political stability, national unity and social cohesion. This cluster is the bedrock for the first and second clusters. For broad-based growth and improvement of quality of life and social well being to take place, good governance has to prevail. The focus on governance centres on economic structures and use of public resources, natural resources, personal security, tolerance and inclusion, and participation in decision making. Human rights and a fair justice system and the war against corruption are key elements in this cluster. The cluster aims for effective public administration so that systems of government are managed openly and in the interests of the people they serve.

During his two terms in power (1995-2005), President Benjamin Mkapa made good governance a central theme of his presidency, achieving progress across most governance indicators.⁷ In 1999, he introduced a more disciplined approach to macro-economic and structural changes and a constellation of reforms set within the *National Framework for Good Governance*. Taken together, these reforms arguably constitute the most ambitious and comprehensive restructuring of the state in sub-Saharan Africa. President Kikwete has assured parliament of continued focus on good governance and accountability; the rule of law and respect for the human rights of all people.

a. Government effectiveness. Tanzania's economy has continued to grow and there are improvements on some social development indicators. This demonstrates increasing government capability. The government has improved its effectiveness by rationalizing and

⁶ Tanzania signed and ratified *The Universal Declaration on Human Rights (UDHR)*, *UN Millennium Declaration*; International Covenant on Civil and Political Rights; *Convention on the Elimination of All Forms of Discrimination Against Women (CEDAW)*; *Convention on the Rights of the Child (CRC)*; among others; and commits in the Constitution to the eradication of all forms of discrimination against any person on the grounds of gender.

⁷ Including the WDI governance indicators.

restructuring the civil service. More efficient executive agencies such as TANROADS have been created and jobs across the civil service have been evaluated to match outputs. A decentralisation by devolution policy was developed in 1998 and there has been rapid progress particularly in decentralising finances for social sectors. Financial management continues to improve and efforts have begun in implementing international procurement norms, although in this area there remain important capacity constraints which require further sustained effort, at local as well as central government level. Significant challenges remain in improving the performance of the public service. Service delivery surveys conducted in 2004 indicate that between 25-50% of central government service users are dissatisfied with services, while 50-75% of local government service users are dissatisfied.

Public Service Reform: Present challenges in improving public service performance hinge on three areas: pay reform, streamlined planning and budgeting and increased accountability. Pay reform has been slow and many public sector workers have to supplement their incomes from other sources. Poor pay has, among other things, resulted in a distorted wage structure with progressively increasing discretionary allowances. Rapid implementation of the Medium Term Pay Strategy 2003/4-2005/6 is critical as is a pay policy to retain key technical staff in middle management. Weak planning systems have also contributed to poor performance and an inability to attribute results to public sector reforms. In 2006, the Ministry of Finance, President's Office, Public Service Management and Ministry of Planning, Economy and Empowerment developed a strategic planning manual. The manual is a key first step to linking MKUKUTA and the budget at the level of Ministries, Departments and Agencies (MDAs). Developing guidelines to this manual and linking it to an accountability framework will deepen performance management in the public sector.

Accountability along the hierarchy of the public service, to Parliament and to the public is weak. Performance contracts currently exist in a few Ministries at the Permanent Secretary level. These have been observed only sporadically. An enhanced planning system should make these contracts more meaningful and easier to enforce. Phase II of the Public Service Reform Program should include fresh and deeper approaches of enhancing accountability to Parliament and the public. These should include improving client feedback systems and creating complaints mechanisms particularly at the local level.

Local Government Reform: Resource allocation to local government and related planning and accountability systems continue to be central government driven. Additionally, large resources for social development are channelled to the local level through parallel structures of line ministries. Local government elections of November 2004 witnessed high voter turnout, demonstrating strong grassroots interest in local government. In 2005, President Mkapa's government set up a reference committee managed from State House to stimulate impetus for devolution along the 1998 policy. High level substantiation of the devolution policy is necessary.

Financial decentralization has been rapid. Total central government transfers to Local Government Authorities (LGAs) have doubled between 2000/2001 and 2004/05 from Tsh 180bn to Tsh 360 bn – reflecting an increase of the central government budget. Additionally, in 2005/6 new capital and capacity development funds totalled Tsh 66 billion of which Tsh 55 billion is discretionary. However, local authorities are experiencing significant challenges managing and accounting for the increased flow of resources. Weaknesses include poor cash management, multiple data sets and large amounts of idle cash in numerous bank accounts.⁸ 23 LGAs (those in peripheral and otherwise disadvantaged areas) also have persistent and significant staffing problems⁹: including limited opportunities for spouse employment, they

⁸ Public Expenditure and Financial Accountability Report (PEFAR) 2006.

⁹ Staffing Problems of Peripheral or Otherwise Disadvantaged Local Government Authorities Report, 2005

have few amenities including schools, and they experience political interference in their operations.

Public Financial Management (PFM) Reform: Reforming public financial systems is a work in progress. Tanzania has made great strides in expenditure control (the first objective of good PFM) and is on the way to the second objective – allocative efficiency of resources through improved distribution to the different sectors in conformity with government policies. Achievement of the third objective -- the efficient and effective use of public resources for public services, through improved operational management -- is still a way off, as is the case in most other developing countries¹⁰. The Government continued to improve its management of public expenditure even in 2005 – an election year.¹¹ However, caution is required in managing new investments to reduce fiscal risks in the medium to long term. The government also needs to strengthen prioritization of expenditure on investments that accelerate growth and that address regional disparities.

The elaboration of the Integrated Financial Management System (IFMS), and its rollout throughout central government and parts of local government, has been a noticeable development in recent years. Budget preparation has also progressed, but predictability of resources to the MDAs and their appropriate timing are still impaired by the late approval of the budget. Implementation of the Procurement Act 2004 has now also begun but has not yet spread to line ministries. Human resources for managing the new procurement regime are urgently required. The National Audit Office (NAO) has received significant impetus recently and in 2006 produced a timely audit report for the first time. Important challenges remain in the independence of the NAO and the quality of the audit reports.

Legal Sector Reform: The legal system is particularly weak and inaccessible to the majority of Tanzanians. The concerted effort, to improve the legal sector, which is only now beginning will require significant co-ordination and commitment among a range of government departments. It is an ambitious sector wide program aimed at improving legislation including for business, accessing justice to the poor, improving the observance of human rights and enhancing the legal profession. It is of note that the first year of the program will include clearing the large backlog of cases in remand and prisons.

b. Corruption and Anti-Corruption. As in many other low-income countries, corruption is widespread in Tanzania. Recognising this, the National Anti-Corruption Strategy & Action Plan (NACSAP) was launched in 1999. Corruption in Tanzania is rated about average for the region.¹² Tanzania has seen an improvement in the control of corruption since 1996.¹³ It is one of the top rated low-income countries in the World Bank's "Country Policy and Institutional Assessment" and has one of the best ratings of all HIPC countries in the World Bank-IMF poverty expenditure tracking assessment. While the reforms have closed several avenues to corruption, there have been few convictions on corruption. The Prevention of Corruption Bureau (PCB) has recently been decentralised and there are now PCB offices in all regions and districts. District anti-corruption plans will be rolled up into the new NACSAP. Tanzanians surveyed in 2004 felt that corruption is increasing although in 2006 they felt it was decreasing¹⁴. President Kikwete has stated that the anti-corruption strategy for 2006-2011, currently under preparation, will attack root causes in a more systematic way. Issues to address include: a weak anti-corruption act, a lack of access to public information legislation, a lack of systematic corruption surveying and reporting, weak sanctions, and internal and external audit and accounting standards.

¹⁰ Tanzania's Public Financial Management Reform Program; An External Review, 2006

¹¹ PEFAR (2006).

¹² UN Economic Commission for Africa.

¹³ World Bank Institute.

¹⁴ Afrobarometer and REPOA Briefing Paper No 33, 2006

c. Public Accountability. Even given overall progress to date with political and economic liberalization, the state is not yet seen to be responsive and accountable to its citizens. Government discomfort with public criticism from the civil society organizations can lead to disproportionate responses, and efforts to stifle debate. Whilst local and national leaders submit themselves to elections every five years, the traditional dominance of the ruling party, as well as the strongly consensual culture of political debate, means that leaders are rarely called to account.

Parliament: Parliament's structures and process had generally stagnated due to over 30 years of a one party rule in a socialist regime. Although Tanzania is now a multiparty democracy, at the December 2005 Parliamentary elections the ruling CCM party won 206 of the 232 contested seats. In these circumstances, separation of powers between the Executive and the Legislature is particularly limited. However, Parliament in recent years has continued to modernise itself as a multiparty assembly. There has been gradual review of parliamentary procedures (Standing Orders). Parliamentary committees have been re-introduced and their membership is no longer rotated but fixed to the full life of a Parliament. Parliamentary debates are also covered by the media and bills are posted on a website. It is expected that the enhanced role of Committees and Parliament in providing a check to the Executive will increase with a stronger political opposition. However, systematic training of MPs and the administration, improved research capacity, continued reforms to the Standing Orders and some changes to the Parliamentary calendar could create significant shifts in parliament's legislative and oversight role.

Civil Society Organizations: In recent years CSOs have increased in number and capability, and are active in policy analysis, advocacy and citizen engagement roles. This has increased the potential for policy dialogue, monitoring and citizens holding government accountable, and some impressive good practices have been demonstrated. However, overall capacity remains weak and will need time to evolve. While primary responsibility for capability development lies with CSO leadership, Government has a role in providing enabling environment, including improved legislative framework. Recent moves to develop a self regulatory code of conduct including transparency requirements should be fostered and will help develop confidence. Development partners generally do not have a coherent strategy and correspondent funding policies for CSOs, yet the development of these is acutely needed in a context of harmonization and increased budget support.

Mass media: Newspapers, TV and radio has grown exponentially in the last decade in Tanzania and represents one of the more exciting development opportunities in the country. There are dozens of newspapers and radio stations, and 5 national TV stations. Studies show that 79% of the population has access to at least one form of media (particularly radio). While there are constraints, media are to a large extent able to publish information free of overt censorship, though concentration of media ownership may be a concern. The main challenge is the overall quality of media content, which remains largely mediocre. Investigative quality journalism is rare. The general tendency is to cover views of leaders in urban capitals (rather than ordinary citizens), cover meetings and workshops (rather than life as it is lived) and fail to independently substantiate and triangulate information. Recent awards for quality journalism and other initiatives may improve the situation. Low staff capabilities contribute to this problem, but this may arise due to the extremely tight revenue options for media organizations. Given its vital role in promoting democratic expression and accountability, independent media should perhaps be considered a public good worth funding.

d. Human rights. The Tanzanian constitution provides the basic provisions on civil and political human rights. Since 1995 the human rights situation in Tanzania has improved.

MKUKUTA includes rights of the poor and vulnerable group as a focus area. The establishment of a Commission for Human Rights and Good Governance in 2000 was another important step. Civil society, media and the Parliament are increasingly questioning the government on human rights issues. Since his inauguration, President Kikwete has made significant commitments in terms of strengthening of - and non-interference with - the judiciary and respect for rule of law. The recent quick decision, by the President to investigate and prosecute pre-judicial killings by policemen was a landmark event and sent a strong message for respect of human rights by the government.

Tanzania has ratified various core international and regional human rights instruments¹⁵ but is still to ratify key instruments such as the United Nations Convention Against Torture (CAT) and the Second optional protocol to the International Covenant on Civic and Political Rights aiming at the abolition of death penalty (ICCPR-OP2). Furthermore, the government does not yet adequately report on vital records of legislative, judicial and administrative measures.

Implementation of the human rights commitments has also been poor. Shortcomings include widespread corruption and inefficiency within the police and the judiciary, use of excessive force by the police and security forces and lack of respect for freedom of expression and freedom of assembly. Independent local research points to use of torture and abuse of power by the police, limitations in access to justice, harsh prison conditions, prolonged pre-trial detention and restrictions on press freedom and freedom of speech and assembly. Violence against women, trafficking in persons and child abuse continue to take place. The legal sector reform initiative will be a useful entry to addressing human rights violations.

¹⁵ Status of Ratification of the Principal International Human Rights Treaties at <http://www.ohchr.org/english/bodies/docs/status.pdf> and OAU/AU Treaties, Conventions, Protocols and Charters at <http://www.africa-union.org/root/au/Documents/Treaties/treaties.htm>.

PART 3 – THE JOINT RESPONSE STRATEGY

Executive Summary

Context. Tanzania is an international leader in aid effectiveness and donor harmonization, with joint Government/donor commitments, undertakings and activities going as far back as 1997. More recently, in July 2006 the Joint Assistance Strategy for Tanzania (JAST) came into force. JAST is Government-led, national medium-term framework for managing development co-operation so as to achieve national development and poverty reduction goals. JAST includes commitments on alignment, increased use of government systems, increased aid predictability, open dialogue with government and domestic stakeholders, improved division of labour, and a move towards the government's preferred aid modalities.

Joint Programming Document. As the next logical step in improved aid effectiveness, Tanzania's Development Partners Group (DPG) has come together to prepare a results-based Joint Program Document (JPD) as a response to MKUKUTA, MKUZA and the JAST. The JPD pulls together DP responses to date to the MKUKUTA, MKUZA and the JAST, and for many DPs it provides a common frame in which their individual agency programs are embedded. The JPD's objective is to reduce transaction costs to Government and to continue to better align development partner support with MKUKUTA and MKUZA. The JPD reflects the known volume of DPG planned support and commitments to Tanzania over the 4 remaining years of MKUKUTA, FY06/07-09/10.

Tanzania's Development Challenges and Government Response. The JPD offers a concise overview of the development challenges currently facing Tanzania, organized around MKUKUTA's three clusters: Growth and Reduction of Income Poverty; Improvement of Quality of Life and Social Well-Being, and Governance and Accountability. It summarizes Tanzania's political, economic and poverty context, and describes the Government's strategic response as articulated in two generations of poverty reduction strategies, covering both mainland Tanzania and Zanzibar. The second generation strategies are results-based strategies. The document describes Tanzania's history with harmonization and aid effectiveness, offers a summary of the most recent commitments agreed within the JAST, and describes the processes going forward to implement, and monitor and evaluate progress towards these commitments.

New DPG Commitments. The JPD moves beyond the JAST in two areas, with new DPG commitments on 1) sector review processes and 2) DPG support to budgeting and planning.

1) Sector reviews: DPG Commits to work with Government and other stakeholders to ensure that sector reviews are:

- Developed as a means of ensuring (a) effective feedback for national planning, budgeting, monitoring and evaluation, translating the MKUKUTA into high quality sector expenditure plans, and (b) provision of broad public information and dialogue on key sector performance and policy issues; and
- Designed so that DP requirements for monitoring and dialogue are addressed in an efficient and complementary way, recognizing capacity constraint.

2) Budgeting and Planning: The DPG is committed to seeking improvement in the coverage and quality of DP support to planning and budgeting. The DPG commits to:

- Encourage individual agencies to provide projections on the basis of *commitments*, *indicative pipeline* and *unallocated* categories, establishing disbursement estimates which can be used as a prudent basis for Government expenditure planning;

- Support Government in leading a process in which the Government and DPs jointly assess the coherence of agency projections, on grounds of consistency with the macroeconomic framework, the MKUKUTA/MKUZA, compliance with JAST, etc; identifying and addressing financing gaps, where possible;
- In the event of an unforeseen shortfall against past agreed projections (unrelated to Tanzania program performance) the DPG will seek to identify additional financing to ensure that agreed projections are fulfilled; and
- Work with Government through the PER macro group to develop detailed proposals for an effective stabilising mechanism (with DP or Government resources), aiming to ensure that medium term financing projections can be protected. The financing mechanism would be ring fenced, triggered only by deviations in external financing flows from agreed projections, and limited to a maximum of restoring the projected flow.

The JPD also explores scope for additional aid effectiveness commitments in terms of: joint analysis, advice and communication; improving cross-border/regional coherence; improving coherence between bilateral and multilaterals approaches; programmatic approach to DP support to CSOs in Tanzania; and global funds.

DPG Support/Programs. The JPD offers a summary of current and planned DPG support aligned across MKUKUTA cluster strategies and specific goals. It lays out a results matrix which clearly aligns DPG projects and programs with the MKUKUTA cluster goals, strategies and targets. All forms of support are included, from general budget support, sector programs, individual projects, technical assistance and analytic work. The JPD attempts to include the full universe of external support to Tanzania.

Monitoring and Evaluation. The JPD describes Tanzania's monitoring and evaluation systems and capacity. It discusses mechanisms for monitoring and evaluation implementation of the JPD itself, and assessment of the operational effectiveness of individual DPs.

Risks. The JPD also includes a joint risk assessment across five categories of risk: political, political/economic, fiduciary, institutional and operational, and external. The JPD assesses the likelihood and potential impact of each risks, and offers risk mitigation measures and monitoring mechanisms. In the event that these strategies and mechanisms do not mitigate or contain these risks or other new risks emerge, within the JPD DPs commit to work together to identify, assess, and communicate with Government on emerging risks, while retaining the ability to implement individual responses in an open and transparent manner.

JOINT PROGRAM DOCUMENT

III. Joint Program

This part of the document is broken into four sections: A) a brief history of aid effectiveness in Tanzania, a summary of JAST, a discussion of two specific areas within JAST that are particularly crucial to joint programming (Division of Labour and Budgeting and Planning), and a few new areas of consideration beyond the JAST; B) a summary of DP support across each of the MKUKUTA/MKUZA clusters and goals; C) a results-based monitoring and evaluation framework; and D) a joint risk analysis and response.

A. Enhancing aid effectiveness – how aid is delivered

1. History of aid effectiveness in Tanzania

Tanzania is widely seen as a leader in aid effectiveness, with a track record going back some ten years. In the mid-1990s, as a result of a crisis in the relationship between development partners and Tanzania, a team of independent advisors led by Professor Gerald Helleiner proposed measures to improve relations between Government and development partners.¹⁶ In 1997, the Government and DPs agreed on a way forward (known as the Agreed Notes): Tanzania's ownership and leadership in the development process was recognized; the Government was encouraged to set out a vision and priorities for development; Development Partners (DPs) agreed to rationalize assistance and coordinate aid modalities; and all agreed to strive for greater transparency, improved accountability and to promote increased involvement of civil society.

The **Government** has formulated a National Vision 2025 for Tanzania Mainland and Development Vision 2020 for Zanzibar, which set out long term aspirations for economic and social development; it has developed two consecutive poverty reduction strategies (for both Mainland and Zanzibar, as described in Section II); it has established various fora to further improve dialogue on budget formulation and implementation, as well as financial management of budget resources, macroeconomic and sector specific issues geared to improve implementation of the MKUKUTA/MKUZA. These fora have helped to facilitate greater ownership by national stakeholders, including civil society; and GoT has insisted that the MKUKUTA/MKUZA be used by development partners as their framework for support. A GoT/DP Development Cooperation Forum (with the Chief Secretary representing GoT) has

Measurable Impacts– Aid Effectiveness in Tanzania

- Increased predictability of aid flows and greater integration of external resources within the GoT budget and exchequer system contributes to increased transparency and accountability and greater public scrutiny of Government budgets.
- Increasing amounts and proportions of DP financing provided as budget support enables Government to allocate funds according to country priorities and budget contestability.
- Development Partners have increased their use of national processes, ensuring better use of country institutional capacity. This has also strengthened country systems, the public sector and public financial management capacity.
- Policy and consultative processes within Government and between Government and DPs have been rationalized, which has improved communication.

¹⁶ *Report of the Group of Independent Advisors on Development Cooperation Issues Between Tanzania and Its Aid Donors (the Helleiner Report)*. Copenhagen: Royal Danish Ministry of Foreign Affairs, June, 1995.

been reinstated to address the lack of systematic high-level policy dialogue, although it has not yet been meeting regularly.

Development Partners (DPs) have put in place structures to promote development effectiveness through improved coordination on key issues and objectives. DPs increasingly speak with one voice on key development issues. A Development Partner Group (DPG) is the coordinating body for Tanzania's thirty-five bilateral and multilateral development partners¹⁷. The DPG meets monthly and is jointly chaired by UN and a bilateral DP (rotating). The group has a permanent secretariat and there are a number of sub-groups dealing with specific topics/sectors. The group is also in a process of reflecting on a mechanism for coherent and efficient dialogue with Zanzibar. Fourteen DPs¹⁸ have established a common framework and joint annual review processes for general budget support, known as the PRBS group. DPs are, to the extent permitted by their own mandates, increasingly using government treasury, procurement, and financial management systems, and applying programme-based approaches aligning their financial support behind Government programs in health, education, transport, public sector reform, public financial management reform, water, HIV-AIDS, Local Government, forestry, private sector reform, and most recently, agriculture.

2. Joint Assistance Strategy for Tanzania (JAST).

The Joint Assistance Strategy for Tanzania (JAST), which came into force in July 2006, is seen both by the Government and development partners as a natural evolution of the 2002 Tanzania Assistance Strategy.¹⁹ The JAST is a national medium-term framework for managing development co-operation so as to achieve national development and poverty reduction goals. The Government has led the development of the JAST, with broad-based consultations both within Government, with development partners and with non-state actors.

Under the JAST, DPs have committed to **align their support to Government priorities**, with MKUKUTA and MKUZA and to facilitate domestic accountability by being transparent in the provision of their development assistance by making **increasing use of Government systems** in terms of financing, procurement, accounting, auditing, monitoring and evaluation, as well as by engaging in **open dialogue** with the Government and other domestic stakeholders. There are also expectations in terms of Technical Assistance in support of capacity development becoming more demand-driven and **untied** from the source of financing; and elimination of parallel Project Implementation Units. The JAST calls for **increased aid predictability** through enhanced reporting of three-year MTEF financing commitments. This will facilitate improved budget planning. While baskets and projects have a continued place in Tanzania's development, the Government has clearly stated its preference for general budget support. Work will be done on **division of labour** and JAST rationalisation also includes a move towards the Government's preferred **aid modalities**.

¹⁷ The Development Partner Group includes: Belgium, Canada, Denmark, European Commission, Finland, France, Germany, Ireland, Italy, Japan, Korea, Netherlands, Norway, Spain, Sweden, Switzerland, United Kingdom, United States, United Nations (UNDP, UNICEF, ILO, IFAD, UNFPA, UNIDO, UNAIDS, UNCDF, WFP, UNHCR, FAO, UNESCO, WHO, UN-Habitat), African Development Bank, International Monetary Fund, and World Bank.

¹⁸ African Development Bank, Canada, Denmark, EC, Finland, Ireland, Japan, Germany, The Netherlands, Norway, Sweden, Switzerland, United Kingdom, and Word Bank.

¹⁹ In 2002 the Government set out a national framework for aid coordination and harmonization, the Tanzania Assistance Strategy (TAS – implementation period: 2002/03 to 2004/05). The TAS outlined 'best practices' in development co-operation and included an Action Plan with four priority areas for immediate action: 1) increasing aid predictability, 2) integrating external resources in the Government budget and Exchequer system, 3) harmonizing and rationalizing Government and Development Partner processes, and 4) strengthening capacity for external resource management and aid coordination.

It is envisaged that the JAST will be complemented by an **Action Plan** that specifies concrete activities, targets and time frames for implementing JAST and a **monitoring framework** with indicators to measure Government and DP performance. This work will be taken forward by a joint Government/DP Working Group. (See Section C2.)

3. Discussion of two JAST areas: Division of Labour and planning and budgeting

Two areas of JAST are particularly crucial to joint programming, namely (a) Division of Labour among DPs and (b) the volume of assistance, and how it relates to Programming and Budgeting.

(a) Division of Labour. A key goal of the JAST is to ensure more effective division of labour and complementarity among development partners. By reducing sector involvement, each development partner should have more scope to specialise and provide greater in-depth expertise in the policy dialogue, helping to reduce transaction costs for both the Government and each partner, and alleviate human resource constraints and aid administration costs in the context of increasing ODA budgets and public service employment ceilings. Division of labour means a rationalised engagement in dialogue, rather than funding, as delegated DPs can continue to support any sector through delegated cooperation agreements.

GoT has taken the lead in defining its strategy at both the MKUKUTA and sector level. This has made it easier for DPs to work together in support of these strategies. According to the JAST document, as part of the JAST implementation in each sector/thematic area, relevant MDAs in consultation with LGAs and in agreement with DPs will decide which DPs will actively engage in the area and who will assume the role of lead Partner. The selection will be based on an assessment of each DPs comparative and, where applicable, competitive advantage. This is determined by a DP's established international and field office expertise, based on past successful experience, in a particular sector, thematic area or sub-sector. It also includes in-depth knowledge of local conditions at mission level. It does not depend on a DP's funding capacity.

To facilitate the process, the DPG has conducted a Division of Labour (DoL) baseline exercise. DPs identified areas and nature of current participation, confirmed by DPG sector and thematic working groups. In addition, some DPs have started to use lead, active and delegated partnerships to help reduce their and the authorities' transaction costs from dealing with multiple agencies. To date seven partners have expressed intentions to withdraw from specific sectors: EC plans to withdraw from six sectors, Germany from three, Denmark and Sweden from two and Switzerland, UK and USA from one sector (see Annex B).

Within particular groups of DPs the process has gone further. At political level, EU Member States and the European Commission have engaged to improve the complementarity of their interventions in partner countries, with the goal of increased aid effectiveness. Locally in Tanzania, significant progress has already been made in developing an EU Division of Labour, allowing a rationalisation of interventions by EU actors and developing a basis for determining comparative and competitive advantages so that agencies can plan their future staffing needs as accurately as possible. Within the UN, work on system-wide coherence and harmonisation is reflected in the second phase UN Development Assistance Framework for the period 2007-2010, that identifies priority areas of UN support to the implementation of the MKUKUTA and MKUZA. This is referred to as the 'Business Plan' of 17 UN Agencies²⁰. The work carried out through these processes have been valuable contributions to the DPG's overall harmonisation efforts.

²⁰ FAO, IFAD, ILO, UNAIDS, UNDP, UNESCO, UNFPA, UN-HABITAT, UNHCR, UNICEF, UNIDO, UNIFEM, WFP, WHO, UNV, UNCDF, and UNIC.

Further work on DoL is required by the GoT/DP JAST Working Group (and by the DPG) to achieve greater efficiency and efficiency of processes and reduce duplication and transaction costs, so as to produce better, more sustainable development outcomes.

(b) Planning and Budgeting. Policy formulation in Tanzania is increasingly driven through the MKUKUTA/MKUZA as a comprehensive integrating framework for domestic and external financing. The Government has undertaken work to revise national budgetary guidelines to ensure that expenditure allocations are fully consistent with MKUKUTA/MKUZA outcomes and has established an annual Public Expenditure Review (PER) process in which stakeholders and development partners have detailed discussions on the links between the Government's budget, outturn, and the underlying MKUKUTA/MKUZA and sector strategies. General Budget Support (GBS) has been closely aligned with MKUKUTA/MKUZA²¹ and is monitored through national underlying processes, including sector reviews and PER/PEFAR. These national processes specifically aim to combine Government leadership with DP dialogue and increasingly effective civil society participation. The Government is accountable primarily to domestic stakeholders, with accountability for the use of DP resources drawing on performance monitoring and other accountability instruments within domestic systems.

Sector Reviews. Sector reviews are emerging as one of the most critical institutions for effective integration of aid and national planning and budget systems. They are expected to be:

- Integral components of the national planning and budgeting process. In combination with cluster level integration processes, sector reviews are expected to include feedback on sector performance and broad dialogue on sector policy and expenditure plans, **providing essential inputs to annual budget preparation;**
- Based on publicly available information and allowing broad based domestic feedback. They are a key instrument for **strengthening domestic accountability**, contributing to a broad public awareness of sector issues that can strengthen the role of formal institutions of accountability, especially Parliament (or House of Representatives); and
- **The base for performance monitoring and policy dialogue for DPs**, allowing accountability to DPs to be fulfilled in a way that is supportive of broad accountability to all stakeholders.

For many if not all sectors, full realization of these objectives remains some way off. Sector reviews have been primarily a vehicle for donor dialogue. Effective sector reviews depend on effective processes of M&E, sector analysis, planning and budget systems, etc that continue through the year. Public meetings between Government DPs and other stakeholders can provide a focal point to bring together the outcome of these underlying processes, but cannot substitute for such processes where absent. DPG commits to working with Government and other stakeholders to ensure that sector reviews are:

- Developed as a means of ensuring (a) effective feedback for national planning, budgeting, monitoring and evaluation, translating the MKUKUTA/MKUZA into high quality sector expenditure plans, and (b) provision of broad public information and dialogue on key sector performance and policy issues; and
- Designed so that DP requirements for monitoring and dialogue are addressed in an efficient and complementary way, recognizing capacity constraints and the need for this instrument to develop as an integrated component of national planning and budget systems.

²¹ 4.5 percent of general budget support goes to Zanzibar.

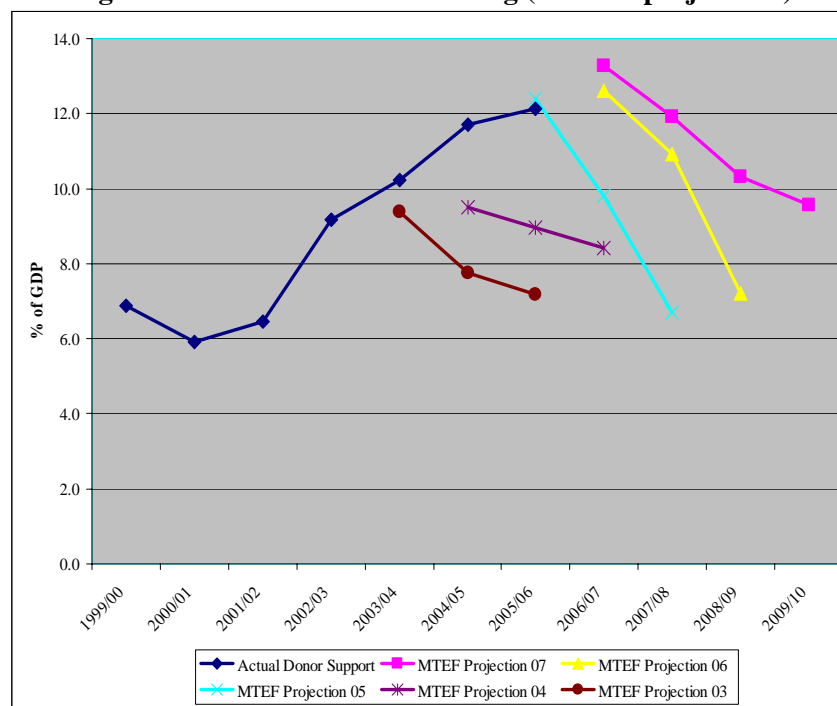
Integration of ODA in Annual Planning and Budgeting – Predictability of Aid. Total external financing to Tanzania has risen in the past five years from around 6% GDP to just over 12% in 2005/6, with aid as a proportion of public expenditure rising to about 40%. In recent years, development partners have routinely contributed to budget preparation both at sector and national level. Each year, DPs have participated in the preparation of the annual Budget Guidelines and MTEF. DPs provide agency level projections of future financing early in the cycle which are used by Government as inputs in drawing up three year expenditure plans. (See Table 1 for FY07 projections.)

Table 1: DP MTEF Projections
Commitment, Pipeline/Indicative and Un-allocated (in '000' USD)

DP		2006/07	2007/08	2008/09	2009/10
ADF	Commitment	152,578	105,097	88,027	44,594
ADF	Pipeline	-	-	60,776	78,990
Belgium	Commitment	7,688	7,404	4,256	929
Belgium	Pipeline	8,675	9,348	4,120	1,029
Belgium	Unallocated	3,363	-	-	-
Canada	Commitment	20,341	18,457	7,293	3,995
Canada	Pipeline	33,998	38,145	51,588	44,553
Denmark	Commitment	111,447	114,708	88,651	59,367
Denmark	Pipeline	-	6,484	23,937	46,685
Denmark	Unallocated	-	-	-	6,791
UK	Commitment	222,338	240,976	235,667	235,667
EC	Commitment	189,937	162,806	105,937	109,830
Finland	Commitment	24,516	22,559	7,299	634
Finland	Indicative	-	6,725	19,017	21,553
Finland	Unallocated	-	-	7,607	20,919
Germany	Commitment	60,432	46,574	30,544	18,127
Germany	Pipeline	-	77	142	188
Ireland	Commitment	31,204	38,804	39,683	43,866
Ireland	Unallocated	269	135	127	127
JAPAN	Commitment	69,708	62,049	25,280	22,978
Netherlands	Commitment	86,080	96,841	89,127	86,465
Norway	Commitment	87,286	94,977	64,881	13,035
Norway	Unallocated	-	8,729	9,601	9,689
Sweeden	Commitment	115,634	112,229	95,527	69,870
Sweeden	Unallocated	-	10,823	23,253	48,909
Switzerland	Commitment	22,263	25,211	22,900	18,484
Switzerland	Pipeline	-	28,463	29,280	26,824
Switzerland	Unallocated	-	868	3,684	3,684
UN	Commitment	121,927	79,668	27,352	13,051
UN	Indicative	15,344	21,982	22,082	21,902
UN	Unallocated	-	-	1,020	561
USA	Commitment	107,073	125,365	101,669	101,669
IDA	Commitment	592,186	374,414	301,816	243,650
IDA	Pipeline	16,000	269,600	426,800	454,800
France	Commitment	6,457	14,014	13,439	10,491
IMF East AFRITAC	Commitment	471	480	488	495
	Total commitment	2,029,567	1,713,791	1,324,805	1,080,869
	Total pipeline/ indicative	74,017	380,824	576,966	617,536
	Total unallocated	3,632	20,554	45,292	90,679
Grand total		2,107,216	2,115,169	1,947,063	1,789,083

Recent experience (Figure 1) illustrates that there remains a gap between disbursement projections (which decline precipitously over the planning period, and indeed have done so at the beginning of every fiscal year over the past five years) and the realized aid flows which show steady growth of disbursements over the period. This inconsistency presents a severe constraint on the effectiveness of Government planning and budgeting.

Figure 1: Total External Financing (actual + projections)



The DPG is committed to seeking improvement in the coverage and quality of DP support to planning and budgeting. The DPG commits to:

- Encourage individual agencies to provide projections on the basis of *commitments*, *indicative pipeline* and *unallocated* categories, establishing disbursement estimates which can be used as a prudent basis for Government expenditure planning;
- Support Government in leading a process in which the Government and DPs jointly assess the coherence of agency projections, on grounds of consistency with the macroeconomic framework, the MKUKUTA/MKUZA, compliance with JAST, etc; identifying and addressing financing gaps, where possible;
- In the event of an unforeseen shortfall against past agreed projections (unrelated to Tz program performance) the DPG will seek to identify additional financing to ensure that agreed projections are fulfilled; and
- Work with Government through the PER macro group to develop detailed proposals for an effective stabilising mechanism (with DP or Government resources), aiming to ensure that medium term financing projections can be protected. The financing mechanism would be ring fenced, triggered only by deviations in external financing flows from agreed projections, and limited to a maximum of restoring the projected flow.

Other problems of integrating aid in the budget include the lack of sufficient information on projects where funds are provided directly by the DP to the respective project, leaving the MDA unable to plan comprehensively or fully account for the resources. The DPG will work with Government on this and other issues in aid integration in the context of the JAST implementation plan.

4. Scope for additional aid effectiveness commitments

JPD discussions have led to the identification of some additional areas where DPG can commit jointly to improve aid effectiveness:

(a) Joint Analysis, Advice and Communication. Effectively communicating results achieved through DPs support to Tanzania will be crucial. It is important for DPs to analyse trends, to advise on key issues, and communicate our knowledge effectively to our authorizing environment and stakeholders, including head offices, domestic policy makers, and ultimately taxpayers, as well as locally, evidence of development progress and issues, as well as DP contributions. At present DPs deal with communications on an individual basis. This will continue to be necessary to some extent but we believe that putting more efforts to communicate results jointly will be helpful especially where this also strengthens Tanzanian institutions to communicate results more effectively. Core activities could include: Joint press releases; common fact sheets updating progress on different sectors and themes; information sheets – short pieces explaining concepts like PRBS, JAS, etc. user friendly and easy to understand; case studies – providing evidence of development progress; a regular open meeting for press and CSOs with presentation of a topical development issue.

(b) Improving cross-border/regional coherence. Many DPs are active in adjacent countries and support regional organisations such as SADC and EAC. Migration, conflict prevention, and environmental and natural resources management are emerging cross-cutting issues. Given the proven importance of cross-border co-operation in trade-related areas, infrastructure, fisheries and environment, as well as the evolution of Customs Unions and common policies, DPG commits to working towards ensuring that maximum coherence is achieved in planning and programming, and that regional instability is not inadvertently brought about by allowing "aid orphans" to persist within Eastern and Southern Africa.

(c) Improving coherence between bilateral and multilaterals approaches. There is scope for developing more coherent joint approaches among all bilateral and multilateral partners on improving aid effectiveness and for bilateral agencies (through head offices) to improve multilateral effectiveness in Tanzania through their representation on the Boards of multilateral agencies. In the coming four years, on issues concerning Tanzania, bilateral partners of the DPG will commit to prepare and agree locally submissions to headquarters from local bilateral partner representatives, with goal of having 50% of their submissions to the Boards of multilateral agencies (UN agencies, EC, World Bank, IMF and AFDB) to be jointly agreed.

(d) Programmatic approach to DP support to CSOs in Tanzania. Uncoordinated funding mechanisms for CSOs (strengthening demand-side accountability) pose significant challenges as there is no coherent strategy to support CSOs. This is resulting in disjointed and uncoordinated CSO contributions to national development, particularly with respect to service delivery CSOs. It also makes it extremely difficult for CSOs to plan and implement priority programmes. A longer-term approach to institutional development and capacity building that is consistent with nationally owned vision and strategy is essential for a stronger overall contribution by DPs and CSOs to development. The DPG plans to work with CSOs to address this issue.

(e) Global Funds. Over the past decade, the structural design of aid has changed with the introduction of a large number of global programmes and private initiatives in response to the perception that not enough was being done to alleviate poverty, particularly in the social sectors. Tanzania is targeted by many of these initiatives as a pilot country: the consequence is a multitude of unpredictable aid inflows and external priority setting. Although sometimes clearly beneficial, there is a danger that global initiatives may be superimposed on existing

country programmes, risking an increase in transaction costs and further challenges for the division of labour. Improved alignment of global initiatives with the JAS will be a priority. As pointed out in the IMG report 2005, Government should decline aid when necessary and reject initiatives which do not support country priorities. If possible, global funds should go through the exchequer. The amounts should also be integrated as far as possible into the MTEF. Addressing this issue implies a more systematic dialogue between country representatives of the Development Partners and their Headquarters, as well as firm encouragement of the organisations entrusted with the management of global initiatives to disseminate early information and participate regularly in sector dialogue. DPs commit to alert the GoT and the DPG early on when they see a global fund including Tanzania in a new initiative or program. The sponsoring DP also commits to working with the global fund to ensure to the largest extent possible that the new initiative or program fits within existing GoT processes, and is consistent with MKUKUTA/MKUZA and the JAST commitments and goals.

The Millennium Challenge Corporation (MCC) is not a Global Fund, but represents a new U.S. Government initiative driven by the principles of rewarding good policy performance, supporting country ownership and measuring for results. Named MCC-eligible in November 2005, Tanzania identified energy, water, and transportation as priority sectors the GoT would seek to address with MCC funds. The GoT proposed a program that would address critical impediments to the country's economic growth and assist in the implementation of MKUKUTA/MKUZA. MCC is working with the GoT to ensure projects emanate from existing sector strategies or priority investment plans and thus support the GoT's donor harmonization efforts. MCC assistance under an MCA Compact would be untied, fully committed up front to enable predictable aid flows over the expected five year term of the Compact, and, where possible, distributed and managed using existing country systems to reduce transaction costs and improve efficiency.

B. Joint DP support to MKUKUTA/MKUZA

The following section describes the nature of DP assistance across each of the MKUKUTA clusters and associated goals. Annex C maps DP activities across MKUKUTA clusters and goals.

1. MKUKUTA CLUSTER I “GROWTH OF THE ECONOMY AND REDUCTION IN INCOME POVERTY”: MKUKUTA cluster 1 underlines the importance of further improving macro economic stability as well as achieving higher levels of efficiency and competitiveness in all productive sectors, expanding trade, services and the access to markets, as well as improving the business environment needed to attract private investment. The DPG groups for macroeconomic affairs, private sector development/trade, infrastructure/transport, agriculture and environment are particularly focused on this area as the main fora for preparing donor input to sector dialogue and acquiring improved technical expertise and experience.

Goal 1: Ensuring sound economic management. DPs will continue providing financial and technical support to improve budget and public financial management, ensuring debt sustainability and enhancing analytical capability. Institutions of focus include: Ministry of Finance, Ministry of Planning, Bank of Tanzania, Tanzania Revenue Authority (to enhance domestic revenue efforts), MOTI and the East African Community (trade policy and negotiations), Ministry of Infrastructure (transport and ICT), and the Ministries of Environment, Natural Resources and Tourism, and Energy and Minerals (to improve management of natural resources—including timber, wildlife, energy, and minerals—and

thereby support the enforcement of existing natural resources legal frameworks and Multilateral Environmental Agreements).

Goal 2: Promotion of sustainable and broad-based growth. The DPs will continue to support the Government in reducing the cost of doing business in Tanzania, and boosting private sector development. Activities will focus on: implementation of the Land Laws, the business registration, legal justice, including the commercial and criminal justice, regulation of the utility and financial sectors (these activities under BEST and LSRP)), and reform of TRA, including customs reform. DPs will support financial sector deepening, including expanding the financial sector to the rural areas, to small and medium enterprises, developing affordable financial products. DPs will support Tanzania in following up the Diagnostic Trade Integration Survey concluded in 2005, and will facilitate the development of public-private partnerships and innovative sources of financing, especially in the infrastructure sectors. Financing will also be provided for establishing a fibre optic and ICT network coverage in Tanzania, also supporting Tanzania's participation in regional ICT/connectivity initiatives. DPs will support the implementation of the Environmental Management Act, including the regulations on Environmental Impact Assessment and Strategic Impact Assessment, and will engage in the forest SWAp process. DPs will support further expansion of the road network and improving transport systems. DPs work together with the AIDS Business Coalition of Tanzania (ABCT) and private enterprises to mainstream AIDS in the private sector. DPs will continue to support the Government through various regional programs for the East Africa Community (EAC), including institutional support for the EAC Secretariat, support for further regional integration, and support for the Lake Victoria basket fund).

Goal 3: Improve food availability and accessibility. DPs will contribute to the identification and promotion of modern farming methods and the wider use of technology in crop and livestock production, supporting efforts such that these technologies should bring environmental benefits, and supporting efforts to monitor the food situation and upgrading of reserves to facilitate decision-making on the basis of reliable and timely information. Through humanitarian and emergency related operations, the UN will continue to support GoT in the area of food security, ensuring access to vulnerable groups.

Goal 4: Reduce income poverty of both men and women in rural areas. DPs will provide finance and technical support (training, exchange of comparative experience, provision of appropriate technologies, assessing supply-demand constraints, improving market access) to enable both non farm and farm enterprises to raise productivity and to compete more successfully. DPs will promote the access to finance of small and medium enterprises, as well as private sector provision of business development services and support of non farm to farm linkages. DPs will continue to provide financial and technical assistance to increase farm level productivity, and broaden the scope for farm-based and non-farm based income-earning opportunities. Partners will support the Government's Agricultural Sector Programs in the Mainland and Zanzibar, provide technical assistance and support rural finance programs and provide analytical and policy advice to the sector. DPs will provide analytical, policy advice and financial assistance to support environmentally sustainable growth in the mining and tourism sectors, helping to ensure appropriate domestic and community benefit from these sectors. DPs will also support the involvement of communities and the private sector in natural resources management.

Goal 5: Reduce income poverty of both men and women in urban areas. In the context of the Government's new Urban Framework, DPs will assist Government in providing support for SMEs and the informal sector, develop and implement land use and management plans, self-employment promotion, vocational training and apprenticeships. DPs will support

capacity building and investment support to urban areas regarding sustainable management of natural resources within and surrounding urban areas, and regarding provision of public services (both availability and reliability), including essential utilities, drainage, solid and liquid waste management, and energy.

Goal 6: Provide reliable and affordable energy to consumers. DPs will support TANESCOs plan to expand and improve generation, distribution and transmission. The DPs will also support the implementation of energy sector reforms in Zanzibar. The partners will continue to offer analytical and policy advice in infrastructure planning and establishment of public private partnerships with the aim of increasing and improving service provision. DPs will support the EAC's energy master plan and other cross-border initiatives which offer greater security of supply in Eastern and Southern Africa (including development of Rusumo Falls, and the East Africa power pool.). DPs will also continue to support sustainable forest management in order to improve forest's contribution to energy provision.

2. MKUKUTA CLUSTER II: "IMPROVEMENT OF QUALITY OF LIFE AND SOCIAL WELLBEING": The objectives and strategies in Cluster II target (i) improved quality of life and social wellbeing with a particular focus on the poorest and most vulnerable groups, and (ii) reduced inequalities across geographic, income, age, gender and other strata. The Cluster encompasses the education, health, water and sanitation, social protection and some of the environment sectors, but also includes components related to energy and roads. The DPG groups for AIDS, education, health, water and environment are particularly focused on Cluster II strategies. They serve to coordinate sector dialogue and technical inputs to the main areas addressed by the cluster. Most HIV/AIDS targets also fall under this Cluster, however, AIDS and environment will be addressed as "cross-cutting issues" along with gender.

Goal 1: Ensuring equitable access to primary and secondary education for boys and girls, universal literacy among women and men, and expansion of higher education, technical and vocational education. DPs are committed to supporting government in its efforts to scale up access to primary, secondary and tertiary education (the latter two sub sectors are characterized by very low enrolment levels in relation to age cohort) as well as increasing retention and completion rates across sub sectors. DPs will also assist government in achieving improved quality of education. This includes support for government to expand the supply of qualified teachers, reduce regional disparities in terms of availability of qualified teachers, learning materials and infrastructure as well as encourage more professional support from the Inspectorate. Promotion of full integration of vocational, adult and non formal and pre-primary education, and reduction of illiteracy rates are other important elements in improving quality. DPs will assist government in its initiatives to mainstream crosscutting issues, including gender, vulnerable groups (including increased attention to children with special needs through inclusive and special education), HIV/AIDS and the environment. DPs support development and implementation of a strategic plan, including: the integration of AIDS into curriculum, finding a solution to reduce the impact of HIV/AIDS on trained teachers, skill-based HIV education targeted to youth; development and implementation of a life-planning skills programme; training of school teachers who will teach youth about HIV/AIDS prevention, peer to peer education, and development of teaching materials.

DPs are committed to support and improve the government-led sector monitoring, planning and budgeting processes. In terms of external financing, while several donors are moving to Sector or General Budget Support others continue with sub-sector programmes. DPs will help to build the capacity of PMO to perform its co-ordinating role for the education sector, work with government to establish an effective dialogue structure for the sector, and assist in the

development of a sector – wide management information system. DPs will focus on furthering involvement of local government authorities (as main actors in the delivery of primary education) and of civil society in the sector.

Goal 2: Improved survival, health and well-being of all children and women, especially of vulnerable groups. Priorities are human resources for health, maternal and reproductive health. Although significant progress has been made in harmonization, the sector still encompasses an extraordinary number of projects, many of which do not meet the criteria for projects as described in the JAST. However, the lack of resources during the first quarter of each fiscal year, the time required to process simple payments approved in the budget and the remaining challenges in procuring large consultancy contracts through government create disincentives to shift to budget support, and creates incentives for DPs and the MOHSW to maintain special project accounts in order to protect delivery of critical health services. A critical challenge is the persistence of large, earmarked external funds (specifically for AIDS and malaria), which distort health sector spending and crowd out discretionary funding for health. Joint Health Sector Reviews have been held for seven years, PERs are conducted annually and partners employ a common list of indicators. M&E and engagement of civil society are areas for strengthening. Sector dialogue and division of labour is facilitated by the DPG-Health and working groups within the sector, but DPs and the MOHSW (Mainland and Zanzibar) have committed to strengthening the role of working groups in facilitating sector dialogue and coordinating inputs. DPs provide technical support, policy analysis and system strengthening, technical and policy inputs through the Care and Treatment Task Force, support strengthening of capacity of districts in providing VCT services, STI screening and promoting condom use. DPs provide funding and technical support for the expansion of services including screening, treatment, antiretroviral drugs, social marketing of condoms, laboratory services. Prevention activities include VCT, PMTCT, and blood safety and injection safety interventions. DPs provide support to palliative care, and to the improvement of the health status and well-being of patients living with HIV/AIDS and other major diseases.

Goal 3: Increased access to clean, affordable and safe water, sanitation, decent shelter and a safe and sustainable environment and thereby, reduced vulnerability from environmental risk. Development of the Water Sector Development Program (WSDP) is the main focus of DPs in their close partnership with the Ministry of Water. It will be employed to guide national investment as well as development partner technical and financial inputs. The NWSP addresses water supply and water resource management -- linking with agriculture, energy and fisheries, as well as sanitation --in partnership with the Ministry of Health. DP support will address the importance of water resources (supply and management) to meet agricultural growth targets and address rural poverty. DPs will assist GoT in addressing the urbanisation and environmental challenge by supporting the new Urban Framework, with investments funds for councils and an urban policy process resulting in consistent guidance and capacity building of councils for planning. This will address the unplanned settlements, improve the urban service delivery, and aim at reduction in pollution. DPs will also support the implementation of the Environmental Management Act at urban council level, and work with Government on preventive and response measures to environmental shocks and disasters, including climate change. DPs will also support the implementation water sector reforms and development programs in Zanzibar.

Goal 4: Adequate social protection and rights of the vulnerable and needy groups with basic needs and services. DPs (WB, UN, DFID (UK), Finland and others) will continue to engage in policy dialogue with MPEE and MDAs to build commitment and progress to developing social protection approaches and measures. Key objectives include: reducing current fragmentation and duplication, harmonising implementation of programmes; to test,

identify and expand cost-effective interventions; and to improve monitoring and evaluation. It is proposed that MPEE sets up a working group to develop strategy and DPs would interface with this group. Existing ad hoc support to generate research and analysis, and to facilitate government exposure to international good practice on social protection will continue. DPs providing GBS are implicitly also supporting delivery of this goal, though the ability of MDAs covering social protection to contest for adequate resources through the national budget is especially weak, and they are resource-constrained to deliver services. DPs will consider government proposals for the resourcing of a process to develop an overarching social protection framework. DPs support strategies to keep up OVCs and households affected by AIDS and efforts to introduce home-based care on a larger scale. DP programmes are addressing a number of specific operational targets, including improving the evidence base for addressing legal barriers and socio-cultural dimensions related to wider social protection coverage, as well as extending support to those in the informal economy, working children, young women and men.

Finally, Goal 5: Effective systems to ensure universal access to quality and affordable public services. DPs will work with GoT to address the expansion of infrastructure, schools and health facilities while also addressing the concomitant expansion in operating costs (drugs, books, maintenance) and in staff (many facilities lack staff) together with incentives for staff to work in rural areas.

3. MKUKUTA CLUSTER III “GOVERNANCE AND ACCOUNTABILITY”: The strategy to enhance good governance and accountability will be underpinned by a frank and open dialogue with government and capacity development of key institutions. Support to strengthening the demand-side of accountability will close the circle in an effort to improve government’s transparency and accountability in the delivery of services to the citizens of Tanzania. Interventions will support the achievement of four broad outcomes of the MKUKUTA, i.e., (i) good governance and the rule of law; (ii) accountability of leaders and public servants to the people; (iii) deepening democracy, political and social tolerance; and (iv) cultivating and sustaining peace, political stability, national unity and social cohesion. Development Partner Groups active in this area are those on Governance (the Governance Working Group) and Public Financial Management. Both groups have a responsibility to ensure that their work cuts across the other MKUKUTA clusters to ensure the relevance and sustainability of the overall poverty reduction strategy.

The majority of Development Partner (DP) financing for this cluster will be provided to the core reforms. Currently this funding is provided through ‘basket’ funds. We will continue to press for greater budget funding for these reforms, whilst recognising the difficulties they face in securing core government funding. DPs are committed to providing more predictable and harmonised financing for other governance/ accountability activities in line with JAST principles. DPs will also support the continued rolling out of the core reforms to Zanzibar.

Goal 1: Structures and systems of governance as well as the rule of law should be democratic, participatory, representative, accountable and inclusive. DPs will provide support to the core reforms at the heart of the government’s approach to improving governance and tackling widespread corruption. DPs will support the National Anti-Corruption Strategy and Action Plan (NACSAP) as a framework for fighting corruption at both central and local levels. Zanzibar aims to develop its anti-corruption and leadership ethics strategy. DPs will support strengthening civil society organizations and oversight and watchdog institutions such as Parliament and the National Audit Office to strengthen the feedback system and ensure representative, inclusive and accountable institutions operating at all levels. DP will continue providing assistance to improving local governance.

Goal 2: An equitable allocation of public resources with corruption effectively addressed. DPs will support the implementation of the public financial management reform program (PFMRP) including the strengthening of procurement systems and external audit, in addition to all aspects of financial management. Through analytical work, including the PER/Public Expenditure and Financial Assessment Review (PEFAR), the dialogue around public finance and resource allocations will be broadened and more open. In addition, DPs will support routine monitoring of progress in poverty reduction as will the budget, through greater public involvement in the processes. DPs will support more access to information particularly for non-state actors, and will use a harmonized set of interventions to build capacity of state and non-state actors to play a more meaningful role as institutions of accountability. DPs will support greater autonomy and the strengthening of anti-corruption agencies, and improvements in systematic surveying and reporting of corruption. DPs will also support an improved revenue collection and sharing, and better access to the benefits for poor communities, in the context of natural resources management.

Goal 3: An effective public service framework in place to provide foundation for service delivery improvements and poverty reduction. DPs will continue to support the Public Service Reform Programme (PSRP) and the Local Government Reform Programme (LGRP), including the establishment of a human resources management framework (better pay and a meritocratic environment), that will attract and retain skilled professionals, and the establishment of a stronger dialogue with citizens. Such a framework would also allow districts greater autonomy to match staff to service delivery needs. Alongside this HR decentralisation, DPs will support the equitable and transparent recurrent and development fiscal transfer system to districts and promote decentralisation across all sectors to improve service delivery.

Goal 4 is to ensure that rights of the poor and vulnerable groups are protected and promoted in the justice system. DPs will continue to support the Legal Sector Reform Programme (LSRP) in the mainland and review of laws, legal processes and procedures in Zanzibar, which seek to improve access to justice for all. Close collaboration between DPs involved in the BEST programme and the LSRP is essential if all aspects of the justice system are to be modernized. DPs are collaborating through sector-wide approach programs to the implementation of both programmes. Bilateral partners and the UN are particularly interested in human rights aspects of the legal/judicial systems and will ensure that implementing agencies are well resourced to improve access to justice of the poor and vulnerable groups and that data is available to monitor implementation progress.

Goal 5: Reduction of political and social exclusion and intolerance. DPs will support strengthening the demand for greater accountability and having in place systems and institutions that encourage openness and participation. DPs will support endeavours that seek to include gender, disability and HIV-AIDS considerations into political and social systems, and the inclusion of these concepts into appropriate legislation and enforcement mechanisms. Analytical work will be carried out to understand more deeply how to enhance the understanding and insertion of these notions throughout government and to have in place credible data to monitor progress. Stronger dialogue with non-state actors will be encouraged through developing mechanisms to protect citizens and through building the capacity of media to ensure the dissemination of quality information. DPs will support efforts to deepen democracy in Tanzania, including through strengthening the formal electoral process and multipartyism, as well as through civic education to inform people of their rights. DPs also support the development of a specific AIDS Act and correlated changes in other law.

Goal 6: Improved personal and material security, reduced crime, and the elimination of sexual abuse and domestic violence. Bilateral donors and the UN will provide support to

human rights component of the LSRP. Special attention will be paid to the needs, rights and security of vulnerable groups. The support to the LSRP will also provide the means for the justice system to operate more efficiently, thus ensuring that institutions and agents of government such as the police, courts and prisons observe human rights and ensure justice and security of all citizens. DPs will also provide assistance to ensure greater reporting in the area of human rights. DPs will provide support to strengthen national disaster preparedness and response capacity which may affect the average Tanzanian, or at the minimum, communities in a particular geographical zone.

Goal 7: National cultural identities to be enhanced and promoted. DPs will support endeavours by the State to enforce the principles of the freedom of expression and information in particular media pluralism, as well as the right of the Government to implement policies and measures they consider appropriate to preserve, fund and develop their cultural and artistic expressions.

C. Results based monitoring and evaluation framework

Useful, timely, independent, and relevant assessments serve policymakers, managers, and stakeholders, including parliamentarians and citizens. Evaluation requires an effective feedback process – recommendations can be accepted or rejected but the response of government and DPs should be open and clearly-argued. Partnerships between Development Partners and Government should be based on independent evaluation, conducted in line with international good practice, aimed at maximizing transparency, avoiding mistakes and mainstreaming good practice.

In recent years, independent evaluations on Tanzania—on general budget support, support to specific sectors, or individual donors’ country programmes—have offered lessons of experience which have been used to adjust the approach in Tanzania. Annex D offers a summary of the recommendations of these evaluations.

The following section discusses: Tanzania’s monitoring and evaluation capacities, assessment of MKUKUTA/MKUZA Joint Program results, and assessment of the operational effectiveness of DPs.

1. Tanzania’s monitoring and evaluation capabilities: Tanzania has made considerable efforts in developing its monitoring and evaluation systems and practices, including strengthening its planning, budgeting and statistical systems. A poverty monitoring strategy accompanied Tanzania’s first PRSP and the Poverty Monitoring System has produced several Poverty and Human Development Reports and poverty reduction strategy progress reports to track progress with PRSP implementation. Monitoring and evaluation of outcomes has been strengthened through various initiatives including the development of the MKUKUTA Monitoring Master Plan, the Medium Term Strategic Planning and Budgeting manual which provides a framework for evidence based planning and budgeting by ministries, agencies and departments and SBAS, the Strategic Budget Allocation System run by the Ministry of Finance, which provides the strategic link between planning and budgeting by ministries, agencies and departments, and regions, and the MKUKUTA objectives. Similar systems and tools will be developed for Zanzibar – MKUZA and harmonized with MKUKUTA. The government has also started developing a more systematic approach to data collection through the MKUKUTA Monitoring Master Plan and the preparation of the Tanzania Statistical Master Plan. Important outcomes of this increased attention to data collection are the annual Household Budget / Income and Expenditure Surveys, greater focus on impact evaluations, amongst others through the National Panel Survey, improved economic data collection and the implementation of public service beneficiary assessments through bi-

annual voices of the people surveys. Finally, GoT has made progress on a robust reporting system that will enable reporting by MDAs and LGAs, and will facilitate the production of Annual Implementation Reports on MKUKUTA. It is aligned with the SBAS, and is built around the clusters, goals and objectives of the MKUKUTA.

A greater focus on results and strengthened monitoring and evaluation systems have led to improved accountability and greater rationality in public expenditure management. The system also provides a strong foundation for results-based management. This, however, has been achieved through the proliferation of various discrete initiatives: by the MKUKUTA secretariat (MKUKUTA monitoring), Ministry of Finance (SBAS), Public Service Management (Strategic Planning), NBS (Statistical Master Plan), often backed by individual development partners and agencies. This risks duplication of efforts, waste of resources, and poor coordination between data users and data producers. To better coordinate monitoring and evaluation initiatives, the government in early 2006 integrated the MKUKUTA secretariat in the Ministry of Planning, Economy and Empowerment (MPEE) and has instituted a working group for the harmonization of monitoring across government. MPEE will seek to bring together the users and producers of information and ensure that the data collected is relevant, timely, of high quality, and accessible for policymaking. Successful implementation of the strategy and a consolidation of the various initiatives should provide the basis for improving results through better-informed decision-making. DPs are committed to supporting this process.

In line with international good practice, DPG is further committed to encouraging more systematic use of joint evaluation approaches, which have methodological as well as practical advantages.

2. Assessing MKUKUTA/MKUZA/Joint Program results: Progress towards the MKUKUTA/MKUZA results will be assessed through the information generated as part of the government's overall monitoring and evaluation effort. The government is establishing an annual MKUKUTA/MKUZA review mechanism, which will draw on existing reporting and review arrangements, for the MKUKUTA and MKUZA as a whole, and for the budget process, rationalizing and consolidating these where necessary. The MKUKUTA/MKUZA policy and results matrix, the associated MKUKUTA key indicators and the sector progress reports will be the reference documents for these annual MKUKUTA/MKUZA reviews.

DPs support is a major contributor to MKUKUTA/MKUZA outcomes. With external financing contributing approximately 40 percent to the overall government budget and DPs operating in almost every sector, DP supported program implementation can not be seen separately from MKUKUTA/MKUZA implementation. The effectiveness of the joint program will therefore be assessed with the aid of the MKUKUTA/MKUZA results matrix. A joint program results matrix (Annex C) has been created to build from the MKUKUTA monitoring framework, by identifying DP contributions towards achieving specific MKUKUTA/MKUZA objectives.

3. Assessing the operational effectiveness of DPs. Tanzania has several years experience monitoring and assessing the implementation of agreements on aid effectiveness. Progress has been measured and reported in annual TAS Implementation Reports. In addition, the Government appointed, together with DPs, an Independent Monitoring Group (IMG) to conduct independent evaluations every second year on progress in implementing national and international agreements on aid effectiveness, harmonization and alignment. The IMG, under the auspices of the Dar es Salaam based Economic and Social Research Foundation (ESRF), has undertaken biennial assessments of the Governments and its Partners; progress in aid effectiveness and in implementing the best practice principles as set out in the TAS. It has

also offered recommendations on areas for further improvement. The IMG provides a country-based approach to placing Development Partners under the same degree of scrutiny as that to which they subject the Government.²²

In addition to assessing the outcome of specific interventions and their link to country outcomes, the Government and DPs will jointly support an annual independent assessment of progress of partners in organizational effectiveness. As noted in section 1A, the DPG are committed to meeting the global targets of the Paris Declaration on Aid Effectiveness. DPG is further committed to meeting any more ambitious Tanzania specific targets that may be agreed between the GoT and the DPG, through the JAST process. The joint GoT-DP JAST Working Group intends to establish arrangements to monitor mutual compliance against the principles outlined in the JAS including progress on harmonisation and aid effectiveness through a Monitoring Framework and JAST Action Plan. The Monitoring Framework incorporates the 12 Paris indicators and the baseline for these will be drawn from the recent Paris Baseline survey exercise (covering FY04/05). The work will be taken forward by the joint GoT/DP JAST Working Group (the draft JAST Monitoring Matrix is attached as Annex B).

In addition, the Independent Monitoring Group (IMG) will undertake an independent mid-term and final assessment of the performance of GoT and DPs in implementing the JAST and meeting international objectives and commitments on aid effectiveness. A Peer Review within NEPAD's African Peer Review Mechanism (APRM) will also be undertaken

D. Joint risk analysis

1. Risk identification and monitoring. The following table summarises potential risks to Development Partner programmes, the probability of those risks occurring, the impact those risks would have for on-going or future programmes, mitigating measures that DPs intend to take to manage specific risks, and proposals for monitoring.

Risk Matrix

²² Reports from the IMG can be found at: <http://www.tzdpdpg.or.tz/index.php?id=7>.

Category	Risk	Probability	Impact	Mitigation measure	Risk Monitoring
Political	political instability	Low – medium	High	Encourage all geographic areas and all stakeholders to be included in discussions on and design of the JAS instrument, core reforms, ‘deepening democracy’ work, and other development processes;	GWG Regular feedback from political departments of missions (under GWG coordination)
	political governance (e.g. adherence to democratic practices starts to decline)	Medium	High	Regular high-level dialogue between HoMs and GoT through the Development Cooperation Forum; Continue to provide practical support to strengthen the role of Parliament and the media; Assist implementation of recommendations from APRM and other measures;	
	GoT reduces its commitment to national development and poverty reduction	Low	High	Regular dialogue with GoT through annual reviews such as PER/PEFAR, GBS Review and Sector Review/dialogue.	PER MKUKUTA/ MKUZA Reviews Sector Reviews
	Contagion effects of regional instability (e.g. armed conflict in neighbouring country)	Low	High	UNHCR contingency measures in place for western Tanzania regions	
	Human Rights abuse	Medium	High	High-level dialogue between HoMs and GoT through the Development Cooperation Forum;	
Political/ Economic	Delays or unpredictability in regional integration/international trade agenda	Medium	High	High-level dialogue with government and through EAC/SADC fora	PSD/Trade
Fiduciary	Public expenditure not properly accounted for (e.g. slow progress in implementation of anti-corruption measures)	Medium	High	Influencing greater transparency in budget formulation; Supporting the development of strong public financial management systems; Encouraging access to information initiatives including in the media and at the local government level; Monitoring the implementation of national anti-corruption initiatives; Strengthening of parliament and parliamentary committees to scrutinise audits and censure relevant govt. departments; Supporting analysis on corruption to improve the evidence base for programming.	PER PFMRP PER/PEFAR NACSAP, Zanzibar Anti-Corruption and Leadership Ethics Programme, APRM (NEPAD Peer review)PER/PEFAR World Bank Indicators

	Public expenditure not used for intended purpose	Medium	High	Ensure national budget approved in Parliament – dialogue through PER/PEFAR and other annual reviews.	PER PER/PEFAR Core Reforms
	Public expenditure not representing increased value for money, as institutional capacity constrains effective planning, prioritisation and delivery of pro-poor public policies	Low Medium	Medium High	Continue efforts to strengthen strategic budget planning and execution as well as effective operation of the GOT's financial management and accountability systems at central, sector and local government levels under the NSGRP/ZSGRP, PFMRP and LGRP; Ensure a functioning MTEF; Track efforts of GoT 'Harmonisation WG' led by PO-PSM to harmonise planning architecture.	PER PEFAR Core Reforms MTEF PSRP
Institutional & operational	Flawed implementation due to limited GoT administration capacity	Medium	High	Strengthen Government's ability to deliver through capacity development; Assist in provision of additional short term support to boost capacity.	PSRP Core Reforms
	DPs parallel systems not reducing	Medium	High	Ensure DPs reduce parallel systems; Ensure DPs have proper hand-over procedures; Ensure that at least 2 DPs involved in providing support in all key areas.	

2. Joint Response to Risks: Through operating the risk mitigation strategies noted above, Development Partners believe that the identified risks can be managed and ultimately reduced. However, risk management is a dynamic process and over the period of the JAST, new risks may emerge or the risks identified may evolve, becoming more or less acute. Development Partners will continue to monitor major risks and work together to identify pragmatic mitigation strategies. In the event that the mitigation measures prove inadequate for managing existing or new risks, DPs will respond through the following process:

- A joint analysis of the new or evolved risk will be carried out through the DPG. All Development Partners will be made aware of the situation and consensus will be sought on how to resolve the matter.
- A small team will be nominated by the DPG to lead discussions with Government and seek to agree corrective action. The team, which will include Heads of Mission, will seek to resolve the issue through dialogue at the highest political level.
- Should the matter not be resolved, DPs will collectively explore options around modifying the modalities they use for providing support, and the level of support. To the extent possible, DPs will protect disbursements in the current fiscal year.
- On the basis of joint risk monitoring, analysis, assessment, and joint efforts for issue resolution (as described above), individual DPs will determine which steps they will take based on agency-specific mandates and programs. Steps will be taken in an open and transparent manner.



**Joint Assistance Strategy for Tanzania (JAST)
DRAFT Monitoring Matrix**

	JAST COMMITMENT	INDICATOR	ASSESSMENT METHOD	BASELINE²³	TARGET
Commitment to Development and Poverty Reduction					
1.	GoT will align all national and sector policies and programmes as well as plans of MDAs, Regions and LGAs with the NSGRP/ZPRPP and harmonise them around the national budget process.	<i>Partners have operational development strategies: GoT has national development strategies that have clear strategic priorities linked to a medium-term expenditure (Paris 1)</i>	(Paris) WB desk review (“2006 Aid Effectiveness Review”). Processes at country level: <ul style="list-style-type: none"> Annual MKUKUTA Progress Report and Poverty Monitoring System Annual PER/PEFAR Process GBS Annual Review 	2005 = B => Paris 2010 Target met)	Paris: A
2.	NSGRP/ZPRP will feed into sector and local government processes through the outputs of the monitoring systems of the NSGRP/ZPRP, which will inform the planning processes of MDAs, Regions and LGAs.	<i>Result-oriented frameworks: Tanzania has a transparent and monitorable performance assessment framework to assess progress against (a) the national development strategies and (b) sector programmes. (Paris 11)</i>	(Paris) WB desk review (“2006 Aid Effectiveness Review”). Processes at country level: <ul style="list-style-type: none"> Annual MKUKUTA Progress Report and Poverty Monitoring System Sector Reviews 	2005 = B => Paris 2010 Target met)	Paris: A
3.	DPs will support national development priorities laid out in NSGRP/ZPRP and other national and sector strategies, policies and programmes and local government plans.	<i>Aid flows are aligned on national priorities: % of aid flows to government sector that is reported on Tz’s national budget. (Paris 3)</i>	(Paris) Field level questionnaire Processes at country level: <ul style="list-style-type: none"> Annual PER/PEFAR Process 	86% (Paris FY05) (Currently being discussed w OECD)	Paris: Halve the gap = 93%
National Capacity Development and TA					
4.	GoT will further develop the capacity of MDAs, Regions and LGAs to manage core planning process, deliver effective public service, and engage in dialogue.	Continuous progress on PSRP, PFMRP, LSRP, LGRP, NACSAP and Civil Service Pay Reform and sector reforms. (JAS specific) and mainstreaming, where applicable, into normal structure/system.	Processes at country level: <ul style="list-style-type: none"> Monitoring through core reform programs Sector Reviews 		
5.	GoT will support measures to strengthen the capacity of NSAs (Parliaments, CSOs, etc) and community in playing a role in development process and JAS implementation.		<ul style="list-style-type: none"> Sector Reviews Annual PER/PEFAR process? 		

²³ Paris FY05 Baseline includes responses from 30 Development Partners: AfDB, Belgium, Canada, Denmark, EC, FAO, Finland, France, GAVI Alliance, Germany, Global Fund, IFAD, ILO, Ireland, Japan, Netherlands, Norway, Sweden, Switzerland, UNAIDS, UNDP, UNESCO, UNFPA, UNICEF, UNIDO, UK, USAID, WP, WHO and World Bank.

6.	TA will be demand-driven, untied from the source of financial assistance and procured openly, transparently and competitively under the leadership of the GoT through among others, arrangements of pooling DP finances for TA, guided by a national TA policy to be formulated.	<i>Strengthen capacity by co-ordinated support: % of total volume of technical assistance in support of capacity development that is provided through coordinated programs (Paris 4)</i>	(Paris) Field level questionnaire.	50% (Paris FY05 =>Paris 2010 Target met)	Paris: 50%
		% of total volume of TA that is provided through arrangements of pooling DP finances for TA (JAS specific)			
		TA policy in place			
7.	DPs will work closely with GoT to eliminate parallel PIUs and integrate project management in Government structures and systems	<i>Strengthen capacity by avoiding parallel implementation structures: Total number of parallel project implementation units (PIUs) (Paris 6)</i>	(Paris) Field level questionnaire.	57 PIUs (Paris FY05)	Paris: Reduce by 2/3 = 19
Division of Labour					
8.	GoT will define each GoT agency's role and responsibilities in particular in NGSRP/ZPRP and other existing framework and processes (i.e. PER, GBS).		Processes at country level: • Sector Reviews • Annual PER/PEFAR?		
9.	DPs will rationalize the number of sectors/thematic areas they engage in, and the number of DPs that are "active" in a sector/thematic area will be limited to an appropriate level, through agreeing on the DoL process and arrangements.	Total number of DPs in each sector or thematic area. (JAS specific) Total number of projects and DPs that each GoT agency is involved with. (JAS Specific)	Processes at country level: • Analyses of MTEF projections • Annual JAS monitoring, IMG and or Peer Review?		
10.	DPs will harmonise their requirements, activities and processes (including consolidated funding decisions, joint analytic work, meetings and missions, reviews, fiduciary requirements and safeguards, etc.) and align them to GoT strategies, systems and processes	<i>Encourage shared analysis (missions): Total number of donor missions (Paris 10.a.1)</i>	(Paris) Field level questionnaire.	541 missions (Paris FY05)	
		<i>% of total number of donor missions that are joint or coordinated (Paris 10.a.2)</i>	(Paris) Field level questionnaire.	17% (Paris FY05)	Paris: 40%
		Total number of donor missions in Quiet Time (JAS specific)	Analysis of missions reported to the DPG Secretariat		
		<i>Encourage shared analysis (analysis): Total number of country analytical reports (Paris 10.b.1)</i>	(Paris) Field level questionnaire.	81 analytical works (Paris FY05)	
		<i>% of total country analytical work that was undertaken by two or more donors jointly (Paris 10.b.2)</i>	(Paris) Field level questionnaire.	38% (Paris FY05)	Paris: 66%
Funding Modalities					
11.	DPs will increasingly move to GBS	<i>Use of common arrangements or procedures: % of total volume of official development assistance to Tz that is channelled using general (or sector) budget support (Paris 9.1)</i>	(Paris) Field level questionnaire.	40% (Paris FY05)	
			Processes at country level: • Annual PER/PEFAR process • Analysis of MTEF projections • Annual GBS Review		

12.	Basket funds will be limited to those contexts where it is seen appropriate and significant transaction cost savings are possible, particularly in protecting public reforms and/or thematic areas which are not yet mainstreamed into GoT activities.	<i>Use of common arrangements or procedures: % of total volume of official development assistance to Tz that is channelled using budget support or program based approaches (Paris 9.1 plus 9.2)</i>	(Paris) Field level questionnaire.	55% (Paris FY05)	Paris: 66%
			Processes at country level: <ul style="list-style-type: none"> Annual PER/PEFAR process Analysis of MTEF projections 		
13.	Direct project funds to GoT will be utilized only for large-scale infrastructure investment, for piloting and for emergency aid as well as for supporting the private sector and civil society.		Process at country level: <ul style="list-style-type: none"> Annual PER/PEFAR process Analysis of MTEF projections 		
Commitment and disbursement arrangements					
14.	GoT will continue to strengthen effective operation of the GoT's financial management and accountability systems at central, sector and local government levels under the NGSRP/ZPRP, PFMRP and LGRP.	<i>Reliable country systems: Tz has a Public Financial Management system in place that adhere to broadly accepted good practices or has a reform programme in place to achieve this (Paris 2.a)</i>	(Paris) Qualitative assessment based on WB CPIA Analysis.	4.5 (Paris 2005)	Paris: 5.0
			Processes at country level: <ul style="list-style-type: none"> Annual PER/PEFAR Process Monitoring through PFMRP, LGRP 		
15.	DPs will report to GoT through the annual PER process the full amount of funds committed over the three-year MTEF period, with minimum year-to-year variations in the rolling three-year MTEF commitments in order to increase predictability for outer years.	<i>Aid is more predictable: Percent of aid disbursement released according to agreed schedules in annual or multi-year frameworks. (Paris 7)</i>	(Paris) Field level questionnaire	70% or 53% (Paris FY05) (Currently being discussed w OECD)	Paris: Halve the gap: 85% or 76%
16.	Disbursement for all aid modalities will be made through the GoT budget and Exchequer system. Dev. Assistance to RGZ implemented by GoT as well as GBS grants disbursed through GoT budget and Exchequer, while those implemented directly by the RGZ disbursed through RGZ and Exchequer system.	<i>Use of country systems: % of total volume of official development assistance to Tz that is channelled using Tz's national budgeting procedures (Paris 5a.1)</i>	(Paris) Field level questionnaire.	76% or 58% (Paris FY05) (Currently being discussed w OECD)	(2a =4.5 =>) Paris: 84% or 70%
17.	GBS disbursements will be frontloaded in the first half of the fiscal year in line with the confirmed GBS schedule of disbursements.	% of total GBS disbursements that are frontloaded in the first half of the fiscal year (JAS specific)	Process at country level: <ul style="list-style-type: none"> Annual PEFA(R) process? Annual GBS review? 		
Procurement					
18.	DPs will work closely with GoT to address weaknesses and further strengthen the procurement systems so as to attain international standards. Decisions to rely on Government will consider efficiency and effectiveness, and ability to ensure value for money.	<i>Reliable country systems: Tz has a procurement system in place that adhere to broadly accepted good practices or have a reform programme in place to achieve this. (Paris 2.b)</i>	(Paris) Ad hoc qualitative assessment (CPAR) undertaken by procurement experts – WB-OECD Joint Round Table Initiative on Strengthening Procurement Capacities in Developing Countries.	Not yet available	Paris: Move up at least one measure on the four-point scale
		PFM review instrument indicators	Processes at country level: <ul style="list-style-type: none"> Annual PER/PEFAR process will look at annual procurement audit. PMFRP JSC Consultations. 		
19.	DPs will work towards providing development assistance that is freely and fully available to finance procurement of goods and services from any country and source.	<i>Aid is untied: Percent of bilateral aid that is untied. (Paris 8)</i>	(Paris) Data drawn from reporting by DAC donors to the annual DAC Questionnaire.	83% (Paris 2005)	Paris: Continued progress over time


20.	DPs will use the GoT procurement systems to manage all procurements.	<i>Use of country systems: % of total volume of official development assistance to Tz that is channelled using Tz's national procurement procedures (Paris 5b)</i>	(Paris) Field level questionnaire.	61% (Paris FY05)	If 2b =A: 87% If 2b =B: 74%
		<i>Use of country systems: % of development partners using Tz's national procurement procedures to disburse at least some aid (Paris 5b)</i>		63% (19 out of 30. Paris FY05)	Depend on data for 2b, not yet known
Accounting and auditing					
21.	GoT will enhance its capacity to provide reliable and timely accounting and audit reports in line with international standards.	PFM review instrument indicators Monitor through GBS-PAF processes.	Processes at country level: <ul style="list-style-type: none"> Annual PER/PEFAR process which will look at annual procurement audit. PMFRP JSC Consultations. 		
22.	DPs will use GoT accounting and auditing procedures and systems as provided for in the Public Finance Act (2001)	<i>Use of country systems: % of total volume of official development assistance to Tz that is channelled using Tz's national financial reporting (Paris 5a.2)</i>	(Paris) Field level questionnaire.	60% (Paris FY05)	2a = 4.5 => Paris: 73%
		<i>Use of country systems: % of total volume of official development assistance to Tz that is channelled using Tz's national auditing procedures (Paris 5a.3)</i>	(Paris) Field level questionnaire.	60% (Paris FY05)	2a = 4.5 => Paris: 73%
		<i>Use of country systems: % of development partners that use of all three PFM systems (budget execution, financial reporting and auditing) for at least some projects/programmes (Paris 5a)</i>	(Paris) Field level questionnaire.	55% (Paris FY05)	2a = 4.5 => Paris: 90%
Dialogue					
23.	High-quality and effective dialogue will be guided by the specific principles laid out in the JAS and take place within already existing structures under the national budget, NSGRP/ZPRP and other processes, with more emphasis placed on processes facilitating domestic accountability. DPs review/dialogue aligned around the GoT calendar of processes.	The principles for dialogue are adhered to.(JAS principles)	“Objective mechanism for monitoring adherence to the principles for dialogue established by GoT and DPs” IMG?		
		NSGRP review and sector reviews (...) are conducted and are “satisfactory” (~GBS PAF?)	Processes at country level: <ul style="list-style-type: none"> GBS Annual Review PER/Sector Reviews Annual PER/PEFAR process 		
Mutual and Domestic Accountability					
24.	Bilateral agreements and country assistance strategies will be brought in line with the JAS	% of bilateral agreements/country assistance strategies between GoT and (JAS) DPs, that are in line with the JAS (JAS specific)	JAS monitoring/IMG Report?		
25.	GoT and DPs will regularly monitor and evaluate their performance on JAS through joint annual review, and/or jointly commissioned an Independent Monitoring Group (IMG)	<i>Mutual accountability: Tz undertakes mutual assessments of progress in implementing agreed commitments on aid effectiveness, including those in the Paris Declaration (Paris 12)</i>	(Paris) Field level questionnaire	Yes => Paris 2010 Target met	Tz continues to undertake and improve on systematic follow up.

26.	DPs commit to better handing-over procedures, adequate agency training and capacity development, appropriate recruitment policies and staff performance assessment in line with the requirements of JAS and greater devolution of authority from HQ to field offices.	Joint DPG training for incoming DP staff to Tz developed and conducted systematically (JAS principles)	IMG/JAS monitoring?		
		% of DPs with a staff performance assessment system that systematically assess staffs behaviour regarding JAS compliance (JAS principles)	Field level questionnaire OECD DAC Peer-review?		
		Average length of posting for DP international staff (JAS principles)	Field level questionnaire OECD DAC Peer Review?		

Division of Labour Matrix

ANNEX 11: EUROPEAN COMMISSION FOCAL SECTORS IN THE DIVISION OF LABOUR																									
specifically as it has its own PRS process.																									
	GBS	Cluster 1: Growth and Income Poverty								Cluster 2: Quality of Life and Social Well Being						Cluster 3: Governance and Accountability							ZANZIBAR	Total Engagement (active + lead)	
		PRBS	Macroeconomics	Agriculture	Nat. Resource, Environment, Tourism(1)	Food Security	Private Sector/Trade	Transport	Energy	ICT	Education	Water	Health	HIV/AIDS	Gender	Humanitarian/ Refugee	Governance thematic	Legal Sector	Local Government Reform	Public Service Reform	Anti-corruption (2)	Public Financial Management		Poverty monitoring	Entering JAS
Belgium (3)																							11	11	
Canada (4)	X																						10	10	
Denmark	X		Exit 06				Exit 10																12	9	
Finland	X																						6	4	
France (5)																							6	5	
Germany	X			Exit 07											Exit 07	Exit 06							6	5	
Ireland	X								Exit July 06														8	7	
Italy																							0	0	
Japan	X																						12	12	
Netherlands	X																						8	9	
Norway	X																						9	9	
Poland																							0	0	
Spain																							0	0	
Sweden (6)	X																						13	6	
Switzerland	X						Exit 07																9	9	
UK/DfID	X																						10		
USA (7)			Exit 06																				8	8	
AfDB	X																						7	7	
EC	X	EDF10 focal				EDF10 focal	EDF10 focal							ECHO function							EDF10 focal		8	7	
WB (8)	X																						19	19	
IMF (9)																							6	6	
UNICEF (10)																							10	10	
UNFPA (11)																							5	5	
UNDP (12)																							14	14	
WFP (13)																							9	9	
FAO (14)																							9	9	
WHO (15)																							5	5	
ILO (16)																							8	8	
UNESCO (17)																							8	8	
UNIDO																							5	5	
IFAD																							4	4	
UNHCR																							6	6	
UNAIDS (18)																							8	8	
UN-HABITAT																							4	4	
Entering JAS		12	13	13	5	16	7	7	5	17	13	17	21	14	11	17	10	11	5	5	12	13	20		
End of First JAS term		12	12	12	5	16	6	7	5	17	13	17	21	14	11	17	8	11	5	5	12	13	20		

Coding:

Active donor marked by: 

Delegated sector marked by: 

Sector/s to withdraw from marked by: 

Note on Definitions:

“Active” DPs in a sector/thematic area will represent others in sector/thematic dialogue with the GOT, whereby communicating with the GoT. They will timely share all relevant information among each other and with “delegating partners” are equally heard and reflected in the position presented to the GoT.

“Delegating partners”: DPs outside a particular sector/thematic area will be represented by those Partners that will assume the role of “delegating partners”. They can nevertheless provide financial assistance to any sector/thematic area of delegated cooperation, as DoL does not concern the amount of distribution of DP funding.

Notes

DPG WGs reflection/review/negotiation still continues. Entries reviewed and inquired by DPG WGs are incorporated, only when the entries are negotiated with Agencies in question.

- (1) Tourisms, Natural Resources, Environment: Sector classification identified as mixture of themes, ministries and sectors by DPG-E.
Because of its mixture of themes, ministries and sectors difficult to identify active DPs according to the current structure. It does not only belong to Cluster 1 but to all clusters. Planning a retreat in October to deepen the DoL exercise at sector
- (2) Anti-corruption: No existing dialogue architecture in place, and the issue currently is dealt in the Governance thematic
- (3) Belgium: As of 2008 a new multi year bilateral program with Tanzania will be concluded with maximum 2 sectors. The implementation of the ongoing programme (2003-2007) will continue as foreseen."
- (4) CIDA: Private Sector (active in FSDT only)
- (5) France: Other Areas: cultural development (Active); Higher education (active).
- (6) Sweden also withdrawing from culture, and urban sector. Considers Gender as a Cross-Cutting Theme
- (7) USA: Active in education and health in Zanzibar. Envisions reducing the number of sectors to six (possibly five) by the end of the JAS period
- (8) WB - other sectors: Minerals and Mining (Active). Rationalization of portfolio under internal discussion and will be part of WB input to the JAS Tanzania Part III (Programming).
- (9) IMF: Includes IMF East AFRITAC and IMF Resident
- (10) UNICEF: Other areas: Social Protection; Youth Development; Social Welfare; HIV/AIDS - PMTCT; Pediatric AIDS; Food Security-Nutrition
- (11) UNFPA: Health - Reproductive Health sub-sector
- (12) UNDP: Other areas: Employment
- (13) WFP: Food Security - Nutrition sub-sector
- (14) FAO: Food Security - Nutrition sub-sector
- (15) WHO: Health Systems (Human Resources, Information Systems, Health promotion, Essential Drugs, competency in Health Financing), technical competency and sectoral lead in Reproductive, Women Child and Adolescent Health, and Disease control)
- (16) ILO: Other Areas: Employment, Social Protection
- (17) UNESCO: Active in culture
- (18) UNAIDS: Health - Nutrition sub-sector (active); Disease Control (active); Health systems(active); youth development (active)

PART 4: The EC Specific Strategy and National Indicative Programme 2008 -2013



10th European Development Fund

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INTRODUCTION AND SUMMARY

In line with the Cotonou Agreement, the Government of Tanzania and the European Commission prepared the EC National Indicative Programme for the period 2008-2013 in close consultation with both non-state actors (NSAs) and Development Partners, notably EU Member States²⁴. The Government of Tanzania has also been associated with the Joint Programming Document which it has strongly welcomed as the basis for individual country assistance strategies.

Taking account of the principles of the Joint Assistance Strategy and the outcome of discussions accompanying the Joint Programming exercise, the specific programme of the Commission is intended firstly to align with Tanzania's poverty reduction goals (as enshrined in MKUKUTA), and secondly to reflect areas of comparative advantage for the Commission in the field. A further crucial aspect is the coherence with regional programming, where the Commission has a particular added value as an experienced actor in both the political and economic integration processes.

As well as intervening on the supply-side, successfully addressing growth and competitiveness issues in Tanzania depends upon effective support to regional integration, notably as the East African Community Customs Union establishes common policies and a clearer profile within the multilateral trading system. The National Indicative Programme for Tanzania is also conceived as a flexible vehicle to support national capacity in ensuring that Tanzania is able to participate actively and assertively in regional and global economic dialogue, notably at EAC, SADC and WTO levels.

The indicative allocation of programmable resources is €555 million.

The indicative value of the B envelope has been set at €10.1 million.

The response strategy was developed in a participatory manner (see annex 7) and takes into account the past performance of EC assistance (including independent evaluation and results-oriented monitoring findings²⁵) as well as the Government of Tanzania's perception of the Commission's areas of relative strength. The proposed concentration of resources follows the logic of the Joint Programming Document that sustained growth is a prerequisite for an effective performance in the social sectors and thus timely achievement of the MKUKUTA and Millennium Development Goals. Experience built up by the Commission in Tanzania favours attention to sustaining stable economic conditions for growth, and on addressing the crucial supply-side issues which determine total factor productivity. In line with the overall response set out in Part 3 of the Joint Programming Document, and the accompanying division of labour, the Commission will work towards key cluster outcomes in terms of foreign direct investment, growth of small and medium sized enterprises, improved agricultural productivity, improved natural resources management, and (through reliable

²⁴ It may be useful to clarify how the present document relates to the normal framework of a Country Strategy Paper and National Indicative Programme as defined by the EC in its programming guidelines. These state that the CSP is a combination of analysis and overall response strategy and that the NIP is a management tool setting out areas of co-operation and the actions envisaged to attain objectives. Under this definition, Part 2, Part 3 and sections 4.1 and 4.2 of the document effectively constitute a joint CSP followed by a Commission CSP. The remaining parts of Part 4 constitute a Commission NIP.

²⁵ In addition to the Country Strategy Evaluation for Tanzania (2005-6) and the results of ROM exercises, relevant EC-funded evaluations in the last three years included those on Trade-Related Assistance, on the Transport Sector and on General Budget Support.

energy supply, better transport links and reduced logistics costs and an increase in domestic credit) a reduction in the cost of doing business²⁶.

Beyond its financial interventions, the Commission will also participate in political dialogue in line with the Cotonou Agreement. This will provide an opportunity to reflect the EU's commitment to respect for human rights and fundamental freedoms, including political rights, gender equity and access to justice. Certain issues central to policy dialogue (human rights, including children's rights and gender in particular) are also relevant for mainstreaming into development programmes: this will take account of existing obligations under Article 3 of the Tanzanian constitution (protecting the rights of women and men to realize their full potential in education and leadership) and under CEDAW and the SADC Gender Declaration of 1997. As part of the African Union, Tanzania is also a signatory to a gender parity resolution with a commitment towards equal representation in leadership positions²⁷.

In line with the proposed prioritisation, the programming exercise has led to the identification of two focal sectors, both of which serve the goals of Cluster 1 (Growth) within MKUKUTA. The first focal sector, "Infrastructure, Communications and Transport", will address the physical access to local, regional and international markets, and in particular the development of a reliable and sustainable maintained and financed road network. The second focal sector, "Trade and Regional Integration", addresses more specific capacity and technical challenges, including policy and standards issues, and has a focus on agriculture as the key pro-poor trade activity in Tanzania. The overall objective of the Commission's proposed concentration is to capitalise on trade preferences and market access opportunities, both at regional and global level, by removing key hurdles, ranging from physical access constraints to technical barriers such as sanitary health standards. It should be stressed in addition that both these sectors provide an opportunity to address cross-cutting issues, in particular gender: demographic trends and the impact of diseases (notably HIV/AIDS and Malaria) have left a significant number of households dependent upon single female breadwinners. It is essential that these central actors in poverty reduction should be provided with equal access to social services and with the support needed to encourage entrepreneurship and wealth generation: small producers need to be kept in the production circuit.

General Budget Support (PRBS) complements the growth focus, as well as the sustainability of the overall Poverty Reduction Strategy. In close association with other PRBS donors, the Commission intends to build on the experience under 9th EDF to strengthen the transformational qualities of this instrument, particularly as far as sound financial management, planning and budgeting are concerned.

Finally, non-focal support will be targeted firstly on Non-State Actors (including environmental measures), and secondly on reform in Zanzibar and the election process, both of which are priority areas for the government of the United Republic. These will be combined with an approach to ensure that mainstreaming issues, in particular gender and governance, are fully reflected in all parts of the programme.

²⁶ The World Bank's 2006 Country Economic Memorandum recognizes that exports and demand by the private sector for domestically produced goods will be the locomotives of growth: this will require a strengthening of the international competitiveness of the Tanzanian economy. To prevent bottlenecks that constrain economic growth, a continued reduction in the cost of doing business, including the provision of infrastructure will be critical, especially in the energy and transport sectors. Although mining and tourism are growing, Tanzania's competitiveness will remain a challenge as traditional export growth is on the decline. Value addition and product specialization are seen as potential avenues for increasing Tanzania's competitiveness, both regionally and globally.

²⁷ Within SADC, Tanzania in fact has the fourth highest percentage of woman MPs at 21.4%

4.1. THE FRAMEWORK OF RELATIONS BETWEEN THE COMMISSION AND TANZANIA

4.1.1. General Objectives of the EC's external policy

In accordance with Article 177 of the Treaty Establishing the European Community, community policy in the sphere of development co-operation shall foster:

- The sustainable economic and social development of the developing countries, and more particularly the most disadvantaged among them;
- The smooth and gradual integration of the developing countries into the world economy;
- The campaign against poverty in the developing countries.

Europe should project a coherent role **as a global partner**, inspired by its core values in assuming regional responsibilities, promoting sustainable development, and contributing to civilian and strategic security

The Union has developed a broad spectrum of external relations tools in the shape of the common trade policy, cooperation under bilateral and multilateral agreements, development cooperation, humanitarian aid and financial assistance as well as the external aspects of internal policies (energy, environment, transport, justice and home affairs, etc).

EU external action including the Common Foreign and Security policy, common trade policy and cooperation with third countries provides a framework both for integrating all EU instruments and for developing gradually a set of common actions based on common positions in the broader sphere of political relations.

Enlargement has entrusted the EU with even greater responsibilities, as regional leader and as global partner. It should therefore strengthen its capacity to promote human rights, democracy and the rule of law as well as its capacity to focus on the fight against poverty, both in its neighbourhood and through its multilateral and bilateral policies which are mainly aimed at sustainable development and political stability. Thus, the EU will achieve genuine coherence between its domestic and its external agendas, contributing thereby to global security and prosperity.

4.1.2. Strategic objectives of cooperation with Tanzania

The Treaty objectives are confirmed in Article 1 of the *ACP-EU Partnership Agreement*, signed in Cotonou on 23 June 2000 and revised in Luxembourg on 25 June 2005. The overarching objective of the *Cotonou Agreement* is to promote the development of a common strategic approach to poverty reduction, consistent with the objectives of sustainable development and the gradual integration of ACP countries into the world economy. Cooperation between the Community and Tanzania shall pursue these objectives, taking into account the fundamental principles set out in Article 2, in particular the encouragement of "ownership" of the strategy by the country and populations concerned, and the essential elements and fundamental element as defined in Articles 9 and 11b of the Agreement.

While the Treaty and the Cotonou Agreement provide the legal basis for EC cooperation with ACP countries, the recently adopted *European Consensus on Development* sets the general policy framework at EU level. The primary and overarching objective of EU development policy is the eradication of poverty in the context of sustainable development, in line with the international agenda, and with particular attention for the Millennium development Goals (MDGs). Human rights and good governance are recognised as other important objectives.

Better aid effectiveness is essential to achieving poverty eradication. Therefore the EU will advance coordination, harmonisation and alignment. It will promote better donor complementarity by working towards joint multi-annual programming based on partner countries strategies and processes, common implementation mechanisms, joint donor wide missions, and the use of co-financing arrangements. The EU will take a lead role in implementing the Paris Declaration commitments on improving aid delivery and it will capitalise on new Member States' experience to strengthen their role as donors.

Policy coherence for development will advance in a number of areas. The purpose is that all EU non-aid policies make a positive contribution to developing countries' efforts to attain the MDGs.

The principle of concentration will guide the Community country and regional programming. This means selecting a limited number of priority areas of action, through the dialogue with partner countries, rather than spreading efforts in too many sectors. In this context the Community will be primarily active in the following nine areas, keeping into account its comparative advantages in a number of these: trade and regional integration; the environment and the sustainable management of natural resources; infrastructure, communications and transport; water and energy; rural development, territorial planning, agriculture and food security; governance, democracy, human rights and support for economic and institutional reforms; conflict prevention and fragile states; human development; social cohesion and employment.

The mainstreaming approach will be strengthened for four cross-cutting issues: democracy, good governance, human rights, the rights of children and indigenous peoples; gender equality; environmental sustainability; and the fight against HIV/AIDS.

In December 2005, the European Council agreed an EU Strategy for Africa. The Strategy provides a long-term, strategic framework for interaction between Europe and Africa at all levels: with pan-African institutions such as the African Union, regional organisations and national authorities. It defines how the EU can best support Africa's own efforts to promote sustainable development and reach the Millennium Development Goals (MDGs). The Strategy rests on three pillars: (i) promoting peace, security and good governance as central prerequisites for sustainable development, (ii) supporting regional integration, trade and interconnectivity to promote economic development and (iii) improve access to basic social services (health, education) and protection of the environment to reach the MDGs 1-6 faster.

4.2 OVERVIEW OF PAST AND PRESENT EC COOPERATION, COMPLEMENTARITY AND CONSISTENCY

4.2.1 Lessons learned

An independent Country Strategy Evaluation conducted in 2005 concluded that, broadly speaking, the CSP under 9th EDF had been aligned with the policies of the Poverty Reduction Strategy in Tanzania. Alignment had favoured co-ordination and complementarity among development partners. EC support in the education and roads sectors had contributed to policy

reforms: the EC had promoted an agriculture and rural development strategy and played a precursor role in building trade capacity.

The evaluation report recommended that the new country strategy should concentrate in particular on two areas where comparative advantages were established, namely infrastructure/transport and basic education. This support should fall within a broader cluster of effort to improve market access on one hand and equitable access to basic services on the other. In addition, governance should be given the status of a cross-cutting issue and stated as a top priority, especially regarding anti-corruption measures and support to non-state actors and local government.

Finally, in line with the JAS, the evaluation recommended an increased share of either general or sector (untargeted) budget support, noting that general budget support had proved to be the most predictable aid modality and that the EC's variable tranche system had allowed a flexible approach to linking support to key policy reforms.

The Commission has sought to learn from the results of the evaluation, but has also looked to other evaluation exercises for inspiration (on general budget support, on trade-related assistance and on support to basic education). Audits conducted by the European Court of Auditors (on environment and, in a joint exercise with UK and Finland, on general budget support) have also played a role: in particular, they point to the need firstly for better mainstreaming of environment in aid co-operation and secondly for a more structured approach to monitoring of poverty impacts within the PRBS architecture, and strengthening of the public financial management reform process. The Division of Labour discussions conducted as part of the JAS have also informed the choices made in this response.

4.2.2 Focal sectors (and macroeconomic support)

Introduction

The main thrust of the strategy under the 9th EDF was to support the government's first Poverty Reduction Strategy which sought to achieve equitable growth through interventions in six priority sectors – primary education, roads, water, legal and judicial reform, health and agriculture. Key specific objectives addressed by the Commission included: to enhance macroeconomic stability and reduce financing gaps through the provision of Budget Support, to overcome a key impediment to growth by financing roads with a focus on long term sustainability, and to initiate sector-wide policy and institutional reform for education, thereby paving the way for this sector to be supported through general budget support in the future.

Budget Support

Budget support was a key modality of assistance under the 9th EDF. The first budget support programme was adopted in September 2003, the Poverty Reduction Budget Support Programme 2003-2006 (PRBS02), of €14 million. The programme included a capacity building component devoted to public finance management and poverty monitoring. Following the mid-term review of the CSP in January of 2005, which underlined the strong macroeconomic performance of Tanzania, a new three year budget support programme was agreed (PRBS 03 – 2006-2008), amounting to €57 million. Finally, following the end of term review of the 9th EDF, a further allocation of €30 million was approved. All programmes included a variable component, related to progress on public finance management and social sector indicators. The use of a performance oriented approach proved sometimes difficult in the absence of annual targets in the Performance Assessment Framework.

As a complementary action throughout the 9th EDF, the EC has been a particularly active player in the field of Public Finance Management and has chaired the Development Partner Group since 2006. A core focus has been the dialogue around the Public Finance Management Reform Programme (PFMRP), whose implementation has been slow since its launch in 2004. The main reason is the lack of ownership of the reform programme. The reform programme in its current design does not address the key concerns of the component managers. The Ministry of Finance will re-design the PFM strategy to address this problem.

Transport

Tanzania's transport infrastructure is insufficiently developed to support balanced growth of the economy and reduction of poverty, notably in the less populated areas of the country. As the Joint Programming Document describes, the Government recognises that availability of efficient and affordable transport is a crucial condition for economic development and poverty reduction; it has made the provision of adequate transport infrastructure sustained by effective policies, strategies and investment programmes for all transport sub-sectors one of the declared objectives of MKUKUTA's Cluster I.

The EC has been involved in the transport sector for many years, and has actively contributed towards improving the road network through the financing of a large number of road rehabilitation and upgrading projects on the one hand and through the institutional reforms on the other.

Current project interventions concern the improvement of the urban and peripheral road network of Mwanza, the country's second largest town, the upgrading to bitumen standard of 169 km of trunk road in Shinyanga region and the reinforcement of the bitumen pavement of 257 km of trunk road between Morogoro and Dodoma. The works tender for the improvement of 15.8 km of dual carriageway linking Dar es Salaam harbour with the national trunk road network was launched in November 2006. Studies for the improvement of the Isaka-Lusahunga and Mwanza-Musoma roads were commissioned in November 2006. These projects all support the development of the Central Development Corridor, linking the North-West and Central regions of the country with Dar es Salaam and its Indian Ocean harbour.

EDF and STABEX funds were used for the improvement and periodic maintenance of gravel standard roads of the national roads network in 9 regions in the North (Kilimanjaro, Arusha and Mara), North-West (Mwanza, Kagera and Kigoma) and South-West (Ruvuma, Iringa and Mbeya) of the country. Supervision of works services were funded for a 45 km Italian financed road project north of Dar Es Salaam.

The total volume of these project interventions is considerable (approximately €185 million) and the EC has been for the past years the lead development partner in the sector. Together with the other five development partners in the transport sector (Denmark, Japan, Norway, the World Bank and the African Development Bank) the EC has engaged in an evolving and improving Government-led consultation process. Substantial institutional changes in the sector have been achieved, including the introduction of a fuel levy and the establishment of a Road Fund, the creation of TANROADS and the re-organisation and merger of the Ministries concerned. A transport policy has been formulated, a Transport Sector Investment Programme is presently being finalised and a draft Roads Act debated. The national railway company is in the process of being privatised and the legal status of the roads agency is being reviewed with a view of increasing its independence. Proposals for EC funded institutional support are being

prepared, for which an intervention of €3 million has been provisionally earmarked. These recent developments have paved the way for the transition to sector support described in the response strategy. However, there are also wider issues to consider. As the global evaluation of transport sector support conducted by the EC in 2004 demonstrated, the transport network is an often neglected medium in which to address some critical cross-cutting issues, including gender, environment and disease control (especially HIV/AIDS). In addition, it has significant horizontal themes of its own, notably safety and interoperability, the latter of particular importance when considering the logistics chain.

Education

Basic education has played a key role in strengthening human capabilities and reducing poverty in Tanzania. Equally, lack of education and a low-skilled workforce are identified as two of the structural factors constraining growth. All national development plans give prominence to investment in human capital and to the creation of a well-educated nation. The EC has been involved in the education sector for many years and has actively contributed towards reforming and improving the country's education sector through interventions in human resource development of both a national and regional nature. Financial and technical support was provided for the preparation and appraisal of the Education Sector Development Programme, the country's overarching education strategy. In addition, budget support from Counterpart Funds (€9 million) was made available for the Textbook Programme (1999/2000).

In 2001/2002, the EC and other donors ended education project support and moved to a sector wide approach to support coherent government policies and strategies. Under the 8th EDF, the EC supported the implementation of the Government's *Primary Education Development Plan (PEDP)*, through a programme of €25 million channelled via a basket fund mechanism, to increase access to primary education, and improve equity, quality and effectiveness. The evaluation of the 8th EDF programme, completed in 2005, praised the impressive quantitative progress registered by Tanzania since the abolition of school fees in 2000. In 2006, with a net enrolment rate of 96%, universal access to primary schools has been almost achieved. However, PEDP put more emphasis on the provision of facilities and materials than on quality improvement strategies. Among both government actors and Development Partners, there is also now a consensus on the need to support the whole education sector to mitigate the negative effects of the sub-sector approach, notably parallel mechanisms and weak cross-sectoral linkages. Pedagogical aspects and the curriculum also merit further attention – schools have been allocated important responsibilities relating to health, civic education and participation in the democratic process, and environmental issues.

The 9th EDF allocated €43.5 million to continue supporting the Government's education efforts with three main priorities: to promote equity (especially provision for and inclusion of female students) and quality education, to support the development of the sector-wide approach, bringing all ministries involved in the sector into cohesive planning and financing structures and to strengthen the effectiveness and efficiency of the sector funding system including fiscal decentralisation. The 9th EDF allocation is untargeted sector budget support (€42 million) complemented by an institution building component. As one of the active donors in the education sector (chair of Education Development Partners in 2007), the EC has played a critical role in finding a consensus among pooled fund partners regarding the new budget support approach to the education sector and in supporting GoT with the organization of the first sector review held in February 2006. The firm intention is have a set of robust

policies, institutions and dialogue structures in place to allow the sector to be supported from 10th EDF onwards through general budget support.

4.2.3 Projects and programmes outside focal sectors

Non-focal sectors

The principal non-focal area in the 9th EDF CSP was governance. In addition, 9th EDF support included interventions continuing previous EDF commitments including natural resources, tourism and capacity building.

The support to the **Muafaka Agreement**, to strengthen the process of political reconciliation in Zanzibar, ended in December 2005. The EC joined the basket funding arrangement of nine donors. In 2005, the year of elections, the main thrust of the support went to the Zanzibar Electoral Commission (ZEC). Major achievements include the establishment of the Permanent Voters Register (PVR) accepted by all political parties, a relatively peaceful election, a well coordinated donor approach, and a good working relationship with ZEC.

In 2005 the Delegation and the NAO sought alternatives to support **anti-corruption** efforts in Tanzania. A review of the previous project to support the Prevention of Corruption Bureau was completed. The main findings were rejected by the PCB, despite extensive dialogue, and the Delegation reviewed its approach to supporting the anti-corruption strategy. This has led to a broadening of the approach: a government accountable to Tanzanian society is a key part of the Deepening Democracy programme, of which the Commission is a major supporter. Anti-corruption also remains high on the agenda for political dialogue under 10th EDF. The EC has been the focal point for joint work on anti-corruption in natural resource management in Tanzania and has been chairing working group meetings on this subject. For example, a series of presentations on illegal logging, wildlife management and fisheries was carried out. The group has been instrumental in successfully putting this manifestation of corruption firmly on the agenda: it now features among the governance indicators for the monitoring of MKUKUTA. Overall, this work also proved a useful test case for mainstreaming governance concerns across sectors and Development Partner groups and for developing in a concrete way the environmental dimension of governance.

A Financing Proposal (€2.7million) to support the **local government reform programme**, a core reform of Tanzania, has been approved. The main objective is to bolster the Local Government Capital Development Grant system through a common basket fund.

This support to decentralization is a natural national extension of EC support to social infrastructure development of the **4th Microprojects Programme**, which ended in October 2005. The programme's overall aim was to contribute to a sustainable improvement of living standards among rural poor communities through viable small-scale actions. NGO implementing partners were working with and through district governments and village authorities in four regions.

The implementation of the **Small Arms Management project** to fight the proliferation and illicit trafficking of small arms and light weapons (SALW) proceeded smoothly. The implementation of the Tanzania National Action Plan for arms management and disarmament is progressing, and 2005 saw the development of an arms database, further capacity building of law enforcement personnel in the regions as well as civil society groups working to address

the SALW problem. The project was included in the 2005 ROM evaluation and received very positive remarks. The project came to an end mid 2006.

Support to Tanzanian Game Reserves under 9th EDF followed up the Special Programme for Refugee Affected Areas (SPRAA). Assistance to reserve managers, anti-poaching patrols, better infrastructure and the implementation of a retention scheme made a dramatic impact on increased wildlife numbers and stimulated better motivation among all wildlife staff involved. Although the project has not made a significant impact on its community conservation component, it has contributed to getting game reserves back to a level where income can once again be generated.

The objective of **Support to the Southern and Eastern African Mineral Centre (SEAMIC)** is to promote socio-economic and environmentally responsible mineral sector development in eastern and southern Africa by strengthening SEAMIC's advisory/reference laboratory functions, its technical services and capacities. SEAMIC will be marketed in eastern and southern Africa and ISO 9001 certification has been achieved.

At the end of 2005, the Commission made a financing decision on the **Tourism Training Programme** with a grant of €2.5 million. The project will strengthen training programmes to enhance human and institutional capacity within the tourism sector. The tender process for recruiting the technical assistance required was launched in 2006.

Finally also outside the focal sectors are the **Support to the NAO** and the **Technical Co-operation Facility (TCF)**. Based on independent evaluation results, a re-focus of the activities of the NAO project on cooperation with sector ministries, programme/project monitoring and trade capacity building is currently at the centre of discussions between the ONAO and the Delegation. The purpose of the **TCF instrument** (€3.8 million over 4 years) is to fund *inter alia* expertise, workshops and meetings, press events, evaluations, audits and institutional diagnostics.

The 9th EDF **programme to support Non-State Actors** was designed in as open a manner as possible. A core group of 17 private sector and civil society organisations, as well as trade unions was selected and mandated by a large forum of NSAs to be the interface between civil society, government and the Commission in the programming process. The programme aims at strengthening NSAs to engage with government and other stakeholders in a more informed and competent manner. It focuses on strengthening for engagement in policy dialogue and includes various activities in the areas of access to information, networking, and improved dialogue mechanisms. It has an envelope of €3 million for implementation over 3 years.

The EC will continue its €72 million support to the **Water Supply Programme Regional Centres**, supporting the rehabilitation and extension of water and sewerage networks in Mwanza, Iringa and Mbeya urban and peri-urban centres and which is estimated to be finalised by 2011.

The ACP-EU **Water and Energy Facilities** are global EDF delivery instruments from which Tanzania will benefit between 2007 and 2012. The two facilities co-finance Government, Non-State Actor and International Organisation activities targeting improved services for the poor. The facilities complement Tanzania-EU cooperation and there are opportunities for synergy effects with the NIP focal sectors: for example, water and electricity for schools and clinics enhance the impact of services provided via improved road access and education. Furthermore, "provision of reliable and affordable energy to consumers", and "increased

access to clean, affordable and safe water, sanitation, decent shelter and a safe sustainable environment and thereby reduced vulnerability for environmental risk” are two of eighteen priority goals of MKUKUTA, and also contribute to MDG number 7 on Environmental Sustainability.

ECHO support

Tanzania hosts the largest refugee population on the African continent, some 400,000 in camps in the North West of the country, mainly of Burundi (60%) and Congolese (39%) origins. The refugees are being repatriated as the situation improves in their native countries. ECHO, which has an office in Dar es Salaam, is the principal donor to UNHCR in Tanzania with a contribution of €15 million in 2004 and €13.5 million in 2005. In addition, food aid was made available for an amount of €7 million in 2004 and €5 million in 2005.

European Investment Bank

The EIB has not financed any new investment project in Tanzania under the 9th EDF, although it has continued disbursing under two major 8th EDF projects: the Dar es Salaam Water and Sanitation project and the Songo-Songo gas development. For the future, EIB is looking at bankable investment projects, mainly in the industrial and infrastructure sectors, including energy, water and telecommunications. In addition, EIB will explore ways to support and deepen the local financial services sector and capital markets.

4.2.4 Use of the B Envelope

During the past five years Tanzania has not experienced major events that required emergency assistance from the EC. The country did not qualify for compensation under FLEX. The **B-envelope** was thus unused and €55.15 million was transferred from the B to the A envelope. €4.55 million, to which ECHO had direct access, was reserved for emergency operations and not used. As all other African ACP countries, Tanzania has contributed to the African Peace Facility from this envelope.

4.2.5 Other instruments

An amount of €14 million was available from STABEX funds (€38 million transfers and €6 million generated interest) and covered by a Framework of Mutual Obligation (FMO) which was signed in February 2003 and amended by a rider in 2005. Support is given to the Tanzania Coffee Research Institute (TaCRI), the Agricultural Sector Development Programme (ASDP), and a programme for the rehabilitation of priority regional roads in coffee-growing areas. There have been significant achievements in the area of private research. The contribution to the Agriculture Sector development programme (ASDP) has been integrated into the ASDP basket fund which supports the sector budget at Ministry level. This has however caused delays due to weak leadership on government side and unclear coordination on the donor side. The regional roads programme has provided clear benefits in terms of real market access.

In future, private commodity research in tea, coffee, sugar, and perhaps cotton are useful and efficient ways to support the delivery of improved technologies to producers. There should however be wider focus alongside the value added chain in the production process. Future support should combine the commodity support to private sector operators with other support in the area of trade, including the EPA related actions.

The Commission continued to support projects submitted under **budget lines**, notably NGO-cofinancing, sexual and reproductive health and poverty-related diseases. In addition,

Tanzania benefits from various regional budget-line projects mainly in the area of health, managed by Commission Headquarters. In the second semester of 2006 the Delegation was managing 29 contracts amounting to a total of €36 million. Budget-line projects have been better aligned with Government priorities and are in closer contact with local government authorities contributing to district planning and budgeting. Nevertheless, budget-line/project alignment remains a challenge in the context of JAS and the division of labour agreed between development partners and government.

The ACP-EU **Water and Energy Facilities** are global EDF delivery instruments from which Tanzania will benefit between 2007 and 2012. They complement the Tanzania-EU cooperation and there are opportunities for synergy effects with the NIP focal sectors: for example, water and electricity for schools and clinics enhance the impact of services provided via improved road access and education. Furthermore, “provision of reliable and affordable energy to consumers”, and “increased access to clean, affordable and safe water, sanitation, decent shelter and a safe sustainable environment and thereby reduced vulnerability for environmental risk” are two of eighteen priority goals of the MKUKUTA, compatible with the Water and Energy Facility initiatives.

Finally, support from the 9th EDF **Regional Indicative Programme** for the Eastern and Southern Africa/Indian Ocean region implicated Tanzania in its capacity as a Member of the East African Community. In particular, Community support to the Lake Victoria Environmental Management Programme (€2.5 million), and to the EAC component of the COMESA Regional Communications Technologies Support Programme, have been of relevance to Tanzania. The proposed Regional Integration Support Mechanism has potential to offset some of the fiscal impacts on Tanzania of the establishment of the EAC Common External Tariff.

As Tanzania is a member of the Southern African Development Community (SADC) and is part of the SADC EPA negotiations, it is benefiting and may benefit in the future from several EC-funded projects implemented at SADC level. Among the main ongoing actions are the SADC Trade in Services project (€1.09 million), the SADC EPA Facility (€7.5 million), the SADC SQAM Programme in the fields of quality and TBT (€4.2 million) and the SADC Customs modernisation programme (€8 million). Projects under preparation include the SADC Maximum residual level project (€7.5 million), the SADC capacity building programme (€10 million) and the Support to the implementation of the SADC Financial and Investment protocol.

In addition, Tanzania is a beneficiary of COOPENER, the external component of the EC programme for the promotion of policies, technologies and best practices in the fields of renewable energy and energy efficiency, the ‘Intelligent Energy – Europe programme’ (IEE) (2003-2006).

Tanzania has also benefited from a pilot programme under the Regional Protection Programme for migration management and for adequate protection of refugees under the AENEAS budget line.

4.2.6 Information on the programmes of the Member States and other donors (complementarity)

Within the JAS process, as described in section 3 of the Joint Programming Document, the large group of donors within Tanzania who belong to the Development Partner Group have

committed themselves to a rational Division of Labour. EU Member States and the Commission came together as a distinct group during 2006 to discuss and agree their relative roles. This resulted in the Commission's decision to withdraw from direct support to the Education sector under 10th EDF, where Sweden and the United Kingdom are expected to play a strong role from 2007 onwards, and to focus its core support on the growth area where it already has a policy mandate on behalf of the Member States.

The Commission Delegation has regularly informed Member States on its trade and regional policies (including the Doha process, EPA negotiations and support to the East African Community), preparing a number of notes for the information of Heads of Mission. The Delegation has also participated in discussions on Member States' own programming, for example recently in the cases of France, Denmark and the United Kingdom.

4.2.7 Coherence with Other EC policies

Under the 9th EDF, a number of policies impacted on aid delivery in Tanzania. The EU's commitments in the Paris Declaration to scale up aid and to improve its impact and speed of delivery provided an important backdrop, aimed as they were at accelerating progress in order to meet the challenges of the MDGs by 2015.

Duty-free quota free access to EU markets under the Everything But Arms initiative was an important trade preference, but one which Tanzania and other LDCs have yet to exploit fully, not least due to supply-side constraints and non-tariff barriers.

In August 2006, EC adopted a communication on Governance, with recommendations on Good Governance, and an assertion of the importance of regional organisations and the African Union.

In January 2006 the EC published guidelines for gender equality which recognizes the importance of a balanced mix of men and women in the planning, decision making and implementation of our projects and programmes, as well as the promoting of women participation in service delivery.

In June 2005, the EU adopted the 'Strategy for Africa', which focuses in particular on the best ways to achieve an effective scaling up of development assistance. In December 2005, the EU revised its Development Policy Statement, the "European Consensus", which outlines common strategic objectives as shared by the Member States.

In 2006, the Commission adopted the Communication "Towards an EU Strategy on the Rights of the Child (COM (2006) 367)", which included as one of the first actions, the adoption of an "Action Plan on Children and Development." Consultations are ongoing, and the results will guide the Commission in developing a child-centred focus in Tanzania, based on a comprehensive approach to rights.

4.2.8 Description of the political dialogue with the partner country

Despite numerous attempts, a political dialogue as defined by the Cotonou Agreement has not been established. Political issues tend to be discussed through informal channels and on an *ad hoc* basis. This is a priority issue to be addressed in the new programming period.

4.3 THE SPECIFIC RESPONSE STRATEGY AND INDICATIVE PROGRAMME OF THE EUROPEAN COMMISSION

4.3.0 Introduction – complementarity with the Joint Programming Document

The Commission's response reveals a specific agency undertaking to implement a part of the overall response strategy articulated in Part 3 of the Joint Programming Document. This undertaking reflects the Commission's own judgement, validated locally by the Member States, regarding its areas of comparative advantage established in Division of Labour exercises at both EU and JAS level. The crucial importance of the growth cluster within MKUKUTA was set out earlier in this document. The Commission currently leads donors in the fields of public financial management, transport and agriculture and has a specific mandate from Member States in the field of trade. At regional level, it has played the informal role of joint lead donor to EAC. This profile fits exactly the choice of focal areas under 10th EDF.

Evaluation and review processes will be essential to ensuring coherence in implementation of the Joint Programming Document and the EDF, especially since the Joint Programming Document expires on 30 June 2010, some two and a half years before the Commission's NIP. For this reason, the Commission proposes that final review and evaluation of the JPD should feed into the mid-term review of the 10th EDF NIP. At the same time, it is understood that Division of Labour issues and JAS architecture will evolve and mature during the lifetime of the programmes. The Commission will maintain full respect for the provisions of Cotonou and EDF rules, but will modify its behaviour locally, especially in dialogue, to maximize harmonization and reduce transaction costs to government as far as possible. One area where the Commission will seek to make a specific input is in the field of evaluation. Joint donor funding, especially in general budget support, gives rise to important challenges in evaluation, notably an "attribution and plausibility gap" between specific inputs and results on the ground. The Commission seeks a leading role in discussing with government possibilities for a solid, transparent and accountable methodology to suit the JAS context.

Monitoring of results and evaluations of impact of individual activities (programmes, projects, sectors) under this Joint Programming Document (JPD) will be undertaken in line with the Technical and Administrative Provisions that are attached to each individual Financial Agreement prepared to implement this JPD.

The results and impact of the Community's cooperation with Tanzania implemented through the NIP and through other external actions funded by the general budget of the European Community, will be assessed by means of an independent external evaluation. This country-level evaluation may be undertaken jointly with EU Member States and possibly also with other donor agencies.

Accompanying measures: Overall, in relation to all focal sectors of the NIP, but of particular relevance for macroeconomics, the Commission will discuss with the Government the most appropriate accompanying measures which should be taken to ensure the achievement of CSP objectives. These will include: firstly, ensuring that, in line with the Paris Declaration commitments on managing for results, and reflecting the GBS Partnership Framework memorandum, the Government will include a manageable set of key annual indicators and

targets in the GBS Performance Assessment Framework; secondly, working with Development Partners in the field of PFM to rationalise the ongoing reform programmes into a credible and well sequenced strategy that will progressively become the basis for the review of PFM performance under the PAF; thirdly, discussing with government the development of macro-fiscal scenarios based on i) the scaling up of costed and prioritised efforts to achieve the MKUKUTA targets, and ii) lower growth and/or domestic/donor revenues²⁸.

The Indicative 10th EDF Financial Envelope for Tanzania

Sector/area	€million	% of total	Financial instruments
Total	555		
Infrastructure, Communications, Transport	139	25	Sector Budget Support
Trade and Regional Integration (NSA component)	55.5	10	Project approach
Macroeconomic Other programmes of which:	305	55	General Budget Support
	55.5	10	Project approach
Support for NSAs	23		
Support to the NAO	5		
Support to elections 2010	3		
Technical Coop.Facility	5		
Core reform programmes (including Zanzibar)	8		
Energy and climate research	8		
Contingencies/ claims	3.5		

4.3.1 Focal areas of support

Introduction

The choice of focal areas reflects the recognition in the joint programming that continued progress on securing a stable macroeconomic and public finance framework, coupled with pro-poor growth, is a prerequisite to better resourcing and delivery in the social sectors, and thus to poverty reduction. The two thematic areas of “infrastructure, communications and transport” and “trade and regional integration” are strongly linked: both address factors underlying competitiveness and the capacity of Tanzania to exploit regional and international liberalization. The Commission has recent experience and local knowledge in both areas and its proposed focus has been endorsed locally by government and Member States.

A. Macro-economic Support

²⁸ With the support of the Commission, the World Bank submitted an initial proposal for a work programme on External Financing Scenarios in February 2007

As an indicative amount, approximately €305 million representing 55% of the A allocation will be set aside for General Budget Support (GBS) and approximately €139 million for Sectoral Budget Support (25%). This type of support may therefore constitute up to 80% of the total allocation.

This high share is justified on the basis of Tanzania's good track record under the Poverty Reduction Budget Support (PRBS) framework, which was in 2006 supported by 14 Development Partners with almost €500 million²⁹. The decision to scale up Budget Support is furthermore based on the government's commitment to performance oriented monitoring and to further strengthening its Public Financial Management Programme. The revised PFM strategy aims at setting out a set of credible and well sequenced reforms. The success of PFM RP implementation will inform decisions on size and scope of EC Budget Support. The EC GBS programme will also include capacity building for strengthening economic management, including decentralisation, with a special focus on Public Financial Management Reform in Zanzibar.

The overall objective is to support Tanzania's progress towards its Millennium Development Goals. The Community will support the implementation of MKUKUTA, whose strategy involves continued macroeconomic stability (monitored by the IMF, under their new facility, the Policy Support Instrument) underpinned by deepening of various structural reforms covering areas of governance and anti-corruption, social accountability, the legal sector, and expenditure management, including re-orienting expenditures towards lower tier governments as part of the Decentralisation by Devolution strategy.

Significant progress has been realized in implementing the Medium Term Expenditure Framework (MTEF) in terms of linking policies, planning and budgeting and shifting budgetary resources to priority areas. Further improvements are expected with the rolling out of the Strategic Budget Allocation System (SBAS) and the reporting on budget execution against SBAS allocations. In anticipation of a scaling up of aid, Government will prepare a scenario analysis setting out the priority sectors and assessing the possible macro-economic implications.

The above developments will enhance the focus on outcomes. The government, supported by other DPs such as the World Bank, has committed itself to a more comprehensive monitoring framework linking country goals with outcomes and outputs, as well as milestones that will facilitate monitoring of progress at various stages of the MKUKUTA period.

EC Budget Support will be delivered in the form of three-year programmes. However, the possibility of disbursing GBS as a six-year arrangement could be considered. Funds may be disbursed in several tranches. If a disbursement is not made, the non-disbursed amount is de-committed, credited to the NIP, and may be reprogrammed either for GBS or for one of the other cooperation programmes of the NIP. Such decisions can be taken within the context of the mid-term or final review of the CSP.

GBS will also help realize key development targets for public service delivery including health, water, transport and education. Regular policy dialogue in these areas will be conducted through the GBS review process and the Public Expenditure Reviews (PERs) with a view to improving the quality of public expenditures and increasing the focus on outcomes

²⁹ Within this group, the principal budget support donors in terms of volume of support are currently DFID, the World Bank and the African Development Bank

of GBS programmes. In this way, emphasis on dialogue based on indicators should reinforce the link between policy, budgeting and monitoring and evaluation of outcomes. As highlighted by the JAS, the capacity of general budget support to impact on the quality of social services delivery will largely depend on the improvement of the policy dialogue at the sector level. This is particularly true for the education sector given its budgetary importance (around 19% of government recurrent expenditures in FY 06-07): in 2007, the sector is still at a critical and early stage in developing a genuine sector-wide approach. While scaling up its GBS interventions, the Commission will continue to pay close attention to the quality of education sector dialogue and scrutinise the planning and budgeting processes at sector level.

Gender aspects should play an important part in dialogue processes related to General Budget Support. It is important to note that within the Poverty Monitoring System for MKUKUTA, sex-disaggregated data is routinely provided and should be assessed as part of a broader process of gender sensitivity: the 2005 Poverty and Human Development Report for Tanzania exemplifies the increased use of gender sensitive data which also serves the PRBS monitoring process.

Environmental mainstreaming is facilitated by the MKUKUTA and Performance Assessment Framework monitoring systems. MKUKUTA has fourteen environment indicators. The environment indicator in the PAF is the State of Environment Reporting System, which the EC Delegation supported in 2006.

Governance commitments related to budget, economic and PFM issues have been agreed with government and are captured in the performance assessment framework for PRBS, meaning that they will be continuously monitored and systematically assessed and discussed on an annual basis.

B. Infrastructure, Communications and Transport

The EC has been actively involved in support to Tanzania's transport infrastructure, which is of crucial importance for reaching the growth objectives of MKUKUTA's Cluster 1 and substantial resources of the previous European Development Funds have been used to finance specific transport infrastructure projects. In its dialogue with Government, both bilateral and together with the other development partners in the transport sector³⁰, the EC has played an active role in sector policy and strategy formulation, institutional reform and formulation of sector investment programmes.

In formulating a continued support to the transport sector, the following conditions have been taken into consideration:

1. Government has developed a comprehensive transport sector policy and a corresponding Transport Sector Investment Programme (TSIP), which is planned to be implemented in two phases of 5 years each from FY 2007/8 to 2016/17.
2. In a Government-led process of dialogue with the transport sector donors, prioritisation principles helping to find a workable compromise between policy targets and available funding are being identified and agreed. In this prioritisation process particular attention will be given to the need to increase funding of maintenance of transport infrastructure in general and road maintenance in particular.

³⁰ African Development Bank and the World Bank are other leading donors in terms of volume of aid, with Denmark also an active EU partner

3. Periodic performance monitoring is being carried out by the respective agencies and authorities in the sector. Results are discussed as part of the above mentioned dialogue. In addition annual sector reviews are planned, involving Government, Development Partners and sector stakeholders, both public and private.
4. Institutional reform has well advanced in most sub-sectors of the transport sector. A new Roads Act is in its very last drafting stage and is expected to be presented to Parliament during the first half of 2007. New legislation is being finalised for an increased independence of TANROADS. Mechanisms are in place for a periodic verification of the effectiveness of the institutional reforms.
5. The annual transport sector reviews will provide the opportunity for an enhanced involvement of non-state stakeholders in the management of the transport sector. This should encourage greater focus on cross-cutting issues, including safety, gender and environment.
6. Government measures aimed at increased transparency and accountability affect the transport sector as well as any other sector. The effectiveness of these policies is closely monitored and reported upon to the relevant joint government/Development Partner groups.

These positive developments in the transport sector are considered to be a sufficient basis to consider channelling EC aid through sector budget support. The overall objective of this support is to enhance maintenance of the existing transport infrastructure, notably in the road transport sub-sector as a very first priority in the EC support to the sector. Technical Cooperation measures for the transport sector will be put in place to accompany the proposed sector budget support. An indicative amount of €139 million (25 % of the A envelope) will be set aside to assist in this field.

As indicators for the effectiveness of the assistance in physical terms, targets are being quantified as regards:

- The percentage of roads under the direct responsibility of TANROADS in good to fair condition as a consequence of enhanced routine and periodic maintenance and
- The percentage of the rural population living less than 2 km from an all-year passable road.

Non-physical targets concern the progress of the reforms process in the transport sector. In this area, specific objectives are the finalisation of the privatisation of the railways, improved management of air transport, possibly with a further privatisation of the management of major airports, further reforms in the maritime transport sector with as a major target to reduce the handling time of cargo in the major sea ports and an overall improvement of the interface between the respective transport modes, systematically including aspects of safety and security. The extent to which the transport cost component of goods traded nationally and internationally reduces over time as a consequence of the implementation of sound transport policies constitutes the most relevant indicator for the impact of these policies. Building an efficient monitoring system and formulating realistic targets will be one of the objectives of the provision which will be made for procuring expertise and services.

The effectiveness of improved road maintenance may be compromised by insufficient law enforcement. Particular areas of attention should concern both the roads (reduction of over-loading) and the road users (improved road safety). Setting realistic targets for the reduction of over-loading and accidents will be an initial priority.

The main commitments by the government to ensure mainstreaming of the crosscutting issues are: the appropriate type of environmental assessment, ensuring the use of HIV/AIDS awareness and control programmes along the main highways during and after construction or upgrading of main roads, effective participation of local stakeholders in prioritisation of rural roads bottleneck sections to be upgraded and compliance to a transparent and economic procurement process.

C. Trade and Regional Integration

Identification of this focal sector recognises the crucial importance, as reflected in the Joint Programming Document, of sustainable private sector-led growth for the achievement of both MKUKUTA and the Millennium Development Goals. This growth has been held back by a number of critical constraints, notably those identified in the recent Diagnostic Trade Integration Survey conducted under the Integrated Framework³¹.

The choice of focal sector also derives from the Commission's accepted comparative advantage within the first, growth-related cluster of MKUKUTA³². The comparative advantage stems from the specific EU mandate for the Commission in the field of trade, coupled with the long history of support to agriculture recognized by government and endorsed by EU Member States during consultative meetings on the 10th EDF programming. Finally, the Commission's particular vocation in this area was reflected in the independent Country Strategy Evaluation published in early 2006.

The considerable diversity of activities within the focal sector reflects the fact that donors and government have a broad agenda, based upon the Integrated Framework Diagnostic Trade Integration Study (DTIS), to be validated by cabinet in due course. The DTIS addresses Tanzania's trade needs from a range of perspectives including multilateral policy, regional integration, macroeconomic and supply-side: it is a suitable vehicle for improved donor harmonization, based on a rational Division of Labour according to the relative strengths of different partners. With this in mind, the Commission will focus its support in its areas where it adds the greatest value to the contributions of other development partners - agriculture and trade policy (and road transport within the other focal sector). Areas where the Commission will delegate the leading role to other development partners include private sector development, regulation and advocacy, credit and banking (noting nevertheless that the loan services of EIB will continue to be available and that close co-ordination with the Nairobi office will be assured).

The support provided within this focal sector will complement the public services provided by government through national and district based programmes such as the Agricultural Sector Development Programme and the Local Government Reform Programme. These programmes cover to a large extent the objectives and goals outlined above in the joint analysis and programming documents. However, they are generally restricted to public cooperation only. The present focal area will correct this imbalance and provide support directly to non state actors such as producers and their associations without compromising the goals of poverty reduction.

³¹ Beyond issues of market access and preferences (Tanzania is already a beneficiary of duty-free quota-free access to the EU under EBA), the DTIS sets out recommendations on trade institutions, export zones, SPS capacity, trade facilitation, transport, and on specific commodities with a pro-poor impact – notably agriculture and fisheries products).

³² On the agriculture side of this cluster, World Bank, African Development Bank and IFAD are major donors – Netherlands, UK, Sweden and Denmark have significant programmes of private sector development, though with only limited coverage of broader trade policy issues.

The specific objective of this focal sector will be achieved firstly through a concentration on those key commodities which offer an opportunity for pro-poor trade, both in the East African Community and further a field³³. This will be based on the analysis of the supply chain of key commodities and indicatively involve quality enhancement through agricultural research (notably for coffee, tea, cotton, and potentially innovative crops such as bio-energy plants: one option for support could indeed be the development of alternative energy sources) and support to measures which can enhance trade, for example price risk management systems. The interventions will build on lessons learnt from previous investments, including STABEX funds. For these interventions a mix between co-financing, basket arrangements and project support is envisaged.

A second priority will be the facilitation of market access to smallholders, supporting producer organizations in their work to link small farmers (especially women) to local and regional markets. This area of support includes the organisational arrangement for improved market information and contract arrangements between commercial operators and small holder farmers, which has a great potential for poverty reduction.

A third priority will be to build capacities for companies and farmers or fishers organisations on food safety issues. Here the Commission recognizes the importance of meeting demanding sanitary and phyto-sanitary standards imposed at EU and global level, including by non-state actors such as EUREPGAP. The specific measures supported will be identified in line with evaluation and control findings, including for example the Food and Veterinary Office fisheries inspection undertaken in 2006, and will take account of internationally recognized certification and quality assurance processes such as HAACP. In addition, efforts will be made to ensure coherence both with regional support on trade-related SPS (under the ESA-IOC and SADC programmes) and with a number of relevant all-ACP programmes dealing with SPS challenges.

Institutional support for trade development, which was addressed to a limited extent under 9th EDF, will receive a more substantial commitment under this programme and focus at both public and private players. EC-supported technical assistance has driven forward institutional reform in the Ministry of Industry, Trade and Marketing, not least to ensure maximum participation of stakeholders (including non-state actors) in the development of policy towards the multilateral system and as part of the SADC EPA negotiations. However, there is still significant further progress to be made if Tanzania is to be able to address the many negotiating and programming challenges it faces within the Multilateral Trading System. The Commission seeks to learn from the lessons of programmes already undertaken elsewhere, such as KEPLOTRADE in Kenya, which provided a combination of training, research, communications support and long-term advisers on trade policy and project management. Special emphasis will be put in this support on trade-related issues, where several necessary regulatory reforms highlighted in the DTIS will become even more important to accompany the implementation of the expected EPA, e.g. in trade facilitation (customs reform). This is also the case for intellectual property rights, more particularly in the field of geographic indications. COSOTA, the Copyright Society of Tanzania, an agency under the Ministry of Trade, has indeed already requested EDF support for their fight against piracy. Dialogue on these issues and other trade-related measures in the governance commitments, will be an important priority.

³³ 82% of Tanzania's workforce are employed in agriculture, forestry and fisheries, but 80% of the poor are involved in the same industries (source: Household Survey, Integrated Labour Force Survey).

Complementarity with regional programming will be a key issue for this focal area. The choice of areas in the NIP where trade needs will be addressed (based on the DTIS) implies that those needs directly arising from the Economic Partnership Agreements (it is assumed that these will be in force during the lifetime of the programme, and that Tanzania will have signed within its chosen configuration), and from the deepening integration of the East African Community, will be funded in the SADC and/or ESA-IOC programmes. Finally, the Commission proposes that support to modernizing the mining industry, which was conducted to a very limited extent under the 9th EDF national programme (SEAMIC minerals centre) would be better placed under the regional programme for ESA-IOC. This is in line with independent evaluation findings and recognises that SEAMIC is an international organisation whose activities cover most of Southern and Eastern Africa.

Within these focal sectors, environmental sustainability is a key crosscutting issue, in line with the approach as outlined in the MKUKUTA. For projects, this will be addressed through environmental audit and impact assessment processes. However, the Commission also recognizes that budget support and sector policy support programmes (such as that proposed for transport) bring with them the duty and the opportunity to consolidate and develop effective national environmental management systems. In Tanzania, donors support the implementation of the recently passed Environmental Management Act which establishes standards and an enforcement function as well as mainstreaming the environment through key sector ministries and regional/local government. In addition, the area of environment will be supported through a component of the non-state actor programme, as outlined below.

4.3.2 Non focal areas of Collaboration

A. Support to Non-State Actors (NSA) to improve democratic governance and growth (€23 million). In light of the shift from project and programme support towards increased budget support the Commission intends to broaden its co-operation with non-state actors. This cooperation will include both, strengthening of NSA organisations and funding of development activities implemented by NSA.

The first aim will be to strengthen the demand-side of accountability in policy dialogue and policy implementation (in line with governance commitments on NSA involvement in MKUKUTA and key budget support processes). The experience and evaluation of the non-state actor project under the 9th EDF, which aims at empowering non-state actors as partners in policy dialogue, will inform the development of a follow-on project under the 10th EDF. This reflection will recommend further details for delivering this support and consider the possibility of a joint donor approach. It is expected that the support to strengthen NSAs as partners in dialogue will include the areas of a) capacity building, b) access to information, c) networking and coordination, d) strengthening open and structured dialogue.

The second aim will be to involve non-state actors as service providers complementing EC support in other areas. This is envisaged through a project approach which includes locally managed calls for grant proposals. The calls will also include appropriate measures in the field of sustainable environmental management. In addition, traditional cultural forms of expression are an important tool for communication in Tanzania and, given the potential contribution of cultural industries to growth, trade and regional integration, some support to culture sector NSAs will be considered.

B. Support to the Office of the NAO (€5 million). The shift in support to Tanzania from project and programme to budget support modalities has an impact in the function, composition and skills required in the Office of the NAO. From management of programmes under the EDF regulations, the Office will have to transform itself and become more of a coordinating and facilitating unit. The objective will shift from administration towards ensuring an understanding within government of the importance of reporting on and validating data, essential to facilitate the release of funds in sector and general budget support programmes. Possibilities will be explored to make the Office of the NAO an integral part of the government's coordination efforts within the JAST context.

C. Technical Cooperation Facility (€5 million). TCF support aims to maintain the capacity of the Government of Tanzania, implementing agencies and NSAs to implement EC assistance, covering diagnostics, technical studies, project formulation, implementation, monitoring and evaluation.

D. Support to governance reform programmes including Zanzibar (€11M). The GoT implements several reform programmes in the field of Governance like in the Legal, Local Government, Civil Service and Public Financial Management Reform Programme (PFMRP). The programme so far have been mainly focussed on mainland Tanzania and have not yet had the same follow up on Zanzibar. The NIP provides an envelope for support to Zanzibar should a way forward for these reforms be formulated. Given the involvement of the EC in similar reforms on the mainland, the most likely candidate for support is the PFMRP. Some progress has been made in the last year. However the final choice as well as the modality of support as well as the distribution between mainland and Zanzibar will be determined once the necessary dialogue with the authorities has taken place. The programme will also open the possibility to support the 2010 elections, which is core to the democratic process.

. Possible interventions include strengthening the capacity of electoral management bodies, addressing issues such as the design of the electoral system, the voter registration process, the voting operations and their immediate aftermath - results verification and electoral dispute resolution mechanisms.

Performance Indicators: The indicators will mainly come from the MKUKUTA cluster III governance and the previous deepening democracy program (e.g. media coverage of parties, % of population which has access to ongoing civic education activities)

E. Measures to support energy and climate research (€8 million): Taking account of the recent and prolonged energy crisis, Government has requested that provision be made to investigate energy research and supply, taking account of regional supply issues, varying local conditions and needs. In addition, climate change (particularly increasingly erratic patterns of rainfall) has had a major impact on food and water security in Tanzania. The possibility of investigating this area fills a gap not currently addressed by other donors, and it is consistent with the important role of the EC in cluster I of the MKUKUTA, and with the importance of energy in the economic growth agenda.

F. Contingencies and claims (€3.5 million). This item is intended as a reserve to cover unforeseen circumstances.

4.3.3 Other EDF programmes

Regional Programmes

Tanzania's dual membership of SADC and the EAC means it will benefit from both the 10th EDF SADC and Eastern and Southern Africa/Indian Ocean (ESA/IO) programmes respectively. The SADC programme will be relevant principally as a source of support for the implementation of the EU-SADC Economic Partnership Agreement, assuming that it comes into force at the beginning of the programming period. The ESA/IO programme will provide resources for capacity building in the EAC institutions as they face the challenges of enlargement combined with deepening into the development of common policies and a single market. This programme will further boost regional natural resources development, especially in the Lake Victoria Basin. It will also address some regional infrastructure and food security issues relevant to Tanzania. Finally, the adaptation by Tanzania and its neighbours to climate change could be addressed through this programme.

Other instruments: Intra-ACP

Support to the water and energy sectors will be financed under two instruments between 2007-2012: the ACP-EU Water Facility and the ACP-EU Energy Facility. The overall objective of the two facilities is to contribute to poverty reduction and sustainable development and the achievement of the MDGs. Tanzania received financial support of €16.3 million under the first call for proposal of the ACP-EU Water Facility. Two further calls for proposals, one under the Energy Facility and a second call under the Water Facility will be concluded during 2007.

The Global Fund for AIDS, Tuberculosis and Malaria is also supported by the European Commission which contributed €432.5 million to the initiative. At country level, Tanzania has been successful in three out of six rounds of proposals where a total amount of approximately €15 million has been disbursed supporting Malaria, TB and HIV/AIDS interventions. A challenge remains in integrating Global Fund support into national systems aiming at overall health systems strengthening, although a lack of qualified health staff in particular in rural areas continues to be a key restraint.

The EU-Africa Partnership on Infrastructure aims to support and initiate programmes that facilitate interconnectivity at continental level in transport, communication services, energy, water and sanitation. This grant and loan facility will be implemented through a Trust Fund administered by the EC and the European Investment Bank (EIB). The facility is in its start-up phase after which national allocations will be decided.

European Investment Bank

Within the general development strategy for Tanzania, interventions by the EIB will remain demand-driven. The focus will continue to be the provision of long-term financial resources for sound and productive investments in revenue generating sectors, which will promote private sector development and economic growth. Projects can be promoted by both private and public entities. The EIB could mobilise a wide range of financial instruments from the various risk capital instruments from the Investment Facility or senior loans from its own resources. Detailed appraisal will be carried out in compliance with the rules and procedures of the EIB. Considering the specificities of Tanzania's economic situation as well as the EIB's past experience in the country, the following areas of possible intervention for the EIB have been identified:

- provision of direct loans or global loans to local financial intermediaries for on lending to domestic companies, mainly SMEs;

- support to local financial intermediaries in the form of quasi-equity or guarantees to strengthen and deepen the domestic financial sector and capital market;
- financing infrastructure projects in the water, telecommunication, power and transport sectors, where the emphasis will be to help increase the efficiency of public utilities and to encourage private sector participation if appropriate;
- direct funding of large industrial projects, where the EIB can contribute value added in the technical and/or financial structuring of the investment.

In the framework of the EU-Africa Infrastructure Partnership, the EIB would be prepared to consider trans-border eligible infrastructure projects in Tanzania. These projects will be carefully selected according to EIB's standard eligibility criteria and the EIB's possible financing decision will be subject to the outcome of a detailed appraisal carried out in compliance with the Bank's rules and procedures.

4.3.4 Other financial instruments

Specific activities may be supported by external actions funded by the general budget of the European Community carried out under the financial framework for 2007-2013 subject to special procedure and availability of funds, and out of the own resources of the EIB. Actions funded by the general budget include, among others, programmes funded under the Development Cooperation Instrument such as the thematic programmes "investing in people", "non state actors in development", "migration and asylum", "environment and sustainable management of natural resources" and "food security" and the programme for accompanying measures for ACP Sugar protocol countries, as well as actions funded from other instruments such as the stability instrument, the instrument for the promotion of human rights and democracy or the instrument for humanitarian and emergency assistance.

As a Sugar Protocol country Tanzania benefits from accompanying measures for the period 2007-2013. The actions envisaged in that context shall be complementary to the above financial instruments and 4 priority areas have been identified: Development of smallholder (outgrower) infrastructure, capacity building of outgrower associations, restructuring of research and training, and improved management of environmental issues. The amount allocated for 2007-2010 is €6 million.

4.4 Political Dialogue

The European Union had, until recently, primarily been seen as an aid donor and not as an entity for political dialogue. This started to change in early 2005, when the then Dutch Presidency, in close association with the Commission and the forthcoming UK Presidency, undertook to present political dialogue as foreseen under article 8 of the Cotonou Agreement as an important instrument to reinforce and deepen the good relations between the European Union and the United Republic of Tanzania. The Minister for Foreign Affairs and then Presidential Candidate Mr. Kikwete supported the idea in June 2005. The process came to a virtual standstill, during the remainder of 2005 and early 2006, because of the General Election. More recently, President Kikwete, on the occasion of Commissioner Michel's visit to Tanzania in June, reiterated his support and instructed his services to start a systematic political dialogue as soon as possible. The Finnish Presidency then launched the preparations for the process with the Minister of Foreign Affairs in July 2006.

The topic will include:

- democracy human rights, governance and the rule of law (including gender and children's rights)

- international peace and security issues
- economics and development and
- others

Dialogue partners will be at ministerial level on the Tanzania side and may include key stakeholders from civil society and/or private sector. The Governance Profile for Tanzania illustrates the state and progress in governance in the country. Governance commitments include an undertaking to achieve regular Article 8 dialogue. The government has been asked to outline and agree on realistic and achievable targets in governance. The incentive tranche will be consolidated with the initial NIP and released simultaneously.

4.5 Coherence with other EC policies

When exploring ways to accelerate progress towards achieving MDGs the Commission has undertaken to look beyond the frontiers of development cooperation, and to consider how non-aid policies can assist least developed countries in achieving poverty reduction objectives. EU policies in areas such as trade, agriculture, fisheries, migration policy, environmental policy, food safety, transport and energy will have a direct bearing on the ability of Tanzania to progress towards the MDGs.

Trade and Regional Integration: The EC will continue to work towards integrating trade into development strategies and will assist Tanzania in carrying out domestic reforms where necessary. The EC will work towards concluding the negotiations for Economic Partnership Agreements (EPAs) by the end of 2007. Implementation of the EPAs will be supported by development cooperation, in particular through reinforcing supply-side capacity and competitiveness. The EC will actively follow national joint discussions on Aid for Trade and the Integrated Framework.

Environment: Through the NSA programme, the EC will support priority areas identified by the government which will aim at better environmental protection, especially to the poorest groups as well as mainstreaming environment in key ministries and local government. Particular attention will be given to improving linkages to the regional programmes, especially ESA-IOC.

Security: Security is a precondition for development. The EC will enhance its policies in support of good and effective governance and will promote cooperation in fighting corruption, organised crime and terrorism.

Agriculture: The EC will continue its efforts to minimise the level of trade distortion related to its support measures to the agricultural sector. The EC will actively assist Tanzania in order to facilitate it meeting the Sanitary and Phyto-sanitary (SPS) standards, so as to increase the exports of agricultural and fisheries products.

Fisheries: Following the decision of the Tanzanian Government not to adopt the fisheries agreement initialled in 2004, the EC decides to withdraw its proposal and is not willing to conclude any new fisheries partnership agreement at present time.

Migration: The EC will promote the synergies between migration and development, to make migration a positive factor for development.

Conflict Prevention: The Government has contributed significantly to regional peace and stability, notably in the Great Lakes area (eg Burundi peace process). The Commission strongly supports initiatives in this area, and will play a facilitating role where possible.

Water and Sanitation: The Government has come far in the preparation of a Water Sector-Wide Approach to Planning. A first Joint Sector Review was held in September 2006, with wide participation from stakeholders, including Ministries, development partners, civil society and the media. The event was jointly deemed satisfactory and was followed by an appraisal of the Water Sector Development Programme and initial moves towards the formation of a Water Basket Fund. A Water Sector Working Group and Thematic Working Groups on Performance Monitoring, Finance and Planning, Institutional Development & Capacity, and Sanitation and & Hygiene have been established. The Performance Monitoring Group is reviewing data sources and definitions of indicators linked to MKUKUTA. Approval of a new legislation and finalization of the National Water Sector Development Strategy is expected in early 2007.

Transport: The EC will address the special needs of Tanzania as a coastal country by promoting network interconnectivity. The EC will enhance its support to international, regional and sub-regional organisations to deal with the issue of transit transport facilitation.

Energy: The EC will support Tanzania in the provision of modern and affordable energy services while taking account of the local and regional dimensions.

4.6 Visibility, Information

The Commission takes its duty to inform and account to the public for its actions in Tanzania very seriously. Regular press briefings (in Kiswahili and English) and discussion seminars with stakeholders on key policy issues will build on lessons learned in the last programming period. In addition, the Commission will play an active role in improving the quality of joint communication from donors in harmonized areas, notably General Budget Support.

4.6 Tanzania 10th EDF Indicative Programme: Intervention Frameworks

4.6.1 Macroeconomic support

	Intervention Logic	Objectively Verifiable Indicators (all target are set for 2010)	Sources of Verification	Assumptions
Overall Objective	<ul style="list-style-type: none"> Achieve and sustain broad based and equitable growth 	<ul style="list-style-type: none"> Real GDP growth rate of 6 – 8 percent Gini co-efficient of income distribution: To Be Determined Head count ratio: rural 24%; urban 12.9% 	MKUKUTA Annual Implementation Report Household census ??	No major droughts, armed conflicts, or civil unrest
Programme Purpose	<ul style="list-style-type: none"> Enabling macro-economic environment for sustained economic growth 	<ul style="list-style-type: none"> Inflation: below 4 percent Central government revenue as percentage of GDP: TBD Fiscal deficit as percentage of GDP: 3% (after grants) External debt to export ratio: 11:1 	MKUKUTA Annual Implementation Report	
Results	<ul style="list-style-type: none"> Macro-economic stability enhanced Share of Public funds for pro-poor sectors increased Quality of delivery improved for pro-poor services Improved Public Finance Management 	<ul style="list-style-type: none"> Key targets for social sectors and macro economics as set in MKUKUTA for 2010 achieved Budget execution in line with MKUKUTA priorities Quality of planning and budgeting process improved Improved scores on the Public Expenditure and Financial Accountability Assessment 	MKUKUTA Annual Implementation Report PEFAR report PEFA scores	

4.6.2 Focal Sector “Infrastructure, Communications, Transport”

	Intervention Logic	Objectively Verifiable Indicators	Sources of Verification	Assumptions
Overall Objective	<ul style="list-style-type: none"> Enhanced regional integration and reduction of poverty in the rural areas. 	<ul style="list-style-type: none"> Increased trans-border transport Percentage of the rural population living under the poverty line 	<ul style="list-style-type: none"> International trade statistics National poverty surveys 	<ul style="list-style-type: none"> MKUKUTA policy recommendations are effectively translated into priority actions
Programme Purpose	<ul style="list-style-type: none"> Reduction of the transport cost component of goods traded nationally and internationally and improved all year round market access for the rural population. 	<ul style="list-style-type: none"> Transport cost indicators for national and international trade to be developed as part of the EC intervention Distance to all-season roads in the rural areas 	<ul style="list-style-type: none"> Monitoring system to be developed as part of the EC intervention Household surveys 	<ul style="list-style-type: none"> Government develops and implements policies supporting internal and external trade
Results	<p>Physical Results</p> <ul style="list-style-type: none"> Condition of the TANROADS network improved ¹⁾ All-season roads accessibility in rural areas improved ²⁾ <p>Non-physical Results</p> <ul style="list-style-type: none"> Continued progress in sector reforms Sector monitoring systems developed <p>Crosscutting Issues</p> <ul style="list-style-type: none"> HIV/AIDS awareness and impact activities included in all road development programmes Environmental issues addressed at all stages of roads development project cycle with appropriate mitigation activities implemented 	<ul style="list-style-type: none"> Percentage of the TANROADS network in good to fair condition. Percentage of the rural population living at less than 2 km from an all-season road Efficiency of Agencies and Authorities in the transport sector Monitoring system developed and operational Number of HIV/AIDS awareness campaigns organised and volume of materials distributed Quality of EIA undertaken for each project and extent of the enforcement of the EIA recommendations 	<ul style="list-style-type: none"> TANROADS quarterly reports Household surveys Periodic evaluation of the sector as required by law Transport Sector TCF reports TANROADS quarterly reports National Environmental Agency reports 	<ul style="list-style-type: none"> Government implements a sector policy with a higher emphasis on maintenance and its autonomous financing Government speeds up new legislation for the transport sector Government enhances law enforcement aimed at the protection of road users (improved road safety) and transport infrastructure (compliance with minimum vehicle standards and maximum loads per axle).

¹⁾ Annual targets to be defined on the basis of the finalised Transport Sector Investment programme

²⁾ Annual targets to be defined on the basis of a detailed baseline survey and the finalised PMO-RALG network improvement programme

4.6.3 Focal sector “Trade and Regional Integration”

	Intervention Logic	Objectively Verifiable Indicators	Sources of Verification	Assumptions
Overall Objective	<ul style="list-style-type: none"> To create conditions for sustainable pro-poor growth, a precondition for achieving MKUKUTA goals 	<ul style="list-style-type: none"> Share of GDP from trade in goods and services Income generated by small holder farmers, and small enterprises 	<ul style="list-style-type: none"> MKUKUTA reports Agricultural Sector Reviews Business performance reviews Household surveys 	<ul style="list-style-type: none"> Favourable world market conditions Favourable weather conditions Macroeconomic stability
Programme Purpose	<ul style="list-style-type: none"> Market access opportunities better exploited by small holders and businesses for key products and services 	<ul style="list-style-type: none"> Volume of exports registered within EAC and to EU 	<ul style="list-style-type: none"> Trade and export statistics 	<ul style="list-style-type: none"> Regional commitments to EAC respected, including tariff phase-down Relevant service delivery ensured by other players, especially credit markets

<p>Results</p>	<ul style="list-style-type: none"> • Policy formulation and participation by both public and private player representatives in multilateral system improved • Competitiveness of key exports by small holders increased through improved value addition and/or reduced costs • Markets access enhanced through better organisation of producers and traders and improved linkages to relevant service providers • Incentives for producers improved through improved price risk management • Access to information on export requirements such as food safety regulations, enhanced. 	<ul style="list-style-type: none"> • Number of participants in trade related decision making events by the private sector, including at the small holder level • Preparation of trade policy papers, meetings of the NETT and IITC structures • Completed validation and action plan to implement DTIS • Increased value of exports by small holders and small producers • Number of registered farmer associations which receives commercial bank loans • Number of farmers participating in price risk management measures • Number of failed inspections at destination 	<ul style="list-style-type: none"> • DTIS updates • Minutes of meetings • Annual reports • Trade statistics • Farmer organisation reports • Reports by cooperating institutions • Inspection reports 	
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4.6.4 Non focal Sector: Support to Non-State Actors to Improve Democratic Governance and Growth

	Intervention Logic	Objectively Verifiable Indicators	Sources of Verification	Assumptions
Overall Objective	<ul style="list-style-type: none"> Improved conditions for sustainable economic growth, the creation of opportunities, and poverty reduction 	<ul style="list-style-type: none"> Indicators from MKUKUTA, and Sector Programmes 	<ul style="list-style-type: none"> Annual MKUKUTA Implementation Reports Sector Review Reports 	
Programme Purpose	<ul style="list-style-type: none"> To improve democratic governance by better performing public institutions and strengthened Non-State Actors / strengthened demand-side accountability To improve growth creation by micro- and mezzo-level enterprising of NSAs 	<ul style="list-style-type: none"> Increased understanding of Tanzanians of national policy / development processes Increased participation of Tanzanians in decision making Greater access and confidence among Tanzanians in Governance institutions Enhanced collaboration between Government and NSA Increased number of enterprising SMEs Increased number of organisations providing services conducive to growth 	<ul style="list-style-type: none"> Annual MKUKUTA Implementation Reports Sector Review Reports Public debates / contentious issues increasingly covered by media National surveys NSA reports Sector Review Reports Annual Reports Private Sector Foundation Joint Annual Report GoT-EC 	<ul style="list-style-type: none"> Political and social stability sustained Political will to fight corruption is maintained, shows results Continued commitment of Government and Development Partners to improving governance NSAs are willing to engage constructively on reform
Results	<ul style="list-style-type: none"> Institutional capacities and methodological skills of Non-State Actors improved Information on policies / reform processes / development cooperation / budgetary process publicly available and accessible NSAs are well coordinated and collaborate well Clear framework for dialogue between GoT and NSAs established, as well as joint understanding on 'rules of engagement/code of conduct' Increased number of enterprising SMEs Increased number of organisations providing services conducive to growth and environment 	<ul style="list-style-type: none"> % increase in NSA participating in democratic reform processes in an informed and competent manner % of NSAs being more accountable to their constituencies and the public % government policy/reform documents and implementation and/or budget reports made publicly available NSA coordination structure communicated publicly, clear to GoT and DPs, and operational Dialogue framework and proceedings understood in public <ul style="list-style-type: none"> Increased number of enterprises Growth in GDP and increased proportionate contribution by SMEs Increased range and volume of services including environmental management 	<ul style="list-style-type: none"> Annual MKUKUTA Implementation Reports Sector Review Reports Public debates / contentious issues increasingly covered by media National surveys NSA reports <ul style="list-style-type: none"> Annual MKUKUTA Implementation Reports Sector Review Reports Annual Reports Private Sector Foundation Joint Annual Report GoT-EC 	

4.6.5 Non-Focal Sector: Support to Election Process

	Intervention Logic	Objectively Verifiable Indicators	Sources of Verification	Assumptions
Overall Objective	<ul style="list-style-type: none"> Democratic processes and peoples participation enhanced 	<ul style="list-style-type: none"> Indicators from MKUKUTA, MKUZA, Afrobarometer 	<ul style="list-style-type: none"> Annual MKUKUTA Implementation Reports MKUZA Reports Afrobarometer Study Media coverage 	
Programme Purpose	<ul style="list-style-type: none"> Electoral processes improved, and elected leaders are more accountable to their constituencies 	<ul style="list-style-type: none"> electoral processes are clearly understood by public Electoral processes allow for true multi-party politics Greater voters' participation and satisfaction 	<ul style="list-style-type: none"> Annual MKUKUTA Implementation Reports MKUZA Reports Afrobarometer Study Media coverage 	<ul style="list-style-type: none"> Political and social stability sustained Continued commitment of Government and Development Partners to democratic processes
Results	<ul style="list-style-type: none"> National Electoral Commission and Zanzibar Electoral Commission is in a position to provide for more free and fair election preparation and process Tanzanians are capable of exercising their rights and responsibilities 	<ul style="list-style-type: none"> o NEC's and ZEC's institutional capacity built o Legal framework reformed o Permanent Voters' Register Improved and publicly accessible o Civic Education provided o Tanzanians understand the political system and their rights and responsibilities 	<ul style="list-style-type: none"> Annual MKUKUTA Implementation Reports MKUZA Reports Afrobarometer Study Media coverage 	

1.7.1 Indicative timetable of global commitments

	Indicative allocation (in M €)	2008		2009		2010→	
		1	2	1	2	1	2
		1st FOCAL SECTOR – Infrastructure, Communications, Transport (25% of NIP)	139			83	
- Sector Budget-Support I	83.0			83.0			
- Sector Budget-Support II	56.0						56.0
2nd FOCAL SECTOR – Trade and Regional Integration (10% of NIP)	55.5	24				31.5	
- Project I	24		24				
- Project II	31.5						31.5
GENERAL BUDGET SUPPORT (55% of NIP)	305	305					
- Macro-Economic Support I	305.0		305.0				
Non Focal Sectors (10% of NIP)	55.5	5		33.5		17	
- Institutional support for non state actors	23.0			14.5			8.5
- Support to NAO	5.0		2.5				2.5
- Technical Cooperation Facility I	2.5		2.5				
- Technical Cooperation Facility II	2.5						2.5
- Governance reform programmes including Zanzibar	11			11.0			
- Energy and climate research	8.0			8.0			
- Contingencies/claims	3.5						3.5
Total Commitments:	555	334		116.5		104.5	
Total Cumulative Commitments:	555		334	450.5			555

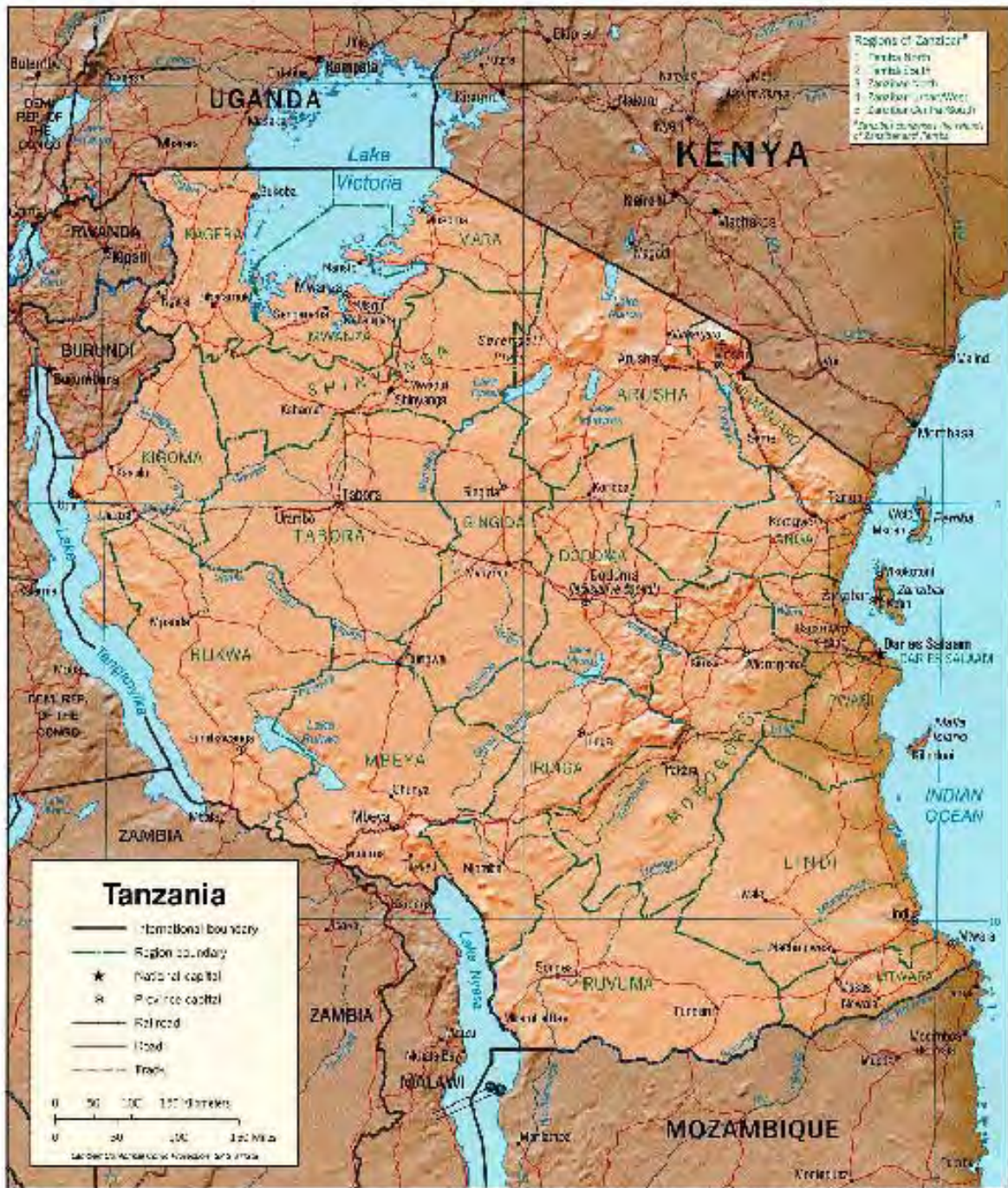
1.7.2 Indicative timetable of disbursements

	Indicative allocation (in M €)	2008		2009		2010→	
		1	2	1	2	1	2
1st FOCAL SECTOR – Infrastructure, Communications, Transport (25% of NIP)	139				28	28	83
- Sector Budget-Support I	83.0				28.0	28.0	27.0
- Sector Budget-Support II	56.0						56.0
2nd FOCAL SECTOR – Trade and Regional Integration (10% of NIP)	55.5				5.5	5.5	44.5
- Project I	24				5	5	14
- Project II	31.5						31.5
GENERAL BUDGET SUPPORT (65% of NIP)	305				61.0		244
- Macro-Economic Support I	183.0				61.0		61.0
- Macro-Economic Support II	122.0						122.0
Non Focal Sector (10% of NIP)	55.5				11.8	6.8	36.9
- Institutional support for non state actors	23.0				3.0	5.5	14.5
- Support to NAO	5.0				0.8	0.8	3.4
- Technical Cooperation Facility I	2.5					0.5	2
- Technical Cooperation Facility II	2.5						2.5
- Governance reform programmes including Zanzibar	11.0				4.0		7.0
- Energy and climate research	8.0				4.0		4.0
- Contingencies/claims	3.5						3.5
Total Disbursements:	555				106.3	40.3	408.4
Total Cumulative Disbursements:	555				106.3	146.6	555

1.8. Chronogram of Activities

FOCAL AREA / SECTOR	Indicative allocation (in M €)	2008				2009				2010 →			
		Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
1st FOCAL SECTOR – Infrastructure, Communications, Transport (25% of NIP)	139.0												
- Sector Budget-Support I	83.0	FS	FS		FP	FD							
- Sector Budget-Support II	56.0						FS		FP		FD		
2nd FOCAL SECTOR – Trade/ Regional (10% of NIP)	55.5												
- Project I	33.0		FP	FD									
- Project II	22.5								FP		FD		
GENERAL BUDGET SUPPORT (55% of NIP)	305.0												
- Macro-Economic Support I	183.0	FP		FD									
- Macro-Economic Support II	122.0								FP		FD		
Non Focal Sector (10% of NIP)	55.5												
- Institutional support for non state actors	23.0			FD									
- Support to NAO	5.0			FD									
- Technical Cooperation Facility I	2.5	FD											
- Technical Cooperation Facility II	2.5								FP		FD		
- Support to Elections	3.0			FP		FD							
- Core reform programmes including Zanzibar	8.0		FP		FD								
- Energy and climate research	8.0				FP	FD							
- Contingencies/claims	3.5												
FS: Feasibility Study													
FP: Financing Proposal													
FD: Financing Decision													
□: Project implementation													

MAP OF TANZANIA



ANNEX 1

**JOINT ASSISTANCE STRATEGY (JAS) AND GLOSSARY
OF JAS TERMS**



UNITED REPUBLIC OF TANZANIA

**JOINT ASSISTANCE STRATEGY
FOR TANZANIA (JAST)**

Final Draft

May 2006

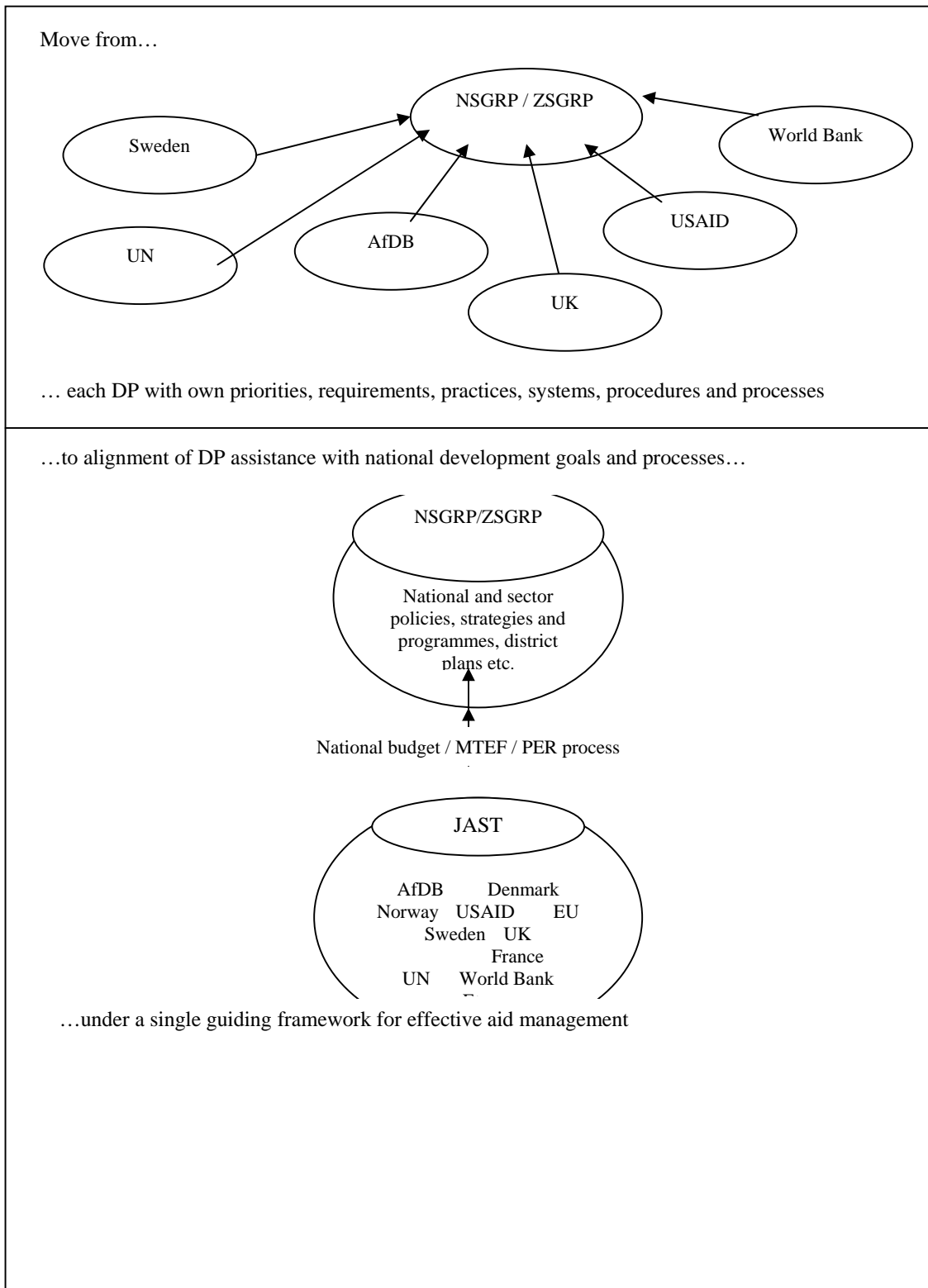
1. What is the JAST?

The Joint Assistance Strategy for Tanzania (JAST), in Kiswahili ‘Mkakati wa Pamoja wa Misaada Tanzania’ (MPAMITA), is a national medium-term framework for managing development co-operation between the Government of the United Republic of Tanzania (Government) and Development Partners (DPs) so as to achieve national development and poverty reduction goals. It however also outlines the role of non-state actors (NSAs) to the extent that they contribute to the successful implementation of the Strategy.

The JAST has been formulated in the spirit of national and international commitments and initiatives on aid effectiveness – most notably the Tanzania Assistance Strategy (2002), the Monterrey Consensus on Financing for Development (2002), the Rome Declaration on Aid Harmonisation (2003), the Marrakech Memorandum on Managing for Results (2004) and the Paris Declaration on Aid Effectiveness (2005). It spans a renewable cycle of five years and outlines the main objectives, principles and broad arrangements of the development partnership. It is complemented by an Action Plan that specifies concrete activities, targets and time frames for implementing JAST and a monitoring framework with indicators to measure Government and DP performance.

The JAST will be implemented at all levels of the Government within the existing national, sector and local processes for all aid relations with DPs. DPs will adopt the Strategy as a basis for guiding the management of their development co-operation with the Government. Bilateral agreements and country assistance strategies will be brought in line with the JAST and will specify concrete arrangements in implementing the JAST for individual Partners. All partners recognise that implementing JAST is a gradual process of moving towards higher levels of development co-operation.

Figure 1: Alignment of DP assistance with national development goals under the JAST



and undertakes necessary reforms in public service and financial management. DPs had been urged to take

actions to better coordinate and harmonise their development assistance including practices and procedures as well as increase the predictability of aid flows.

The adoption of the Report's recommendations in the 'Agreed Notes' - an agreement between the Government and its DPs on 18 actions to be taken to improve their relationship - set in motion a process of redefining the relationship between the Government and its DPs and the management of aid on the basis of principles of national ownership, government leadership, harmonisation and alignment. This process of enhancing partnership relations and aid effectiveness was supported by further independent assessments of Tanzania's development partnership, undertaken by Professor Helleiner in 1997, 1999 and 2000, and followed by an institutionalised Independent Monitoring Group (IMG) since 2002.

One major outcome of the process was the establishment of the Tanzania Assistance Strategy (TAS), which was launched in 2002. From 2002/03 until 2004/05, the TAS served as the medium-term framework for development co-operation, aiming to strengthen aid coordination, harmonisation and alignment as well as national ownership and Government leadership of the development process. A TAS Action Plan, developed during FY 2002/03, set out practical steps for implementing TAS. Actions were grouped in four priority areas, namely increasing the predictability of aid flows, integrating external resources into the Government budget and Exchequer system, harmonising and rationalising processes, and improving national capacities for aid coordination and external resource management.

The implementation of TAS has contributed to considerable progress in the above mentioned areas. The Government has strengthened public financial management and accountability. Predictability of external resources has improved and external funds have increasingly been integrated into the Government budget and Exchequer system, thereby strengthening Government ownership over resource allocation as well as budget contestability of external resources. DPs have increasingly aligned their activities with national systems and processes. National ownership and Government leadership of the development process have been enhanced, along with an improved relationship in development co-operation. Capacity needs have been addressed through various Government core reform programmes.

One of the major activities under the TAS harmonisation efforts was a joint Government-DP study in FY 2002/03 on the rationalisation/harmonisation of existing Government and DP processes. Overlapping and duplicative processes have since been re-organised to be more in line with the national budget and poverty reduction strategy processes. DP missions have been reduced, especially during the period of 'quiet time', which is reserved for national budget finalisation by the Government.

The idea to formulate a joint assistance strategy was born in this process of rationalisation and harmonisation, as the Government and its DPs aimed to further reduce the still high transaction costs that are incurred through the pursuit of different strategies with multiple and often overlapping processes. Despite progress made under the TAS, parallel systems and procedures for delivering, managing, monitoring and evaluating development assistance as well as multiple missions, meetings and analytical studies have remained burdensome for the Government. The still widespread provision of off-budget financing, most notably for projects, has impeded strategic resource allocation in the national budget process as well as transparency and domestic accountability in the utilisation and performance of external resources. In addition, the Government and DPs intended to establish a joint assistance strategy in order to extend progress in enhancing national ownership and Government leadership of the development process to all levels of society and the Government respectively and to increasingly shift Government accountability from DPs to domestic stakeholders.

In comparison to TAS, JAST has aimed to be more comprehensive, going beyond the 13 best practices and four priority areas of TAS and covering all aspects of the development partnership between the Government and DPs as well as the role of NSAs therein. It has meant to bring together all DPs under a single strategic framework that guides their development assistance in line with the cluster-based and outcome-oriented National Strategy for Growth and Reduction of Poverty (NSGRP) and the Zanzibar Strategy for Growth and Reduction of Poverty (ZSGRP). It has also aimed to fully take into account the international aid effectiveness commitments made in Monterrey, Rome, Marrakech and Paris and to adopt them to the Tanzanian context.

The Government-led process of formulating the JAST (see annex 2) started with the preparation of a JAST Concept Paper, which guided the development of this JAST Document. The process involved extensive and broad-based consultations of the Government with DPs and NSAs.

3. Objectives of the JAST

The overall objective of the JAST is to contribute to sustainable development and poverty reduction in line with the National Vision 2025 and the Zanzibar Vision 2020 by consolidating and coordinating Government efforts and DPs' support under a single Government-led framework to achieve results on the National Strategy for Growth and Reduction of Poverty (NSGRP/MKUKUTA) and the Zanzibar Strategy for Growth and Reduction of Poverty (ZSGRP/MKUZA) as well as other national development and poverty reduction programmes.

The intermediate objective of the JAST is to build an effective development partnership in line with national and international commitments to aid effectiveness by

- (1) Strengthening national ownership and Government leadership of the development process,
- (2) Aligning DP support to Government priorities, systems, structures and procedures,
- (3) Harmonising Government and DP processes,
- (4) Managing resources for achieving development results,
- (5) Ensuring mutual accountability of the Government and DPs, and
- (6) Strengthening accountability of the Government to the citizens of Tanzania.

4. Roles of actors in implementing the JAST

4.1. The Government of the URT

The Government at the respective levels of MDAs, Regions and LGAs assumes leadership over managing the development process including the implementation of the NSGRP/ZSGRP and the JAST and formulating, implementing, monitoring and evaluating policies, strategies, plans and programmes in line with the NSGRP/ZSGRP. It takes responsibility for effective and equitable service delivery and for ensuring that public expenditures adequately reflect economic growth and poverty reduction targets outlined in the NSGRP/ZSGRP. It is also responsible for further enhancing its own capacity to effectively manage the development partnership as well as for facilitating capacity development among non-state actors and for strengthening their ownership in the development process. It leads, guides and coordinates dialogue with DPs and non-state actors at the respective levels, and accounts for its decisions and actions including the use of public funds, the provision of public services, the attainment of development results and outcomes of implementing JAST to domestic stakeholders.

4.2. Parliamentarians, Councillors and politicians

Parliamentarians are responsible for overseeing Government activities and scrutinising the national budget with attention to its strategic direction. They hold the Government to account for public spending and its performance in achieving development results and answer back to the electorate on these issues, thus facilitating domestic accountability. They also communicate national strategies including the NSGRP/ZSGRP and JAST to their constituencies in order to facilitate understanding and translation into action at local level.

At local government level, Councillors play a similar role in overseeing council activities and ensuring that councils are accountable for their spending and performance in service delivery and in implementing local plans, programmes and projects within the framework of national strategies and policies.

Politicians in general play a role in shaping and reflecting public opinion on development and aid effectiveness and in influencing development policy formulation and implementation.

4.3. Development Partners

DPs support the achievement of results on the NSGRP/ZSGRP and the further development of existing capacities in the country by providing financial and technical assistance to the Government and non-state actors as well as advice in dialogue with the Government and other domestic stakeholders. They do so on the basis of an agreed division of labour. DPs are mutually accountable with the Government to domestic stakeholders and to each other for their actions in fulfilling their shared commitments in development co-operation. They furthermore facilitate domestic accountability by being transparent in the provision of their development assistance, by making increasing use of Government systems in terms of financing, procurement, accounting, auditing, monitoring and evaluation, as well as by engaging in open dialogue with the Government and other domestic stakeholders.

4.4. Communities

Local communities participate in formulating local government plans and in identifying, planning, implementing, monitoring and evaluating local development activities that are supported by the Government and DPs. They contribute own resources to development activities and hence play an important role in creating sustainable development outcomes. They also engage in local level stakeholder dialogue, especially with local government, monitor and evaluate the quantity and quality of service delivery, and hold the Government as well as CSOs to account for provided services.

4.5. Civil society organisations

Local and international civil society organisations mobilise and enhance community participation and resource contribution in development activities and act as partners of the Government and DPs in delivering community services. CSOs also participate in local government planning and in reviewing development strategies including the NSGRP/ZSGRP, programmes and projects, the national budget process, and JAST implementation, and disseminate relevant information with attention to its credibility and user-friendliness to the public. They thus facilitate mutual accountability of the Government and DPs as well as domestic accountability of the Government. In turn, they are themselves accountable for their actions and public resource utilisation to their constituents and to the Government. In addition, they engage in dialogue with the Government and DPs and consolidate and present community views to the Government and DPs. They also serve as domestic and international advocates for development and aid effectiveness, stimulate public debate and raise understanding on these issues.

4.6. Academic and research institutions

Academic and research institutions play an important role in generating and sharing knowledge and offering advice to the Government, DPs and other stakeholders on managing the development process and JAST implementation. They furthermore act as independent monitors and evaluators of development co-operation and provide their findings to the general public, thus facilitating domestic and mutual accountability of the Government and DPs.

4.7. Private sector

The private sector is involved in formulating, planning, implementing, monitoring and evaluating national policies and strategies and co-operates with the Government in poverty reduction efforts through public-private partnerships. As the engine of economic growth, it facilitates the expansion of the domestic resource base and thus helps to reduce aid dependence. Furthermore, representatives of the private sector engage in dialogue with the Government through their participation in various consultative fora, such as the Tanzania National Business Council and the Zanzibar Business Council.

4.8. Media

The media informs the public of Government and DP activities and of development related issues and reports on citizens' views. In its reporting, it pays attention to public benefit and quality of information. It

thus facilitates transparency and domestic accountability as well as capacity development through awareness creation among society.

5. Government commitment to development and poverty reduction

5.1. National development and poverty reduction goals

The Government is highly committed to sustainable development and poverty reduction. In a broadly participatory process involving domestic and international stakeholders, it has formulated a range of long- and medium-term goals and strategies that articulate Tanzania's vision and agenda for national development and poverty reduction and for whose implementation the Government is accountable to its citizens.

The country's overall development framework and long-term social and economic development goals are laid out in the **National Vision 2025** and **Zanzibar Vision 2020**. The **National Poverty Eradication Strategy (NPES)** provides the long-term framework for guiding poverty eradication efforts in order to reduce absolute poverty by 50 percent by 2010 and eradicate absolute poverty by 2025.

Tanzania's medium-term poverty reduction goals are articulated in the **National Strategy for Growth and Reduction of Poverty**, the second-generation Poverty Reduction Strategy of the Government of Tanzania, and the **Zanzibar Strategy for Growth and Reduction of Poverty**, which is the second phase Zanzibar Poverty Reduction Plan of the Revolutionary Government of Zanzibar (RGoZ).

The NSGRP has moved away from the priority sector approach of the first-generation Poverty Reduction Strategy (PRS) and focuses on outcomes in three broad clusters:

1. Growth and reduction of income poverty
2. Improvement of quality of life and social well being
3. Governance and accountability

The outcome-based NSGRP, spanning a five-year cycle (2005/06 – 2009/10), allows for more effective linkages with the Millennium Development Goals (MDGs), results-based management and a balanced focus on the contribution of all sectors and cross-cutting issues such as HIV/AIDS, gender, environment etc. to growth and poverty reduction. Progress in implementing the NSGRP is reviewed in a broad-based participatory process through the Poverty Monitoring System (PMS).

The ZSGRP translates the Zanzibar Vision 2020 into implementable programmes focusing on enhancing economic growth and reducing poverty through empowering and creating opportunities for the people, increasing production and household income, improving living conditions, and protecting the poor, disabled, elderly and other vulnerable groups. In line with the NSGRP, the ZSGRP also adopts an outcome-based approach in three clusters and emphasizes cross-sector collaboration and inter-sector linkages and synergies. The three clusters are:

1. Growth and reduction of income poverty
2. Social services and well being
3. Good governance and national unity

The ZSGRP will be implemented for four years (2006/07 – 2009/10) in order to coincide with the implementation cycle of the NSGRP. The monitoring framework for the ZSGRP is as comprehensive as that of the NSGRP and aims to produce outputs in the same timeframe in order to enable better coordination in implementing the two strategies.

The Government is committed to implementing the NSGRP/ZSGRP and will continue to strengthen the mobilisation of domestic resources for this purpose. It will continue to strengthen the linkage between the NSGRP/ZSGRP and the national budget, among others by enhancing sector- and cluster-based strategic

planning and budgeting, in order to ensure that the NSGRP/ZSGRP are translated into fundable and implementable activities and that public resources are effectively and strategically allocated and managed for the implementation of the Strategies.

The Government will align all national and sector policies, strategies and programmes as well as plans of MDAs, Regions and LGAs with the NSGRP/ZSGRP and harmonise them around the national budget process. The NSGRP/ZSGRP in turn will feed into sector and local processes through the outputs of the monitoring systems of the NSGRP/ZSGRP, which will inform the planning processes of MDAs, Regions and LGAs. The Government will provide transparent, timely and clear information on the outcomes of the NSGRP/ZSGRP, the national budget and other processes to all relevant stakeholders.

5.2. Development Partner alignment with national strategies and processes

DPs will fully align their support with the NSGRP/ZSGRP and other national as well as sector strategies, policies and programmes and local government plans. They will demonstrate in their individual funding agreements with the Government that the activities they support are part of these strategies, policies, programmes and plans. DPs will harmonise their processes around the NSGRP/ZSGRP and the national budget and will follow the Government calendar of processes (see annex 1). This includes the period of ‘quiet time’ during which Government-DP interactions are to be minimised to allow the Government sufficient time for budget preparation and approval.

Table 1: Timetable for the Government ‘Quiet Time’

Period	Activity	Status
September - December	Consultative Processes	Busy
January - March	Concluding Policy Discussions, Missions etc.	Busy
April - May	Finalise Budget Formulation	Quiet
June - August	Budget Debate and Approval by Parliament / RGoZ House of Representatives	Quiet

5.3. National capacity development

5.3.1. Government commitments

In order to achieve Tanzania’s development and poverty reduction goals and strengthen national ownership and Government leadership of the development process, the capacity of individuals, organisations and institutions to efficiently and effectively manage the development partnership and perform their functions in the development process needs to be strengthened at all levels of Government and across society.

For this purpose, the Government will further develop its capacity at the levels of MDAs, Regions and LGAs to formulate, implement, monitor and evaluate policies, strategies, plans, programmes and projects. It will enhance its capacity to produce and implement strategic budgets and to appropriately and timely account for their activities, expenditures and results. It will improve its capacity to deliver high-quality, timely and effective public services, in particular at LGA level under central government support in line with the Government’s Decentralisation by Devolution policy. It will furthermore enhance its ability to meaningfully engage in dialogue within Government as well as with other domestic stakeholders and DPs.

It will do so among others through implementing the on-going public sector reforms and programmes as well as progressing on mainstreaming them, where applicable, into the normal structures and systems of MDAs, Regions and LGAs. The reforms include the Public Service Reform Programme (PSRP), the Public Financial Management Reform Programme (PFMRP), the Legal Sector Reform Programme (LSRP), the Local Government Reform Programme (LGRP), the National Anti-Corruption Strategy and Action Plan

(NACSAP), and for the RGoZ Economic and Financial Reforms, Institutional and Human Resource Reforms, and the Good Governance Reform. In the context of the PSRP, the Government will enhance the incentive structure to recruit and retain qualified personnel by continuing to undertake civil service pay reform and by further strengthening and extending the Performance Management System, which has been introduced under the PSRP.

The Government will also support measures to strengthen the capacity of Parliamentarians, Councillors and politicians to effectively play their role in the development process and the implementation of the JAST, including their ability to raise public awareness of aid effectiveness issues and to ensure domestic accountability of the Government. It will do so among others through awareness creation, training, and the provision of timely, transparent and clear information on all relevant issues.

Furthermore, the Government will work with non-state actors to address their capacity needs in order to enable them to actively and efficiently play their roles in the development partnership. It will do so by providing an enabling policy and institutional environment, appropriate public services, training and advisory support, sharing relevant information with them, and by actively engaging them in dialogue. To facilitate local ownership of the development process and enable the Government to better understand and respond to local needs, in line with its policy of Decentralisation by Devolution, it will continue to improve capacity in community based planning through extending the use of the O&OD methodology to all councils. The Government also recognises the important role that civil society organisations play in enhancing capacity among local communities and will support CSOs in their efforts.

Overall, the Government regards capacity development as one of the central objectives of its development partnership. It acknowledges the long-term nature of the undertaking and commits to effective leadership throughout the process as well as to continuously reassessing capacity needs and ways of addressing them.

5.3.2. Development Partner support

DPs will support the Government efforts to develop sustainable capacity in the public sector and across society. They will do so by responding to national capacity needs with financial and technical assistance to the Government and to non-state actors. They recognise that capacity development is a long-term effort and will design the timing and scope of their support so that it is consistent with the country's capacity to implement change. In addition to supporting specific capacity development programmes, DPs will in all their activities pay attention to attaining sustainable capacity development outcomes, among others by effectively coordinating and complementing their support with each other.

DPs will also contribute to capacity strengthening by increasingly relying on Government systems and structures to deliver and manage their assistance to the Government. In particular, they will work closely with the Government to eliminate parallel Project Implementation Units (PIUs) and integrate project management in the structures and systems of the implementing Government agency. Wherever in effect, the Government's O&OD approach rather than DPs' own methodologies will be used for project and programme planning.

5.3.3. The role of technical assistance

DPs will provide technical assistance as a means to facilitate sustainable capacity development. Technical assistance to the Government will be demand-driven and respond to Government needs. It will be increasingly untied from the source of financial assistance and procured in a fair, non-discriminatory, competitive, transparent and accountable manner under the leadership of the Government, ensuring value for money (VFM) and the ability to meet identified capacity development requirements. This will be achieved among others through arrangements of pooling DP finances for TA. For this purpose, possibilities to use the Performance Improvement Fund (PIF) for pooling funds for TA will be explored. Procurement of TA will use national rather than foreign expertise or supplies whenever these are able to meet VFM and capacity development requirements. The Government and DPs will undertake measures to strengthen national TA in these respects.

TA personnel will primarily be used for capacity development rather than for project or programme execution. Experts may however also be recruited as a temporary gap filling measure, particularly in highly specialized areas, whereas they will pay attention to skills sharing in the process. The recruitment, deployment, management, supervision and performance assessment of technical assistants will increasingly be led by the Government and integrated in the regular Government administrative system while Government structures and mechanisms to coordinate and manage TA resources will be strengthened in the process. The Government and DPs will also work towards providing a conducive incentive structure for TA personnel to effectively share their expertise and for counterparts to adapt and retain skills and knowledge from them. The Government will furthermore work closely with DPs and other stakeholders to formulate a national TA policy that outlines TA objectives, priorities and concrete guidelines for selecting, managing, monitoring and evaluating TA.

6. Division of labour

6.1. Division of labour within Government

Within its broadly identified roles in the implementation of the JAST (see section 4), the Government will work towards a more effective division of labour, co-operation and coordination among and between MDAs, Regions and LGAs in order to avoid overlaps or gaps in carrying out necessary tasks. It will do so by taking into account the principle of subsidiarity embodied in the Government's policy of Decentralisation by Devolution, whereby responsibility for the management and delivery of services is, wherever possible, devolved to the lowest units of governance. It will clearly define each Government agency's roles and responsibilities, in particular in the NSGRP/ZSGRP and other existing frameworks and processes such as PER and GBS. It will assign lead Government agencies in sectors and cross-cutting/thematic areas and will enhance their effectiveness as well as the effectiveness of existing lead Government agencies at cluster level to take a supervisory and coordinating role. It will furthermore work to strengthen other involved agencies in a sector, cross-cutting/thematic area or cluster to undertake joint planning, budgeting and implementation. Government activities will take into account sector contributions to cluster strategies and outcomes as well as thematic/cross-cutting areas such as HIV/AIDS, gender, environment, and financial management. The Government will furthermore strengthen the mechanism for collaboration between sectors/thematic areas of a particular cluster and between different clusters as well as for coordinating the planning and implementation of cross-sectoral issues.

6.2. Division of labour among Development Partners

6.2.1. Two levels of division of labour

In order to achieve a more even engagement of DPs in sectors and thematic areas and reduce transaction costs for both the Government and DPs, DPs will rationalise the number of sectors or cross-cutting/thematic areas that they engage in. At the same time, the number of DPs that are 'active' in a sector or thematic area will be limited to an appropriate level, depending on the needs and capacity of the sector/thematic area. DPs outside a particular sector/thematic area will be represented by those Partners that are 'active' in the area of concern and will assume the role of 'delegating partners'. They can nevertheless provide financial assistance to any sector/thematic area within a framework of delegated co-operation, as division of labour does not concern the amount or distribution of DP funding.

At a second level of division of labour, 'lead partners' will be appointed in each sector, thematic area and, where necessary, sub-sector to lead and coordinate other Partners that are active in that area in all matters. Depending on the case, the role of 'lead partner' may be rotated among different Partners that engage in a particular sector/thematic area. In addition, responsibility can be delegated to different Partners for administering or carrying out specific activities (e.g. analytic work, monitoring and evaluation) or guiding specific aspects of dialogue within the area of concern.

'Active' DPs in a sector/thematic area will represent others in sector/thematic dialogue with the Government, whereby 'lead partners' will act as focal point in communication with the Government. They

will timely share all relevant information among each other and with ‘delegating’ DPs and assure that the views of ‘delegating partners’ are equally heard and reflected in the position presented to the Government. DPs aim to reach a consensus among themselves and present consolidated views to the Government, but also report existing divergent opinions where consensus cannot be attained.

Within and across sectors and thematic areas, DPs harmonise their activities, funding decisions, requirements, analytic work, meetings, missions, reviews and other processes and align them to Government strategies, systems and processes. As part of division of labour agreements, terms of reference including a code of conduct for delegated co-operation and harmonisation arrangements will specify the roles and responsibilities of each DP.

6.2.2. Selection criteria and process

The selection of the areas of focus for individual DPs and their roles as lead or delegating partners will be based on their comparative and, where applicable, competitive advantage. This is determined by a DP’s established international and field office expertise, based on past successful experience, in a particular sector, thematic area or sub-sector. It also includes in-depth knowledge of local conditions at mission level. It does not depend on a DP’s funding capacity.

Other selection criteria to be taken into account for DP’s sectors or thematic areas are:

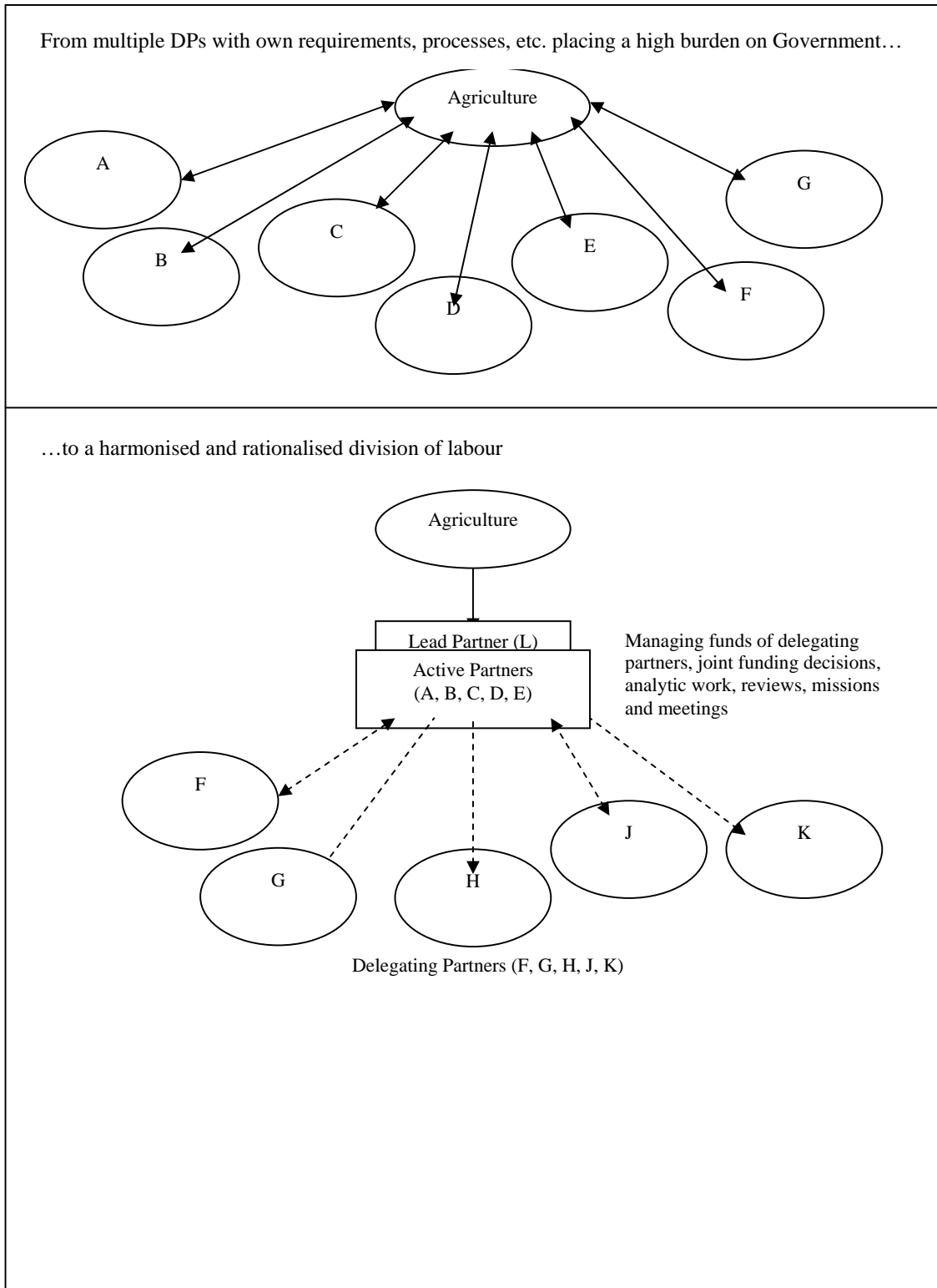
- DP organisational capacity;
- The appropriate total number of DPs in a sector or thematic area, taking into account the size, nature, needs in line with Government policies, and capacity of the sector or thematic area of concern;
- Established relationships with Government, other DPs and NSAs;
- DPs’ willingness to cooperate with each other in a particular sector or thematic area;
- DP headquarter mandate;
- The extent of decentralised authority enabling field offices to make decisions; and
- Willingness to sustain support and invest in the agency’s competencies in the long-term.

With regards to taking on a leading role, factors to consider in addition to the above are:

- DP organisational capacity to assume leadership;
- Other DPs’ willingness to recognise and trust a DP as leader; and
- The distribution of lead responsibilities among DPs so as to facilitate equitable sharing of work.

In each sector/thematic area, relevant MDAs in consultation with LGAs and in agreement with DPs will decide which DPs will actively engage in the area and who will assume the role of lead Partner. In this context, the Government and DPs will consider the suitability of existing division of labour arrangements in DPG sector/thematic working groups and will draw on their experience as much as possible. Throughout the implementation of JAST, the Government and DPs will continue to jointly reassess the adequacy of existing division of labour arrangements, taking into account and adjusting to possible changes in DPs’ comparative/competitive advantages or other selection criteria and to changing Government needs.

Figure 2: Division of labour among DPs under the JAST



planning, implementation and monitoring of the NSGRP/ZSGRP.

The Government receives external resources under three modalities, namely General Budget Support (GBS), basket funds, and direct project funds.

General Budget Support

GBS is the Government's preferred aid modality. It has been associated with greater ownership, harmonisation, alignment, managing for results, mutual and domestic accountability. It is thus consistent with the TAS (2002), the Monterrey Consensus (2002), the Rome Declaration (2003), the Marrakech Memorandum (2004), and the Paris Declaration (2005) commitments on aid effectiveness. Specifically, GBS has demonstrated the following advantages over other instruments:

- It is **consistent with the Government legal framework**:
 - √ The Constitution of the United Republic of Tanzania, Chapter 7, Articles 135 and 136 on the control of the legislature on public finances, which state that all revenues/finances derived from various sources for the use of the Government shall be deposited in the Consolidated Fund and be appropriated by the Parliament.
 - √ The Public Finance Act No. 6, 2001, Part II-Control and Management of Public Finance, which states that the Parliament should maintain control over public money and the Minister for Finance should provide full and transparent accounts to Parliament for the use of resources and public moneys.
- It increases the proportion of external resources subjected to the national budget process, thereby **increasing national ownership** of the development process by emphasizing the national budget as the framework for identifying priorities and programming resource use. This allows for a **more equitable distribution of development funds within and across MDAs, Regions and LGAs**, as all funding allocations are planned and decided in a single process – the national budget.
- It places the Government more fully within the scrutiny of the Parliament and civil society, as more decisions have to be taken within the framework of a transparent budgetary process. This in turn enhances **domestic accountability**;
- It strengthens the Parliamentary role for decision making in resource allocation by including more external resources into the national budget approval process. It thus contributes to **shifting Government accountability from DPs to citizens through the Parliament**;
- It **strengthens the national budget process** by limiting the access of Government agencies to extra budgetary finance and by making the national budget the main source of resource allocation. As a result, it will be given more attention by all stakeholders and will thus be strengthened;
- It promotes a **coherent planning process**, consolidating the resource envelope and diminishing the distinction between recurrent and development finance as well as assisting in reducing the gap between external resource flows recorded in the budget and in the balance of payments;
- It **strengthens national public financial management and accountability systems** by providing funds directly to the budget to be utilized through Government's own systems and by using national accounting and audit procedures and systems;
- It **increases the predictability of external resource availability and disbursements** by basing funding decisions on outcomes of a joint review of performance based on a commonly agreed Performance Assessment Framework, which takes place prior to the financial year in which disbursements are to be made. This in turn facilitates more strategic and realistic budget planning as GBS funds are known in advance;
- It directs the focus of **dialogue on national strategic issues** of policy and economic management, and in the process makes significant contributions to the design of policy;
- It directs the focus of **technical assistance and capacity development on core public policy and public expenditure processes**, thus contributing to the process of institutional renewal which the Government has undergone since early 1990s;
- It contributes to **transaction cost reduction, DP harmonisation and the alignment process** through adopting a common Performance Assessment Framework, holding joint dialogue, and by using Government systems for disbursement, procurement, accounting and auditing.

Basket funds

Basket funds have played a big role in financing core public reform programmes and development activities at the sector level. During the implementation process, the following shortcomings have however been experienced:

- They have created unnecessary parallel implementation and management systems and structures as well as financing mechanisms, thus adding transaction costs to the Government;
- They have limited the degree of Government ownership over resource allocation across and within sectors and reforms;
- Lack of complete and comparable information across sectors and reforms has created difficulties in reducing duplication of activities and maximizing complementarities.

Direct project funds

Direct project funds have also been important in financing development expenditures in the country. However, they have demonstrated the following disadvantages:

- The persistent high volume of off-budget project financing arrangements has provided many Government agencies with continued access to financing channels that largely bypass and therefore undermine the national budget process;
- The dominance of foreign project financing which continues to predominantly reflect the priorities of DPs has limited and undermined the discretion that is available to the Government to allocate funds in accordance with national priorities. This in turn has prevented the Government from taking full and effective ownership and leadership in managing the development process;
- Projects have often lacked transparency and DPs supporting the projects have been better informed about their implementation than the Government and other domestic stakeholders. Hence, accountability to DPs has been given priority over domestic accountability;
- Project funding has been more unpredictable than other modalities, as it depends on implementation progress that is difficult to bring in line with the national budget calendar.
- The setting up of costly Project Implementation Units (PIUs) parallel to Government systems and structures have undermined Government structures and systems and prevented project sustainability.

In respect of the above outlined advantages of GBS and limitations of other modalities, DPs will increasingly move to GBS from other modalities and adhere to criteria of **'good practice'** for using basket funds and direct project funds. In the medium-term, **basket funds** will be limited to those contexts where it is seen appropriate by the Government and significant transaction cost savings are possible, particularly in **protecting public reforms and/or thematic areas** which are not yet mainstreamed in normal Government activities. The already existing basket funds that do not meet these criteria will therefore be utilized as much as possible as a **transition measure to GBS**. **Direct project funds** to the Government will be utilized for **large-scale infrastructure investment**, for **piloting** where particular service delivery innovations or policies need to be tested before being mainstreamed in the normal Government system and machinery, and for **emergency aid** where quick and localised service delivery is needed. They will also continue to be used to support the **private sector** and **civil society**. Existing direct project funds that do not fit in these categories will be phased out over the medium-term.

In addition, basket funds and direct project funds that are provided to the Government will adhere to the following *principles*³⁴:

- They support national, sector and local priorities, strategies, plans and programmes, and are based on the Government's request to undertake such activities outside GBS. The request among others

³⁴ The principles are not applicable to emergency aid.

should explain why the basket fund or direct project fund approach is necessary or appropriate and how it is designed to support and integrate with local, sector and national strategies and plans.

- They are integrated in the national budget process and hence subjected to contestability of resources within the Government budget process.
- They operate within Government structures, systems, regulations and procedures and are consistent with achieving sustainability, complementarity, low transaction costs and local ownership.
- They are designed and implemented under the same conditions as other Government funded activities.
- They follow the proper Government process for project and programme approval.

7.2. Commitment and disbursement arrangements

In order to facilitate effective budget planning, execution and accounting, all external resources to the Government will be integrated into the Government budget and Exchequer system. This is in accordance with the Constitution of the United Republic of Tanzania, Chapter 7, Articles 135 and 136.

DPs will inform the Government, according to the agreed timetable through the annual PER process, of the full amount of funds committed over the three-year MTEF period, with minimum year-to-year variations in the rolling three-year MTEF commitments in order to increase predictability for outer years. This will also include DP funds provided to non-state actors in order to enable the Government to take these into account when planning its own activities and thus to avoid duplication or gaps.

All ODA disbursements to the Government will be made through the Government Exchequer system, whereby the Government will ensure timely provision of funds from receiving to spending agencies. GBS disbursements will be frontloaded in the first half of the fiscal year in line with the confirmed GBS schedule of disbursements in order to allow for a smooth release of resources for budget implementation. Basket and project fund disbursements will be made in accordance with the existing agreements or as amended. Aid disbursements made to the Government and to non-state actors will be reported by DPs on a quarterly basis within the PER process. Information on aid commitments and disbursements as well as disbursement modalities will be made available in a timely and transparent manner to all relevant stakeholders.

7.3. Disbursement arrangements for the Revolutionary Government of Zanzibar

External funding to the RGoZ for programmes and projects being implemented by the Government as well as GBS grants will be disbursed through the Government budget and Exchequer system. Financing for programmes and projects implemented directly by the RGoZ will be disbursed through the RGoZ budget and Exchequer system.

7.4. Procurement arrangements

DPs will work towards providing development assistance to the Government that is freely and fully available to finance procurement of goods and services from any country and source. Government procurement systems will be used to manage procurements in accordance with the Public Procurement Act No. 21 of 2004 (URT) and the Procurement and Disposal of Public Assets Act No. 9 of 2005 (RGoZ) and their regulations and procedures, which provide for the application of fair, competitive, transparent, non-discriminatory and value for money procurement standards and practices, whereby preference may be given to local suppliers under specified circumstances³⁵. Decisions to rely on Government rather than DP procurement systems will however also consider their efficiency and effectiveness and ability to ensure value for money.

³⁵ Sections 49 and 50 of the Public Procurement Act, 2005, state that a “margin of preference” or “exclusive preference” may be given to local persons or firms, also in joint venture with foreign providers.

DPs will work closely with the Government to address weaknesses and further strengthen Government procurement systems so as to attain international standards. Actions and processes for improving them will continue to be implemented and monitored jointly within the PFMRP.

7.5. Accounting and auditing

DPs will increasingly use Government accounting and auditing procedures and systems in line with the Public Finance Act No. 6 of 2001 (URT) and the Public Finance Act No. 12 of 2005 (RGoZ). The Government will enhance its capacity to provide reliable and timely accounting and audit reports at all levels. Actions and indicators for the Government (National Audit Office / Controller and Auditor General's Office of RGoZ) to improve accounting and auditing in line with international standards have been developed within the PFMRP process, which will continue to be jointly monitored.

7.6. Financing arrangements for non-state actors

The Government will maintain the independence of non-state actors in managing their own resources. This entails that DPs will continue providing direct development assistance to non-state actors. However, in line with existing policies and regulations (e.g. the NGO Act of 2002 (URT), the Zanzibar NGO Policy), NSAs will be required to maintain a high level of transparency and accountability and share information on their activities and financial resources with their own constituents and the Government. This will allow the Government to take NSA activities into account in its own planning process and thus to avoid duplication of efforts.

The Government will work closely with NSAs and other stakeholders including DPs to facilitate the development and adoption of standards/codes of conduct for NSAs' transparency and accountability, including the specification of narrative and financial reporting formats. A framework for incentives that rewards high accountability and adherence to good practices will be put in place.

8. Dialogue

8.1. Objectives and principles of dialogue

Dialogue is a discourse between stakeholders of particular issues with the view to learning, exchanging of information and views and guiding the development policy making process. High quality and regular dialogue between the Government, DPs and domestic stakeholders based on already existing national processes is crucial for the successful implementation of the JAST and the NSGRP/ZSGRP. Such processes include NSGRP/ZSGRP, GBS, PER, national budget, sector processes and reform programmes. In this regard, the Government, DPs and NSAs will use dialogue in order to:

- 1) Strengthen their partnership around common goals;
- 2) Improve public policy choices and the effectiveness of Government planning, budgeting and public service delivery;
- 3) Strengthen national ownership and the Government's role as leader in the development process;
- 4) Improve information sharing within their agencies and thus facilitate the adoption of consolidated views; and
- 5) Facilitate Government accountability to the citizens of Tanzania and mutual accountability.

In view of the above objectives, dialogue between Government, DPs and NSAs will be guided by the following *principles*:

- Dialogue takes place under **Government leadership** at the respective level, i.e. national, sector and/or local government, through good coordination and organisation providing predictability and an appropriate level of participation.
- Dialogue involves **all relevant stakeholders** in order to facilitate national ownership, and stakeholders have a clear understanding of the objectives of each dialogue forum and their roles and responsibilities therein.

- All stakeholders participate in dialogue with the view to facilitate **domestic accountability**.
- Dialogue is **open and frank and based on mutual trust** and respect in order to allow for a fruitful exchange of views and, where necessary, for formulating a consensus. Every participant has an equal opportunity to share their views.
- Dialogue seeks to **minimise transaction costs** through simplification and rationalization around the national calendar of policy and consultative processes.
- Issues discussed in dialogue are subject to **thorough scrutiny** in order to enhance accountability and the quality of final agreements.
- **Information** is shared among stakeholders in a **transparent, timely, clear and accessible** manner. This includes advance communication and dissemination of material in preparation of dialogue fora.
- Dialogue has **established follow-up mechanisms** for the outcomes of dialogue and dialogue outputs feed into policy making.

The Government and DPs will establish an objective mechanism for monitoring adherence to these principles in the context of monitoring JAST, whereby results are considered by all stakeholders in order to ensure mutual accountability.

8.2. Dialogue structure

Dialogue between the Government, DPs and other stakeholders will take place at various levels within the already existing structures under the national budget, NSGRP/ZSGRP and other processes. The Government will strengthen dialogue mechanisms at all levels as well as their linkages around the national budget and NSGRP/ZSGRP processes (see annex 1). Key national multi-stakeholder fora are outlined in table 2 below. All stakeholders respect these fora as the primary tool for entering dialogue on the respective issues.

In addition to the above listed multi-stakeholder consultative fora, the Government will maintain and further strengthen internal dialogue mechanisms at national, sector and local level, between central and local government authorities, following the appropriate channels of communication. Where applicable, this will take place through established umbrella bodies, e.g. ALAT, rather than on an individual level. DPs will also maintain an effective dialogue structure among their agencies, in particular within arrangements of delegated co-operation.

8.3. Sector dialogue

As the overarching strategy for guiding the use of external resources to support the implementation of the NSGRP/ZSGRP, the JAST promotes the strengthening of underlying sector processes through effective participation in dialogue by all stakeholders. Based on the division of labour identified under section 6 and the principles for effective dialogue outlined in section 8.1., relevant Government, DP and NSA stakeholders are expected to participate in sector dialogue especially by using Sector-Wide Approaches (SWAPs). SWAPs will thus serve as instruments for organising sector dialogue around strategic issues and overall policy directions rather than for deciding on the provision of funding. Stakeholders will engage in transparent and timely sector dialogue, particularly for scrutinising spending plans, for assessing performance in implementing sector policies, strategies and plans, the effectiveness of budgeting and execution and its link to the NSGRP/ZSGRP as well as linkages with other sectors, and for informing decision-making at sector level. Sector reviews will also consider the effectiveness of DP supported programmes and projects in contributing to NSGRP/ZSGRP outcomes. Outputs of sector dialogue will feed into cluster and national processes (e.g. NSGRP/ZSGRP, national budget/PER, GBS review). Their timing and scope will therefore be aligned to these processes. Although JAST will guide overall sector-level dialogue improvement, specific actions to enhance dialogue will be decided by each sector, reflecting different degrees of maturity in terms of capacity and environmental setup.

9. Risk mitigation

Various factors may put the implementation of the JAST at risk. The main risks to be addressed are political, institutional and operational, and fiduciary.

9.1. Political risk

Political risk relates to the non-implementation of JAST or reversal of the Government's commitment to its implementation due to political instability or other adverse political events, changing political leadership or problems of political governance. This includes the Government's move away from its stated goal of working towards national development and poverty reduction. Political risk also includes the risk that different interest groups within Government and domestic stakeholders will not support the JAST.

These risks are addressed and mitigated in the following ways:

- (1) Cabinet approval of the JAST gives the JAST a firm political grounding and will make reversal difficult as the JAST will be a binding national strategy for the Government of Tanzania.
- (2) Divergence from JAST partnership arrangements will be dealt with through consultation and dialogue between the Government and DPs at the appropriate level for decision-making.
- (3) The Government is committed to improving governance, accountability and national unity, which is addressed in the NSGRP/ZSGRP as well as in various reform programmes (e.g. the PSRP, PFMRP, LSRP, NACSAP, LGRP and RGoZ reforms) and is subject of continuous high-level dialogue between the Government and DPs.
- (4) The Government will continue to raise Parliamentarians', Councillors' and politicians' awareness of the JAST and will support the strengthening of their capacity in fulfilling their role in the JAST process.
- (5) All levels of Government as well as NSAs have been consulted in and have supported the formulation of the JAST. Throughout the JAST implementation process, Government and non-governmental stakeholder support will continue to be forged through ongoing awareness and capacity building, information sharing as well as their participation in various consultative fora, including the JAST review.

Political risk also occurs on the part of DP country governments, for example through government change or other internal political events that weaken or reverse commitment to the JAST or to previously promised funding support. To mitigate the risk that DP countries or headquarters reverse their commitment to the JAST,

- (1) Bilateral agreements and country assistance strategies of DPs will be brought in line with JAST;
- (2) The Government and DPs will engage in consultation and dialogue at the appropriate level for decision-making in case of a divergence from JAST partnership arrangements by DPs; and
- (3) DPs will take their commitment to the Paris Declaration and other international aid effectiveness initiatives seriously and will continue to advocate at headquarter and international level for adherence to these commitments.

9.2. Institutional and operational risk

The Government at national, sector and local level and DPs at country and headquarter levels face institutional and operational risks in implementing the JAST, as the JAST is highly demanding of both Government and DP capacity. It requires substantial changes in the way things are done including improvements in individual, organisational and institutional capacity and the incentive structure that motivates people and organisations.

To mitigate this risk within Government agencies, the Government will

- (1) Continue to raise awareness among Government officials in all MDAs, Regions and LGAs of the content, benefits and functioning of JAST;
- (2) Clearly identify and communicate their roles and responsibilities in implementing JAST;
- (3) Strengthen Government ownership and leadership of the JAST through capacity development, as outlined in section 5.3;
- (4) Work to achieve better organisation and better horizontal co-operation within and between Government agencies including more effective information sharing and consensus building; as well as

- (5) Regularly monitor and review together with DPs and NSAs including the IMG Government agencies' performance under JAST, which will allow for risks to be identified on a continuous basis.

JAST also requires that DP agencies change their practices as well as their attitude toward the Government and development co-operation, adopt a flexible approach to their development operations and accept that doing business in Tanzania may differ from other countries. The risk of non-compliance with the JAST and of loss of institutional memory will be mitigated by

- (1) Better handing-over procedures,
- (2) Adequate training and agency capacity development,
- (3) Appropriate recruitment policies and staff performance assessment in line with the requirements of JAST, as well as
- (4) Greater devolution of authority from headquarters to field offices.

9.3. Fiduciary risk

Fiduciary risk arises from public expenditures: (a) not being properly accounted for, (b) not being used for its intended purposes, and (c) not representing value for money. Fiduciary risk covers the budgetary process, effectiveness of the financial and legal system and other areas. The Government will take ownership over fiduciary risk assessment and will establish or strengthen appropriate systems for this purpose. DPs will harmonise their fiduciary requirements and safeguards.

Measures to be undertaken by the Government with the support of DPs to address fiduciary risk are:

- (1) Ongoing efforts to strengthen strategic budget planning and execution as well as effective operation of the Government's financial management and accountability systems at central, sector and local government levels under the NSGRP/ZSGRP, PFMRP and LGRP;
- (2) Building an efficient and effective procurement system by implementing the Public Procurement Act No. 21 of 2004 (URT) and the Procurement and Disposal of Public Assets Act No. 9 of 2005 (RGoZ), so as to ensure competitive and open, decentralised procurement and cost-effective purchases in line with international standards;
- (3) Improving transparency in public spending;
- (4) Ongoing national anti-corruption measures under NSGRP/ZSGRP and the National Anti-Corruption Strategy and Action Plan;
- (5) Strengthening the technical and administrative capacity of Government agencies through on-going implementation of the PSRP;
- (6) Open and frank policy dialogue on public financial management, accountability issues and corruption;
- (7) Monitoring and evaluation of the effectiveness of public financial management and accountability systems in the NSGRP/ZSGRP, PER and PFMRP processes; as well as
- (8) Periodic harmonised diagnostic reviews under Government leadership within existing Government processes.

10. Monitoring and evaluation of the JAST

The Government and DPs will regularly monitor and evaluate their performance relative to the jointly agreed indicators, targets and actions outlined in the JAST monitoring matrix and the JAST Action Plan respectively in order to assess their progress towards achieving JAST objectives and commitments. JAST indicators, targets and actions will be drawn from six broad monitoring categories and also reflect the internationally agreed Paris Declaration indicators as adapted to the Tanzanian context:

1. ***National ownership and Government leadership*** of the development process and of aid management. Areas of concern under this area include: Government planned and organised dialogue process, national capacity development, and domestic stakeholder involvement in managing the development process.

2. **Alignment** of DP support and processes to Government priorities strategies, institutions, systems and processes. Some of the issues to be monitored under this theme are: DP processes respect the Government calendar of processes, move towards budget support modality, contribution of programmes/projects to specific NSGRP/ZSGRP operational targets and cluster strategies, timely MTEF commitments and disbursements, and Government strengthening of public financial management systems.
3. **Harmonization** and rationalization of Government and DP processes around the NSGRP/ZSGRP and national budget. Some of the monitoring areas are: harmonizing sector ministry and local government processes around NSGRP/ZSGRP and national budget processes, streamlining missions/meetings/reviews, delegated co-operation and division of labour, sharing information and country analytic work.
4. **Managing for results** on NSGRP/ZSGRP. In this area, monitoring under the JAST will among others look at DP focus of support on results in the NSGRP/ZSGRP, their reliance on Government monitoring and evaluation frameworks and systems, and the functioning of these systems including the NSGRP/ZSGRP monitoring system and review processes, as well as Government strategic resource allocation for implementing the NSGRP/ZSGRP.
5. **Operational functioning of JAST** including the effectiveness of dialogue mechanisms, institutional structures and risk mitigation measures.
6. **Mutual and domestic accountability.**

Monitoring and evaluation of the JAST will take two forms: (1) Joint Monitoring and Evaluation, and (2) an assessment by the Independent Monitoring Group.

1. The Government and DPs in consultation with NSAs will undertake a joint annual review of the JAST. The review will be coordinated by a joint Government-DP JAST Working Group. It will to the greatest extent possible use the existing Government processes as the main avenues for detailed discussion, dialogue and information generation. They include the national budget/MTEF/PER, NSGRP/ZSGRP and GBS processes. JAST monitoring and evaluation will be integrated in the regular monitoring and evaluation systems of MDAs, Regions and LGAs. For this purpose, internal monitoring and reporting mechanisms will be established and strengthened.

An annual JAST report will bring together the results including progress, challenges and the way forward and will be made available in a timely manner to all stakeholders and the general public in order to facilitate domestic accountability. In addition, a comprehensive joint mid-term and final review of JAST implementation will be undertaken in each five-year cycle.

2. The Government and DPs will jointly commission an Independent Monitoring Group (IMG) to undertake an independent mid-term and final assessment of the performance of the Government and of DPs in implementing the JAST in line with the JAST indicators, targets and actions. It will also look at country progress towards meeting the international objectives and commitments on aid effectiveness. The IMG exercise will contribute to strengthening mutual accountability between the Government and DPs. It will also facilitate increased domestic accountability through dissemination of the IMG report to the general public and stimulation of public debate on the findings.

The frequency and outputs of the JAST monitoring and evaluation process are outlined in the table below.

Table 3: JAST Monitoring Process

Actors	Year 1	Year 2	Year 3	Year 4	Year 5	Year 1
Government, DPs, NSAs		Report 1	Report 2	Report 3/ Mid-term Report	Report 4	Report 5/Final Report
IMG						IMG Report

→	→		IMG Report			
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JAS GLOSSARY

In the context of development partnership in Tanzania, the below listed terms have the following meaning:

Aid modality: An aid modality is a mode of providing development assistance, e.g. general budget support, under which aid is provided to the general budget; (2) basket funds, under which support is provided to a programme or sector; and (3) direct project funds, under which assistance is provided to a particular project.

Basket Fund: A basket fund is a funding modality under which more than one Development Partner collectively funds a country's development programme or sector as a whole with harmonised procedures, processes, etc.

Capacity development: Capacity development is the process of unleashing, creating, strengthening, adapting and maintaining the capacity of individuals, organisations, institutions and society as a whole.

Comparative/competitive advantage: Comparative advantage is defined as an area/activity in which an agency is considered to be at its most effective in relation to all other areas/activities in which the agency is or could be engaged. Competitive advantage refers to an agency's ability to perform an activity better than other agencies do. For deciding a rationalised division of labour in the context of JAST, both criteria apply such that where several agencies' comparative advantage lies in the same area, competitive advantage may be used as the overriding criteria. Where an agency has a competitive advantage in several areas, its comparative advantage will determine the agency's area of focus.

Consultant: A consultant is defined, according to the Public Procurement (Selection and Employment of Consultants) Regulations (2005) of the Public Procurement Act No. 21 of 2004 (URT), Section 3, as "a firm, company, corporation, organisation, partnership or individual person registered or capable of being registered by the relevant professional regulatory body engaged in or able to be engaged in the business of providing services in architecture, economics, engineering, surveying, accountancy, auditing, taxation, management or any field of professional activity including technical assistance, and who is, according to the context, a potential party or the party to a contract with the procuring entity".

A national consultant is defined by the above mentioned Regulation as "an individual consultant whose nationality is that of Tanzania or a consulting firm whose majority share capital, as far as the ownership thereof is or can be publicly known, is owned by citizens of Tanzania".

A foreign consultant is defined by the same Regulation as "either an individual consultant whose nationality is that of a foreign country or a consulting firm whose majority of its share capital, as far as the ownership thereof is or can be publicly known, is owned by citizens of foreign countries".

Consultancy service: A consultancy service is defined, according to the Public Procurement (Selection and Employment of Consultants) Regulations (2005) of the Public Procurement Act No. 21 of 2004 (URT), Section 3, as "a service of an intellectual or advisory nature, provided by a practitioner who is skilled and qualified in a particular field or profession and includes, but not limited to, engineering design or supervision, architecture, quantity surveying, accountancy, auditing, financial services, procurement services, training and capacity building services, management services, policy studies, and advice and assistance with institutional reforms".

Development Partners: Development Partners are members of the Development Partners Group (DPG) and other bilateral or multilateral agencies that provide official development assistance to Tanzania.

Domestic accountability: Domestic accountability refers to the responsibility and answerability of the Government to its citizens for its decisions and actions including the use of public resources, the provision of public services and the implementation of its commitments to the attainment of development results.

Exchequer System: The Exchequer System is a system for capturing and accounting for all resources available to the Government and expenditures by the Government. It involves the depositing/channelling of public financial and non-financial resources through the Government Consolidated Fund and appropriation from it by the Act of Parliament and accounting for them by the Minister for Finance. The current Government Exchequer system is managed in a computerized Integrated Financial Management System.

Financial Year (FY): The financial year of the Government starts on 1 July and ends on 30 June.

General Budget Support (GBS): GBS is an aid delivery modality which provides financial assistance to the overall national budget (Government Consolidated Fund). It is allocated by the Government according to its legal and budgetary process and hence subjected to the same degree of contestability as domestic resources.

Leadership (of the Government): Government leadership refers to the Government's responsibility to effectively guide and manage the country's development process and its precedence over other stakeholders in deciding development priorities, policies, strategies and actions.

Medium-Term Expenditure Framework (MTEF): The MTEF is the Government's budget planning tool, providing a resource framework for three financial years on a rolling basis.

Monterrey Consensus: The Monterrey Consensus on Financing for Development, agreed by donor agencies and developing countries at the United Nations International Conference on Financing for Development in Monterrey, Mexico, in March 2002, emphasises among others the importance of developing countries to take the lead in managing their development process and of developed countries to provide increased and more effective aid.

Mutual accountability: Mutual accountability refers to the responsibility and answerability of both the Government and its Development Partners to domestic stakeholders and to each other for their actions in fulfilling their shared commitments in development co-operation.

National Poverty Eradication Strategy (NPES): The NPES, prepared in 1997, spells out Tanzania's long-term poverty reduction targets. It provides a guiding framework for coordinating and supervising the formulation, implementation and evaluation of policies and strategies for poverty eradication and identifies three areas for strategic intervention: (1) creation of an enabling environment for poverty eradication; (2) capacity building for poverty eradication; and (3) poverty eradication.

National Strategy for Growth and Reduction of Poverty (NSGRP/MKUKUTA): The MKUKUTA is Tanzania's second-generation PRS. It is the central coordinating framework for growth and poverty reduction initiatives in the country. It is set out for five years and adopts an outcome-based rather than a sector-oriented approach, based on three broad clusters: (1) growth and income poverty reduction; (2) improvement of the quality of life and social well-being; and (3) governance and accountability.

National Vision 2025: The National Development Vision 2025, formulated in 1998, is Tanzania's overall development framework that lays out long-term national social and economic development goals. It envisages that by the year 2025, Tanzania will have graduated from a least developed country to a middle income country with a competitive economy capable of producing sustainable growth and shared benefits, a high quality livelihood, a well educated and learning society, peace, stability and unity, as well as good governance.

Non-governmental organisation (NGO): NGOs are according to the NGO Act, 2002, Section 2, defined as "a voluntary grouping of individuals or organization which is autonomous, non-partisan, non-profit making, which is organized locally at the grassroots, national or international levels for the purpose of enhancing or promoting economic, environmental, social or cultural development or protecting environment, lobbying or advocating on issues of public interest of a group of individuals or organization, and includes a non-governmental organization established under the auspices of any religious organization

or faith-propagating organization, trade union, sports club, political party, or community based organization; but it does not include a trade union, a social club or a sports club, a political party, a religious organization or a community based organization.”

Non-state actors: Non-state actors are local communities; civil society organisations (CSOs) including non-governmental organisations (NGOs), community-based and faith-based organisations; academic and research institutions; the private sector and the media.

Official development assistance (ODA): ODA consists of grants and concessional loans (i.e. loans with a grant element of at least 25 percent) that are provided by the official sector (bilateral or multilateral agencies) to developing countries for the purpose of supporting economic development and welfare. In addition to financial flows, ODA includes technical assistance.

O&OD planning methodology: The Obstacles & Opportunities for Development (O&OD) approach is a participatory planning methodology that consists of a comprehensive assessment of community needs and capacities in a particular council, which can be updated periodically. It is the Government’s approved planning methodology at local government level.

Ownership (national): National ownership means that citizens through their Government take responsibility in managing the country’s development and poverty reduction processes according to national priorities and citizens’ needs. It includes the active participation of citizens in formulating, implementing, monitoring and evaluating the country’s development and poverty reduction policies, strategies and programmes. It also means that citizens hold the Government to account for the use of public funds and its commitments, including the provision of public services and the attainment of development results.

Performance Assessment Framework (PAF): The PAF consists of a range of performance indicators for the Government. It is used by GBS partners as a basis for deciding their provision of general budget support for the next financial year.

Paris Declaration 2005: The Paris Declaration was adopted at the Second High Level Forum on Aid Effectiveness in Paris in March 2005. It commits donors and developing countries to take far-reaching and monitorable actions to reform the ways in which aid is delivered and managed for greater aid effectiveness. The Partnership Commitments of the Declaration focus on national ownership, harmonisation, alignment, managing for results, and mutual accountability.

Performance Management System (PMS): The PMS is a planning and monitoring framework that links institutional plans to individual responsibilities by relating what individuals do to what institutions aim to achieve. It was developed in 1999 during the first phase of the PSRP and includes the following components: service delivery surveys, self assessments, MDA strategic plans, operational and action plans, client service charters, an Open Performance Review and Appraisal System, and a Monitoring and Evaluation System in the Policy and Planning Departments of MDAs.

Poverty Reduction Strategy (PRS): The PRS is the national medium-term framework for poverty reduction. The country’s first PRS, the Poverty Reduction Strategy Paper, was drawn up in 2000 in the context of the enhanced HIPC Initiative covering a period of three years. It focused its interventions for poverty reduction on seven priority sectors (Basic Education, Primary Health, Water, Rural Roads, Judiciary, Agriculture Research and Extension, and HIV/AIDS).

Project Implementation Unit (PIU): A PIU is a dedicated management unit designed to support donor funded projects or programmes.

Parallel PIUs are created outside the existing structure of the national implementing agency or duplicate or recreate ministry functions and capabilities.

Rome Declaration 2003: The Rome Declaration on Aid Harmonisation was adopted at the First High Level Forum on Harmonisation in Rome in February 2003. It commits developing countries and donors to taking action to enhance developing country ownership in the development process and to improve the management and effectiveness of aid by implementing a range of good practice principles and standards for development cooperation. These include among others: ensuring that harmonisation efforts are adapted to the country context and that donor assistance is aligned with the recipient's priorities and systems; expanding country-led efforts to streamline donor procedures and practices; reviewing and identifying ways to adapt institutions' and countries' policies, procedures, and practices to facilitate harmonisation; improving transparency, accountability and predictability of aid including the use of national financial systems in aid delivery; providing budget, sector and balance of payments support; as well as strengthening the capacity of aid recipient governments.

Sector-Wide Approach (SWAp): A SWAp is a mechanism for organising dialogue between the relevant Government agency, Development Partners and non-state actor stakeholders around a particular sector and its policies, strategies and programmes. Development Partners adopt a harmonised approach to their engagement in the sector. A SWAp is not a funding instrument and all aid modalities (GBS, basket and project funds) can be used under it.

TAS best practices: The 13 TAS best practices are (1) the Government takes leadership in developing policy priorities, strategic frameworks and institutionalised cooperation mechanisms in various areas and sectors; (2) the Government involves civil society and the private sector in developing national policies, strategies and priorities; (3) the Government prioritises and rationalises development expenditures in line with stated priorities and resource availability; (4) resources are integrated into a strategic expenditure framework; (5) reporting and accountability systems are integrated; (6) resource disbursements are adequate relative to prior commitments; (7) the timing of resource disbursements is responsive to exogenous shocks to the Tanzanian economy; (8) Development Partner policies complement domestic capacity building; (9) firm aid commitments are made for longer time periods; (10) public financial management is improved; (11) the Government creates an appropriate national accountability system for public expenditure; (12) Ministries, regions and districts receive clean audit reports from the Controller and Auditor General; and (13) reporting and accountability at national and sector level is transparent.

Tanzania National Business Council (TNBC): The TNBC is the main forum for consultation between the public and private sectors on strategic issues of economic growth and development. It consists of representatives from the Government, the private sector, organized labour and academia and is chaired by the President of the United Republic of Tanzania.

Technical assistance (TA): TA is defined as the provision of local or foreign personnel for advisory or consultancy services, of equipment, training, research and associated support with the aim to share, adapt and develop ideas, knowledge, skills or technologies.

Untied technical assistance: Untied TA is technical assistance that is not bound to the source of financing and not part of a funding conditionality but can be freely procured from any source (including the financing provider) depending on the Government's choice.

Zanzibar Vision 2020: The Zanzibar Vision 2020 is a long term plan for eradicating absolute poverty and attaining overall sustainable human development in Zanzibar by the year 2020.

Zanzibar Poverty Reduction Plan (ZPRP): The ZPRP was the RGoZ's first medium-term plan for the implementation of the Zanzibar Vision 2020. The Plan had a span of three years (2002-2005), focusing on reducing income poverty, improving human capabilities, survival and social well-being, and containing extreme vulnerability through selected priority areas of health, water, agriculture, infrastructure (esp. rural roads), combating HIV/AIDS and promoting good governance.

Zanzibar Strategy for Growth and Reduction of Poverty (ZSGRP/MKUZA): The ZSGRP is the second generation of the Zanzibar Poverty Reduction Plan (ZPRP), aiming at enhancing economic growth and reducing poverty. It is a results-based strategy, emphasizing cross-sectoral linkages and focusing on

attaining outcomes in three broad clusters, namely (1) growth and reduction of income poverty, (2) social services and well being, and (3) good governance and national unity.

Zanzibar Business Council: The Zanzibar Business Council is a dialogue forum for enhancing public-private partnerships for achieving poverty reduction through promoting and building a conducive policy and regulatory environment to support the development of a vibrant and competitive private sector. It consists of representatives of the Government and the private sector and is chaired by the President of the RGoZ.

ANNEX 2

Key Stages in the JAST Development Process

June 2003	PRS/Harmonisation Technical Retreat discusses joint Government-DP study on the scope for harmonising and rationalising Government and DP processes and raises idea to develop a JAST
Sep 2003	Rationalisation High-Level Forum agrees on the development of a JAST
Aug 2004	The Government prepares zero draft JAST Concept Paper and discusses it at the level of Directors of Policy and Planning
Dec 2004	The Government prepares first draft JAST Concept Paper and circulates it to MDAs, DPs and NSAs for comments
Apr 2005	First high-level JAST Consultative Meeting between Government, DP head and field offices, and NSAs
May 2005	The Government prepares first draft JAST Document and circulates it for comments to MDAs, LGAs, Tanzanian Embassies, DPs and NSAs
Sep 2005	JAST Consultation with NSAs
Nov 2005	The Government prepares second draft JAST Document JAST Consultation with Directors of Policy and Planning
Feb 2006	JAST Consultation with Parliamentarians JAST Consultation with Permanent Secretaries
Mar 2006	The Government prepares third draft JAST Document
Apr 2006	JAST Consultation with Principal Secretaries and Directors of Planning and Administration of the RGoZ Second high-level JAST Consultative Meeting between the Government and DPs
May 2006	JAST Document is presented to the RGoZ Planning Commission Finalisation of JAST Document
June 2006	JAST presented to Cabinet
Jul 2006	Launch and start of JAST implementation

ANNEX 3 Annual Government Calendar of Processes *[subject to change]*

Quiet Time shaded →”	July	August	September	October	November	December	January	February	March	April	May	June
NSGRP	National Poverty & Human Dev't Report (every two years)		NSGRP Annual Review-Progress report	JSA (Joint Staff Assessment)	Poverty Policy Week							
National Budget & MTEF	Government Budget Session and approval			Budget Guidelines Preparation			Budget Guidelines	Sector Budget and MTEF Preparation		Budget and MTEF Finalization by MoF		Government Budget Books published, National Budget Session
PER		Submission of Cluster Studies	Submission of Projections by DPs							PER Annual Review Meeting / PEFAR Report		
PER at LGA level		Preparation of ToR and request of consultants			Submission of 1 st draft of PER studies	Presentation of studies to sector group	Presentation of studies to cluster group		Submission of final PER studies to Treasury			
GBS				Annual GBS Review Meeting		Firm Commitments of Budget Support						
PSI				IMF PSI Review Mission	IMF Staff PSI Report Issued						IMG PSI Review Mission	IMF Staff PSI Report issued
DCF		DCF Meeting			DCF Meeting			DCF Meeting			DCF Meeting	
JAST			JAST Working Group Meeting		JAST Annual Report	JAST Working Group Meeting			JAST Working Group Meeting			JAST Working Group Meeting

ANNEX 4

Key dialogue fora at national level

Forum	Actors	Issues to discuss	Output	Linkage to other processes
NSGRP/ ZSGRP process, Poverty Policy Week	Government, DPs, NSAs	Assessment of progress in implementing NSGRP/ZSGRP, including sector reforms and cross-cutting issues	Annual NSGRP/ZSGRP report, biennial PHDR (both are published)	Feed into national budget, JAST process, and the preparation of plans, programmes, projects at national, sector, local levels
PER	Government, DPs, NSAs	National and local government budget performance and resource allocation in line with NSGRP/ZSGRP, public financial management and procurement, macro economic issues, financial accountability and fiduciary risk, DP adherence to JAST aid predictability criteria	Cluster studies, PEFAR report, data on aid predictability	Feed into national budget preparation, NSGRP/ZSGRP and JAST process
GBS process	Government, GBS-DPs	PAF assessment (1. growth and income poverty reduction, 2. improvement of quality of life and social well-being, 3. governance, 4. resource allocation and budget consistency, 5. public financial management and accountability, 6. macroeconomic stability), strategic and technical issues of GBS, DP performance in meeting their commitments as outlined in the Partnership Framework Memorandum	GBS review report (posted on MoF website), reassessment of PAF indicators (annex in GBS review report), GBS commitments for next FY	Provide findings to JAST process; inputs into national budget preparation
PSI	Government, IMF, BoT, GBS-DPs	Macroeconomic performance	Memorandum of Economic and Financial Policies	Provide inputs to GBS process
Development Cooperation Forum	High Level Government and DP repres.	Strategic debate, consultation and policy advice on NSGRP/ZSGRP, JAST, cross-cutting issues, key policy reforms, aid exit strategy	Advise on high-level political decisions	Feeds into JAST process
JAST process	Government, DPs, NSAs	Assessment of Government and DP implementation of JAST	Annual JAST report (to be published), reassessment of JAST Actions (posted on MoF website), biennial IMG report	Informs Government-DP partnership relations

Annex 5: Financial Donor matrix

FY 2006-2007 MTEF projections

Dev. Partner/ Sectors	General Budget Support	Economic management	Agriculture&rural development	Natural Resources, Environment, Tourism	Energy	Infrastructures& Transport	Trade®ional integration	Private sector	Education
Multilateral donors									
IMF Afitrac		297.250,00						174.000,00	
AfDB	74.709.000,00		11.222.636,56		0,00	18.587.599,20		1.001.100,60	9.189.207,00
BADEA									
IFAD			19.570.762,00						
World Bank	85.104.707,99	202.800.000,00	20.880.000,00	19.224.000,00	16.000.000,00	56.728.000,00	10.284.000,00	8.400.000,00	50.000.000,00
FAO			6.688.750,00						
UNICEF		90.000,00	100.000,00						2.549.386,00
UNDP		2.918.119,42		825.075,00	366.125,00			528.267,00	
UNESCO									1.224.702,00
UNFPA		1.628.282,00							289.231,00
UNIDO			121.906,00	20.445,00	50.000,00		868.150,00		5.011.479,00
ILO									
UN Habitat									
UNCDF								300.000,00	
UNAIDS									
UNHCR				2.245.000,00					
WFP			636.300,00						3.470.400,00
WHO									
Sub-total	159.813.707,99	207.733.651,42	59.220.354,56	22.314.520,00	16.416.125,00	75.315.599,20	11.152.150,00	10.403.367,60	71.734.405,00
Bilateral donor									
Canada				753.487,00				1.000.000,00	
Japan	24.386.592,03	958.215,80	1.264.844,85		7.953.191,11	10.540.373,77			95.821,58
Norway	27.999.915,82	1.487.347,13	3.623.518,52	3.458.813,13	7.411.742,42	26.699.566,79			1.482.348,48
Switzerland	4.615.384,62	1.039.230,77	2.126.923,08	3.914.437,00		2.038.461,54	520.000,00	750.000,00	
USAID								2.135.958,00	
Sub-total	57.001.892,47	3.484.793,69	7.015.286,45	8.126.737,13	15.364.933,54	39.278.402,10	520.000,00	3.885.958,00	1.578.170,06
European Union									
Belgium			2.665.592,29	1.889.725,00		739.750,00			726.300,00
Denmark	16.209.090,91	4.502.525,25	10.193.717,17	5.961.343,43		29.950.797,98		10.806.060,61	
Finland	11.578.409,64			4.258.127,43				1.345.000,00	497.650,00
France				269.000,00		215.200,00	45.730,00		3.530.625,00
Germany (KfW+GTZ)	8.742.500,00			1.977.150,00	538.000,00				
Ireland	13.988.000,00		2.152.000,00	538.000,00					
Italy									
Netherlands	40.350.000,00							1.640.900,00	1.008.750,00
Sweden	44.474.747,47	3.706.228,96	2.964.983,16	1.482.491,58	15.566.161,62	444.747,47		7.308.683,50	21.644.377,10
UK	173.087.878,79	14.042.873,47		3.717.019,89					
EC	43.309.000,00		8.821.918,22	4.267.338,66	753.200,00	69.940.000,00			
Sub-total	351.739.626,81	22.251.627,68	26.798.210,84	24.360.196,00	16.857.361,62	101.290.495,45	45.730,00	21.100.644,11	27.407.702,10
T O T A L	568.555.227,26	233.470.072,79	93.033.851,85	54.801.453,13	48.638.420,15	215.884.496,75	11.717.880,00	35.389.969,71	100.720.277,17

FY 2006-2007 MTEF projections

Dev. Partner/ Sectors	Health	HIV-AIDS	Social dev. Incl gender	Water	Culture	Governance (inc.NGOs)	Humanitarian	Other/Unallocated	T O T A L
Multilateral donors									
IMF Afritac									471.250,00
AfDB	6.230.730,60			28.497.000,96		3.140.930,72			152.578.205,64
BADEA									0,00
IFAD									19.570.762,00
World Bank	12.800.000,00	26.400.000,00	20.000.000,00	32.000.000,00		37.200.000,00			597.820.707,99
FAO									
UNICEF	1.698.111,00	259.019,00	825.745,00	46.133,00		777.000,00	930.000,00	10.959.411,00	18.234.805,00
UNDP		441.643,00		1.500.000,00		6.269.600,43		2.304.973,65	15.153.803,50
UNESCO			50.000,00		345.324,00			816.600,00	2.436.626,00
UNFPA	1.492.089,00	560.000,00	513.126,00						4.482.728,00
UNIDO									6.071.980,00
ILO			2.451.116,00						2.451.116,00
UN Habitat			243.000,00	1.033.000,00		211.050,00			1.487.050,00
UNCDF									300.000,00
UNAIDS									0,00
UNHCR							13.655.000,00		15.900.000,00
WFP	376.975,00	133.800,00					43.620.241,00		48.237.716,00
WHO	1.055.500,00								1.055.500,00
Sub-total	23.653.405,60	27.794.462,00	24.082.987,00	63.076.133,96	345.324,00	47.598.581,15	58.205.241,00	14.080.984,65	892.941.000,13
Bilateral donor									
Canada	3.230.000,00	2.459.149,00	4.831.186,00			70.030,00		1.364.303,00	13.708.155,00
Japan	310.653,56	3.577.977,79		12.744.270,10		1.485.234,49			63.317.175,07
Norway	1.976.464,65	6.493.509,89				8.464.562,81		4.632.339,02	93.730.128,67
Switzerland	6.003.846,15	38.461,54	153.846,15	1.084.615,38		846.153,85	1.295.384,62	1.384.615,38	25.811.360,08
USAID	22.564.869,00	57.216.866,00				1.052.958,00		14.745.000,00	97.715.651,00
Sub-total	34.085.833,36	69.785.964,21	4.985.032,15	13.828.885,48	0,00	11.918.939,14	1.295.384,62	22.126.257,40	294.282.469,82
European Union									
Belgium	843.315,00	551.450,00	605.250,00	390.050,00		7.616.062,50	336.250,00		16.363.744,79
Denmark	19.775.090,91		1.620.909,09			5.583.131,31	6.843.838,38		111.446.505,05
Finland						6.836.635,00			24.515.822,07
France				1.614.000,00	513.790,00	269.000,00			6.457.345,00
Germany (KfW+G)	16.409.000,00			25.569.795,00		4.505.750,00			57.742.195,00
Ireland	8.339.000,00	3.093.500,00				3.093.500,00		269.000,00	31.473.000,00
Italy									0,00
Netherlands	13.846.775,00					11.244.200,00			68.090.625,00
Sweden		7.708.956,23	770.895,62		5.633.468,01	3.928.602,69			115.634.343,43
UK	7.478.958,00		758.736,49			21.329.230,82	1.923.198,65		222.337.896,10
EC	2.808.748,71	2.331.490,25	897.634,17	19.984.386,60		16.570.736,25		3.631.500,00	173.315.952,85
Sub-total	69.500.887,62	13.685.396,48	4.653.425,37	47.558.231,60	6.147.258,01	80.976.848,57	9.103.287,04	3.900.500,00	827.377.429,29
T O T A L	127.240.126,58	111.265.822,69	33.721.444,52	124.463.251,04	6.492.582,01	140.494.368,87	68.603.912,65	40.107.742,05	2.014.600.899,23

FY 2007-2008 MTEF projections

Dev. Partner/ Sectors	General Budget Support	Economic management	Agriculture&rural development	Natural Resources, Environment, Tourism	Energy	Infrastructures& Transport	Trade®ional integration	Private sector	Education
Multilateral donors									
IMF Afitac		305.000,00						175.000,00	
AfDB			20.524.056,48			26.584.450,56			7.662.155,04
BADEA									
IFAD			17.070.762,00						
World Bank	300.318.459,94	4.800.000,00	28.000.000,00	35.752.000,00	40.000.000,00	70.400.000,00	10.492.000,00	13.040.000,00	8.000.000,00
FAO			1.197.413,00						
UNICEF									
UNDP									
UNESCO									
UNFPA		2.060.000,00							150.000,00
UNIDO				20.000,00	36.332,00		834.908,00	1.250.535,00	
ILO									
UN Habitat									
UNCDF								300.000,00	
UNAIDS									
UNHCR				2.170.000,00					
WFP			865.350,00						3.491.700,00
WHO									
Sub-total	300.318.459,94	7.165.000,00	67.657.581,48	37.942.000,00	40.036.332,00	96.984.450,56	11.326.908,00	14.765.535,00	19.303.855,04
Bilateral donor									
Canada				257.057,32				2.490.011,47	
Japan	22.977.859,82	902.862,86	902.862,86		7.584.048,03	8.486.910,89			90.286,29
Norway	28.001.145,98		3.623.677,72	3.458.965,09	23.059.767,28	28.824.709,10			1.070.632,05
Switzerland	4.615.384,62	1.506.923,08	3.076.923,08			461.538,46	533.846,15	743.076,92	
USAID								17.200.395,00	5.000.000,00
Sub-total	55.594.390,41	2.409.785,94	7.603.463,65	3.716.022,41	30.643.815,31	37.773.158,45	533.846,15	20.433.483,39	6.160.918,34
European Union									
Belgium			2.452.671,11	2.320.158,45		981.864,16			954.963,77
Denmark	16.209.090,91	3.710.080,81	7.744.343,43	9.977.595,96		44.376.888,89		10.085.656,57	
Finland	14.257.205,57			8.301.625,13					
France				269.003,88		215.203,10	45.730,66		5.548.205,00
Germany (Kfw+GTZ)	5.380.077,57			2.286.532,97	807.011,64				
Ireland	15.736.726,90		3.362.548,48	201.752,91					
Italy									
Netherlands	40.350.581,81							1.775.425,60	
Sweden	59.301.833,57	1.186.036,67	7.412.729,20		10.377.820,87	741.272,92		6.819.710,86	11.267.348,38
UK	201.938.954,51	10.203.221,47		7.582.740,43					
EC	36.315.523,62		5.957.292,65	2.465.074,21	215.203,10	56.894.320,35			19.244.507,89
Sub-total	389.489.994,47	15.099.338,95	26.929.584,87	33.404.483,94	11.400.035,61	103.209.549,41	45.730,66	18.680.793,03	37.015.025,04
T O T A L	745.402.844,82	24.674.124,88	102.190.630,00	75.062.506,35	82.080.182,92	237.967.158,43	11.906.484,81	53.879.811,42	62.479.798,42

FY 2007-2008 MTEF projections

Dev. Partner/ Sectors	Health	HIV-AIDS	Social dev. Incl gender	Water	Culture	Governance (inc.NGOs)	Humanitarian	Other/Unallocat ed	T O T A L
Multilateral donors									
IMF Afritac									480.000,00
AfDB	3.586.032,00			44.517.598,92		2.222.757,11			105.097.050,11
BADEA									0,00
IFAD									17.070.762,00
World Bank	800.000,00	21.600.000,00	40.000.000,00	30.400.000,00		39.120.000,00			642.722.459,94
FAO									
UNICEF								8.975.895,00	8.975.895,00
UNDP			2.325.626,00						2.325.626,00
UNESCO									0,00
UNFPA	1.280.000,00	1.120.000,00	800.000,00						5.410.000,00
UNIDO									2.141.775,00
ILO			760.184,00						760.184,00
UN Habitat			157.000,00	3.350.000,00		179.300,00			3.686.300,00
UNCDF									300.000,00
UNAIDS									0,00
UNHCR							14.700.000,00		16.870.000,00
WFP	553.950,00	1.190.250,00					28.894.475,00		34.995.725,00
WHO	1.055.500,00								1.055.500,00
Sub-total	7.275.482,00	23.910.250,00	44.042.810,00	78.267.598,92	0,00	41.522.057,11	43.594.475,00	8.975.895,00	843.088.690,05
Bilateral donor									
Canada	3.053.832,71	9.717.181,43	3.165.931,26			82.921,72		1.573.997,65	20.340.933,55
Japan	451.431,43	282.596,08		16.165.398,38		316.002,00			58.160.258,64
Norway	1.647.126,23	4.056.048,35				3.953.102,96		1.877.723,91	99.572.898,67
Switzerland	6.630.769,23	230.769,23		3.876.923,08		1.076.923,08			22.753.076,92
USAID	34.856.975,00	60.811.866,00				1.000.000,00			118.869.236,00
Sub-total	46.640.134,60	75.098.461,08	3.165.931,26	20.042.321,46	0,00	6.428.949,76	0,00	3.451.721,55	319.696.403,78
European Union									
Belgium	330.874,77	941.513,58	1.076.015,51	712.860,28		6.913.399,68	67.250,97		16.751.572,28
Denmark	19.721.060,61		1.080.606,06			6.483.636,36	1.801.010,10		121.189.969,70
Finland						5.380.077,57		1.345.019,39	29.283.927,67
France				5.850.834,36	1.815.776,18	269.003,88			14.013.757,06
Germany (Kfw+G)	16.389.061,31			25.275.604,44		4.573.065,94			54.711.353,87
Ireland	8.742.626,06	3.093.544,61				7.666.610,54		134.501,94	38.938.311,44
Italy									0,00
Netherlands	13.846.974,66						12.374.178,42	26.900.387,87	95.247.548,35
Sweden		7.412.729,20	296.509,17		2.965.091,68	4.447.637,52		10.822.584,63	123.051.304,65
UK	649.021,99		667.575,57			18.011.641,18	1.923.228,14		240.976.383,28
EC	3.224.918,03	851.397,28	856.533,91	19.025.193,06		16.141.577,74		1.614.023,27	162.805.565,11
Sub-total	62.904.537,42	12.299.184,65	3.977.240,21	50.864.492,15	4.780.867,86	69.886.650,42	16.165.667,63	40.816.517,10	896.969.693,42
T O T A L	116.820.154,02	111.307.895,74	51.185.981,47	149.174.412,53	4.780.867,86	117.837.657,28	59.760.142,63	53.244.133,65	2.059.754.787,25

FY 2008-2009 MTEF projections

Dev. Partner/ Sectors	General Budget Support	Economic management	Agriculture&rural development	Natural Resources, Environnement, Tourism	Energy	Infrastructures& Transport	Trade®ional integration	Private sector	Education
Multilateral donors									
IMF Afritac		313.000,00						175.000,00	
AfDB			38.102.187,67		8.965.080,00	41.309.594,46			13.239.928,98
BADEA									
IFAD									
World Bank	352.712.448,92	2.000.000,00	18.480.000,00	35.680.000,00	50.400.000,00	68.000.000,00	12.776.000,00	18.400.000,00	40.000.000,00
UNICEF									
UNDP		1.950.250,00		272.750,00				231.750,00	
UNESCO									
UNFPA		1.960.000,00							150.000,00
UNIDO				20.000,00			1.000.000,00	1.500.000,00	
ILO									
UN Habitat									
UNCDF								300.000,00	
UNAIDS									
UNHCR									
WFP			865.350,00						3.791.700,00
WHO									
Sub-total	352.712.448,92	6.223.250,00	57.447.537,67	35.972.750,00	59.365.080,00	109.309.594,46	13.776.000,00	20.606.750,00	57.181.628,98
Bilateral donor									
Canada								3.316.925,25	
Japan	22.977.859,82		632.004,00		361.145,14				
Norway	26.393.491,12		2.794.604,94	776.279,15	10.867.908,11	21.176.895,23			892.721,02
Switzerland	4.615.384,62	2.150.000,00	2.923.076,92				500.000,00	396.153,85	
USAID									5.000.000,00
Sub-total	53.986.735,56	2.150.000,00	6.349.685,87	776.279,15	11.229.053,25	21.176.895,23	500.000,00	3.713.079,09	5.892.721,02
European Union									
Belgium			940.387,16	1.597.443,61		643.414,79			418.378,09
Denmark	17.109.595,96	3.602.020,20		9.437.292,93		42.918.070,71		15.488.686,87	
Finland	20.284.998,26			4.763.171,15					
France							31.695,31		3.581.570,01
Germany (Kfw+GTZ)	5.071.249,56			2.535.624,78					
Ireland	15.974.436,13		3.803.437,17						
Italy									
Netherlands	38.034.371,74							1.229.778,02	
Sweden	69.870.344,59		2.794.813,78		5.310.146,19	698.703,45		5.030.664,81	5.869.108,95
UK	208.475.026,11	3.625.652,63		7.068.699,26					
EC	34.230.934,56		381.890,45	780.718,87	202.849,98	38.795.059,17			16.568.687,69
Sub-total	409.050.956,91	7.227.672,83	7.920.528,57	26.182.950,61	5.512.996,17	83.055.248,11	31.695,31	21.749.129,70	26.437.744,73
TOTAL	815.750.141,38	15.600.922,83	71.717.752,11	62.931.979,76	76.107.129,43	213.541.737,80	14.307.695,31	46.068.958,79	89.512.094,73

FY 2008-2009 MTEF projections

Dev. Partner/ Sectors	Health	HIV-AIDS	Social dev. Incl gender	Water	Culture	Governance (inc.NGOs)	Humanitarian	Other/Unallocated	TOTAL
Multilateral donors									
IMF Afritag									488.000,00
AfDB	11.953.440,00			33.430.783,32		1.801.607,54			148.802.621,97
BADEA									0,00
IFAD									0,00
World Bank		2.400.000,00	40.000.000,00	44.000.000,00		39.920.000,00			724.768.448,92
UNICEF								8.975.895,00	8.975.895,00
UNDP		409.250,00		3.000.000,00		1.732.500,00			7.596.500,00
UNESCO								1.020.000,00	1.020.000,00
UNFPA	1.480.000,00	1.120.000,00	800.000,00						5.510.000,00
UNIDO									7.520.000,00
ILO									0,00
UN Habitat			62.000,00	6.850.000,00		40.000,00			6.952.000,00
UNCDF									300.000,00
UNAIDS									0,00
UNHCR									0,00
WFP	553.950,00	1.190.250,00					12.528.575,00		18.929.825,00
WHO									0,00
Sub-total	13.987.390,00	5.119.500,00	40.862.000,00	87.280.783,32	0,00	43.494.107,54	12.528.575,00	9.995.895,00	925.863.290,88
Bilateral donor									
Canada	1.534.077,93	8.590.836,39	1.934.006,24					3.080.761,83	18.456.607,63
Japan	361.145,14			9.088.850,07					33.421.004,18
Norway	1.288.623,39	2.872.232,86						11.457.880,26	78.520.636,09
Switzerland	6.423.076,92	384.615,38	307.692,31	4.546.153,85		1.500.000,00	1.153.846,15	1.384.615,38	26.284.615,38
USAID	34.856.975,00	60.811.866,00				1.000.000,00			101.668.841,00
Sub-total	9.606.923,38	11.847.684,63	2.241.698,55	13.635.003,92	0,00	1.500.000,00	1.153.846,15	15.923.257,48	161.682.863,28
European Union									
Belgium	65.926,24	716.567,56	925.503,05	583.193,70		1.958.770,14			10.930.346,18
Denmark	19.721.060,61					9.905.555,56	1.260.707,07		119.442.989,90
Finland								8.874.686,74	33.922.856,15
France				7.860.436,83	1.711.546,73	253.562,48			13.438.811,35
Germany (KfW+GTZ)	13.628.983,21			22.113.183,73		4.564.124,61			47.913.165,89
Ireland	9.001.467,98	2.915.968,50				7.987.218,06		126.781,24	39.809.309,08
Italy									0,00
Netherlands	3.740.046,55					7.289.921,25		38.921.840,41	89.215.957,97
Sweden					1.760.732,68	4192220,675		23.252.850,68	118.779.585,80
UK			775.079,33				1.812.826,31		221.757.283,64
EC	1.287.828,61		277.276,91	10.142.499,13		1.747.996,33		1.521.374,87	105.937.116,58
Sub-total	47.445.313,20	3.632.536,06	1.977.859,28	40.699.313,38	3.472.279,41	37.899.369,11	3.073.533,38	104.544.048,89	829.913.175,67
TOTAL	71.039.626,59	20.599.720,69	45.081.557,83	141.615.100,62	3.472.279,41	82.893.476,65	16.755.954,54	130.463.201,37	1.917.459.329,83

ANNEX 6: EXECUTIVE SUMMARY OF TANZANIA'S COUNTRY ENVIRONMENTAL PROFILE

1. Introduction

The Country Environment Profile (CEP) for Tanzania was finalised in March 2006. This section presents a summary of the document highlighting the state of the environment and the current environmental issues facing Tanzania³⁶. The CEP also aimed at identifying and assessing environmental issues to be considered during the preparation of the National Indicative Programme for the period 2008-2013 and to make proposals to assist the EC to integrate environmental safeguards and considerations into cooperation activities undertaken in Tanzania.

The **environmental policy, legislative and institutional framework** for environmental management in the country is underpinned by the national Environment Policy (1997) and supported by the Environmental Management Act (EMA, 2004). The Environment Policy identifies loss of wildlife habitats and biodiversity; deforestation; land degradation; deterioration of aquatic systems; lack of accessible, good quality water; and environmental pollution as main issues. In 2006, the government launched its strategy for urgent actions to combat land degradation and lack of water and these are currently seen as the two priority issues for Tanzania.

The **Environmental Management Act** is the major legislation for the sector in Tanzania. It seeks to provide a legal and institutional framework for environmental management and for the implementation of the National Environment Policy. The Act outlines principles for environmental management (precautionary principle, polluter pays, public participation) and also provides for impact and risk assessments, prevention and control of pollution, waste management, environmental quality standards as well as compliance and enforcement. The Act also establishes the Environmental Appeals Tribunal and the National Environmental Trust Fund. Responsibilities for its implementation are mandated to the Division of Environment (Vice President's Office) for overall coordination, supervision, regulations and policy development. The responsibility for monitoring and enforcement are given to the National Environmental Management Council (NEMC) which will conduct audits, research and reviews of Environmental/Strategic Impact Assessments (EIAs/SIAs). EMA has also given powers to local government authorities to implement and enforce the law through the creation of city, municipal and town environmental management officers. EMA also designates environmental functions to certain local government committees.

There also exist a number of sectoral policies which include environmental management tools (e.g., EIAs) to facilitate planning in Tanzania. Environmental responsibilities overlap with line ministry policies and laws dealing with Land, Water, Livestock, Mining & Energy, Roads, Local Government and Natural Resources.

2. Current Issues and State of Environment

Tanzania is one of the world's top twenty biodiverse countries and contains one of the 34 biodiversity hotspots of the world: the Eastern Arc Mountains. Tanzania is also one of the few countries that has a high proportion of its land under protection (over 20%, almost 200,000 sq kms), where Tanzania's protected areas network comprises National Parks (12); Game Reserves (31); Conservation Areas (1); Forest Nature Reserves (543); Biosphere Reserves (1); World Heritage Sites (3); and Game Controlled Areas (43). Landscapes include savannah supporting one of the largest migrations in world, Africa's highest mountain, freshwater lakes, ancient forests, wetlands, mangroves & coral reefs.

The CEP examined existing data from several sectors. Overall, there was very little quantitative data to support conclusions however the report highlighted the following environmental concerns grouped into the 'green', 'brown', growth and poverty-related sectors:

³⁶ The report does not cover Zanzibar as there was recently a State of Environment Report prepared for this part of the country.

'Green' environmental issues include:

- *Bio-energy* is the main source of fuel for 90% of the country's population (both rural and urban) and accounts for 93% of the energy consumption in the country. The long-term prospects for sustained supply of firewood and charcoal as a source of energy are threatened by the visible and worsening problems of deforestation and desertification.
- *Water Management*. In most regions water is relatively scarce. Both in urban and rural areas conflicts between different uses (agriculture, livestock, domestic, industry) are increasingly common. Where water supply is adequate in quantity, its quality is poor and declining. Groundwater potential varies from one locality to another as does its quality. There is no systematic monitoring of this resource. Water management has become a hot topic because of the country's reliance on hydro power and recent power shortages.
- *Land Degradation* is already a serious problem in Tanzania and aggravated by drought and floods.
- *Coast and Marine Environments*. Signs of environmental degradation as well as decline in natural biodiversity are becoming obvious in several parts of Tanzania's coast and marine environments. Although data remains qualitative, this is attributed to the combination of poverty, rapid population growth, increasing industrial and agricultural activities. From its relative control in the 1990s, reports of dynamite fishing are increasing.

'Brown' environmental issues include:

- *Unplanned Settlements*: Tanzania's urban centres are developing at an unprecedented rate, with corresponding increasing levels of urban dwellings, industrialisation and resulting pollution. In Dar es Salaam, it is estimated that there are 55 major unplanned settlements accommodating about 70% of the city's population (approx 2-3 million people).
- *Sewerage and Sanitation/Health*: Most urban areas do not have adequate collection and treatment systems for waste and sewage water. 80% of Dar es Salaam residents are served by on-site sanitation with health problems resulting from overflowing in rainy seasons, mainly in the form of cholera and typhoid outbreaks.
- *Solid Waste Management*: Only small percentages of the generated solid waste is collected and disposed of, mostly in the form on heaps of waste in open spaces, streets and road side drains. This represents a significant health hazard as well as a source of ground and groundwater pollution.

Growth sectors presenting environmental issues include:

- *Mining*: One of the fastest growing sectors in the Tanzanian economy where its contribution to GDP is currently over US\$300m per year. While large scale multi-national mining is relatively well managed, significant environmental (as well as health and safety and human rights) impacts result from small-scale miners entering the sector.
- *Trade*: The EU is Tanzania's main trading partner and one of its most important providers of external aid. In 2005, 22% of all imports came from the EU, while around 35% of all Tanzanian exports were destined for the EU. Trade has by far the largest direct impact on the economic development of most developing countries however in Tanzania, trade-related environmental issues and environment-related trade issues are receiving little attention.
- *Transport (roads)*: Road transportation is essential to Tanzania's economic growth however there has been little EIA or SEA work conducted on major road developments.

Tentative figures from on-going work in Tanzania has suggested that 'billions of US\$' per year is being 'leaked' from the natural resources sector in Tanzania where this amount represents potential lost revenue for the country. Issues of Environment and Poverty are pertinent to the following sectors:

- *Forestry* Tanzania has approximately 33.5 million hectares of forests and woodlands. There is no accurate assessment of the magnitude of the problem of deforestation but it is generally perceived as a major environmental problem in the country. Forest resources are regarded as being seriously threatened by uncontrolled exploitation by agricultural expansion, commercial logging, fuel wood extraction and mining.
- *Fisheries* has contributed to an increasing share of GDP in Tanzania. In 2005, fish and fish products exports to the EU25 totalled €122 million. Fresh water stocks are exploited by artisanal fishers and the marine fishery is largely exploited by industrial boats (prawn and tuna). Approximately 80% of the

total revenue and catch tonnage from fish comes from inland fisheries but there are no quotas set for either freshwater or marine fisheries with very little control and enforcement in the former.

- *Wildlife* is important for Tanzania in terms of its present and potential revenue generation, as well as for communities in providing food security and income. However, the sector is suffering from loss of revenues due to poor management practices, lack of capacity and limited participation of communities.

3. Donor Coordination in the Sector

Development Partners in Tanzania are organised through a Development Partner Group for Environment (DPG-E) which meets once a month. Within this group there is a sub group on forestry which is relatively well developed and is aiming at a sector-wide approach for forestry-related funding. Some DPs (EC, Danida, World Bank, UNDP) are invited to the government's Environment Working Group coordinated by the Vice President's Office where key line ministries are also represented. Civil Society is organised in its own group known as the 'Informal Development Group on Environment' coordinated by IUCN which also aims to meet once a month.

Regarding donor mapping, it has been observed that the green agenda is over-represented by DPs, where little activity is taking place in the urban and growth areas relating to the environment.

DPs are currently discussing rationalisation under new types of partnerships in order to streamline DPs' interface with GoT, to enhance coherence with national policy, and to simplify procedures. There is a desire amongst almost all of the members of the DPG-E to move away from funding 'green' environmental projects to supporting urban and more poverty-related programmes.

4. Regional Cooperation

The EAC has recently established The Lake Victoria Basin Commission in an effort to develop a transboundary approach to some of the environmental issues facing the region. The EC is supporting the EAC in this approach through the €2.5m Bridging Phase for the Lake Victoria Environmental Management Project (2007-2009) and the €2.5m African Transboundary River Basin Support Programme funded from the European Water Initiative (2007-2010).

5. Main Recommendations for Environmental Integration in EC Project/Programming

The CEP also provided recommendations to the EC Delegation on how to better integrate environment in its development cooperation activities. The results of these findings suggested:

- The Delegation should look more at environment-development linkages and addressing national and global environmental priorities while, striking a good balance in tackling issues of both the brown and green agenda.
- The Delegation should give consideration to rural development projects in support of STABEX activities with respect to access to land; land fertility issues; forest and wood management; and to the sustainable cities programme in support of EDF projects in water supply, sanitation and sewerage.
- The EC should support EMA implementation which promotes national environment safeguards with respect to EC budget support and also EDF transport-related projects.
- There should be a systematic use of environmental management and monitoring tools in the form of an environmental safeguard policy where the use of EIAs, SEAs, environmental performance and monitoring audits are mandatory while national safeguards are not in place.
- Environmental advice should be sought on the potential impacts of projects and programmes funded from Budgetline, EDF, Regional and Intra-ACP sources.

6. Conclusions

The State of Environment Report was released by the Division of Environment in 2006³⁷ which provides very basic environmental data. From this report, it is clear that there is a significant lack of quantitative

³⁷ This is an indicator in the Performance Assessment Framework for budget support and the EC Delegation provided assistance to the Division of Environment for its production.

data and there is no system in place to regularly collect data by line ministries in order to report effectively on the changing state of the environment in Tanzania. Currently the Government is producing 'Strategies for Urgent Actions' where land and water management are stated as priority areas for attention. A Strategy for Urgent Actions for freshwater and marine environments is currently under preparation.

The country has however made progress in the conservation of protected areas (largely through the work of the Tanzanian National Parks Authority) where protected area has increased in recent years although at the expense of unprotected areas where there is open access to natural resources and little or no enforcement of environmental laws. The country has also made progress in the coordination and implementation of international environmental agreements and conventions however, areas of concern remain in identifying ways in which Tanzania can promote the obligations of the Climate Change and Biodiversity Conventions.

Current priority needs are for developing national environmental safeguard systems to support the sustainability of donor assistance as well as private sector investment through the implementation of EMA: the challenge being firstly to make aware the key line ministries and district/regional government organs of their responsibilities under the Act and second to build capacity at these levels to implement EMA effectively.

ANNEX 7: CONSULTATION PROCESSES

In Tanzania 10th EDF programming cannot be seen separately from the wider context of joint government-donor harmonisation within the Joint Assistance Strategy. This has meant an alignment of the EC's programming process with the drafting process of the Joint Programming Documents. The Delegation has also played an active role in the drafting group of the joint documents, particularly Part 2. Regarding the EC-specific response and 10th EDF support, main consultation activities were as follows:

Consultation with Government

Government was consulted on an ongoing basis from the moment of dissemination of the programming guidelines. This included discussion with the Permanent Secretary/Ministry of Finance within the framework of regular National Authorizing Officer dialogue. Specific prioritisation of programmable resources has been made more complicated by uncertainty regarding the size and timing of the governance incentive tranche. Consultations have focused in particular on the governance issues, on the conditionalities attached to budget support modalities and on the need for maximum predictability of support.

Consultation with Civil Society

31 January 2006 - As preparation for their involvement in the 10 EDF programming process NSA representatives were invited to attend the *discussion of the draft report of the mid-term review of EC-support* to Tanzania.

16 March 2006 – *Consultation of NSA on an Issues Paper / 1st draft of the 10 EDF CSP* prior to discussions in the Regional Seminar in Brussels the following week.

- convened by ONAO and the DEL

- 18 organisations were invited from the private sector, civil society and trade unions; we had invited through the NSA TFG, and further identified key players in policy dialogue and stronger networks

Discussions covered: guiding principles for the process in Tanzania (adjust to MKUKUTA approach/structure³⁸), proportion of budget support, 'concentration' principle³⁹, focal areas/sectors/clusters, political / policy dialogue and funding instruments, mainstreaming cross-cutting issues, complementarity and coherence.

3 October 2006 – *Briefing of NSA Task Force Group (TFG) on the progress of 10 EDF programming*, and the harmonisation / adjusting of the programme to the preparation of the JAST⁴⁰

2 November 2006 – *Discussion with NSA on the draft CSP within JAST*

- convened by the DEL in agreement with ONAO, and inviting the same organisations as in March;

³⁸ PRSP II in Tanzania, 2005 - 2010

³⁹ both stressed by the Joint Assistance Strategy process and EU guidelines

⁴⁰ Joint Assistance Strategy, Tanzania

- 2nd agenda point (suggested by ONAO), discussion of governance commitments; colleagues from GGCU to be invited by ONAO;

Consultation with Member States

Substantive discussions effectively began on 31 January 2006 at the seminar to discuss the findings of the Country Strategy Evaluation. Two further meetings were held, including one with the presence of the Desk Officer, DG Development. Member States were consulted in parallel on the draft ESA-IOC Regional Programme, which is the main source of support to the East African Community and thus of direct relevance to Tanzania.

ANNEX 8: MIGRATION PROFILE TANZANIA 2006

1. Refugees

Large numbers of refugees have been hosted in north-western Tanzania since the early seventies. The focus of the refugees issue in Tanzania is concentrated in the North-western region bordering the conflict areas in the Great Lakes region. Almost all refugee camps are located there.

The negative and hostile attitude of local and national authorities towards refugees generally persisted throughout 2006. However, refugee hosting areas saw many tangible benefits of accommodating large refugee populations. The local population continued to benefit from free health facilities in the camps, therapeutic/supplementary feeding programmes, environmental conservation projects, police posts, rehabilitation and construction of schools and health facilities. The establishment of Ad-Hoc Committees for Eligibility in mid-2005 proved to be a relatively useful mechanism to deal with the issue of new arrivals.

Repatriation to Burundi has been much slower than expected, despite UNHCR promotion since June 2006. In the firsts nine months of 2006 only 24,300 Burundian refugees repatriated. This is due partly to food security problems in Burundi during the first half of the year. Land access and other factors seem to affect this population movement, despite a generally improving security situation in Burundi.

Following a marked improvement in the transition process and in the security situation in South Kivu, the province of origin of most Congolese refugees in Tanzania, UNHCR began facilitating voluntary repatriation to South Kivu in October 2005. In a year around 22,000 Congolese refugees repatriated. This population movement will largely depend on the outcome of the DRC elections.

Very few refugees were admitted recently. The total number of refugees hosted in the 11 camps in North Western Tanzania as of 20th October 2006 was 298,300 (165,000 are Burundians, 130,700 D.R.Congolese and 2,600 of mixed origins). Around 2,500 Somali refugees, in the process of being integrated in Tanzania, are hosted in a camp in Tanga region. Around 200,000 Burundian refugees who fled their country in 1972 are living in settlements in Rukwa and Tabora regions. These are self-sufficient and do not receive assistance from the International Community. The Government of Tanzania is increasingly mentioning the need to consider their repatriation.

2. Non-refugees

An estimated 200,000 Burundians live in villages in North Western Tanzania. An unknown number of Rwandans also live in this area. The Government of Tanzania is considering this population as illegal immigrants and has increased its round up and expulsion operations in the last few months. An estimated 60,000 Rwandese have been expelled in the last 12 months, sometimes in inhumane conditions. Smaller groups of

Burundians, including 600 people who lived in Dodoma, have also been expelled. Illegal immigrants of other nationalities are also being expelled and more round up operations are planned. This corresponds with the pledge from the new Kikwete government to deal with the illegal immigrants.

Following the latest expulsion of the Rwandese has raised some controversy among development partners, in particular the EU. The government has indicated that although formally not within the mandate of UNHCR, it will be requested to perform an advisory function to avoid some of the excesses of previous operations.

A study by the World Bank entitled *International Migration, Remittances and the Brain Drain* (2005), revealed that **20 percent of Sub-Saharan Africa's skilled workers** have migrated mainly to Europe and North America. The study also revealed that on a "larger scale, migration dramatically increases global economic output by enabling workers to move to locations where they are more productive, and as a result, earn much higher wages than they would have in their developing home countries. A large portion of these economic gains accrues to the migrants and to their families back at home through the remittances they send". This poses a significant challenge to employers in the East African market in terms of attracting and retaining skilled local employees.

In Tanzania, brain drain can be observed across all sectors from rural to urban areas, from public to private sector and reverse depending on the incentives set. In the health sector brain drain goes beyond that. Health work force moves across to other African and to developed countries where conditions for health workers are better. This led to a sharp decline in the number of health workers in Tanzania. The present number of health personnel in Tanzania is low both by international standards and relative to national staffing norms. An even greater shortage of health workers is expected in the future, due to higher demands on the health sector (e.g., from HIV/AIDS care and treatment) and higher attrition rates as an aging health workforce will begin to retire. A few small-scale studies have suggested that the levels of productivity and performance among health workers are low. One study finds that only 57% of health workers' time is spent on productive activities. There is also some evidence of low level of skills among clinicians and low motivation/effort to comply with professional guidelines in clinical work. This suggests that policies to address the human resource challenge in Tanzania cannot focus only on the total number of workers and their geographical distribution, but also have to address issues related to the performance of the existing workforce. The Government has recently come up with a draft human resource strategy for the health sector to address the challenge.

ANNEX 9: GOVERNANCE COMMITMENTS

THE UNITED REPUBLIC OF TANZANIA MINISTRY OF FINANCE

Telegram: "TREASURY", DAR ES SALAAM
Telephone: 111174/6, Fax: 110326 Telex: 41329 (All
Official communications should be addressed to the
Permanent Secretary and NOT to individuals).

p.~. Box 9111
DAR ES SALAAM

In reply please quote:

Ref. No: TYC/E/420127/21.

Date: 08/11/2006

Mr. Frans Baan,
Head of Delegation,
Delegation of the European Commission in the
United Republic of Tanzania,
P.O. Box 9514,
DAR ES SALAAM.

Dear Mr. Baan,

RE: COUNTRY STRATEGY PAPER FOR 10TH EDF: GOVERNANCE COMMITMENTS

Following our meeting with Non State Actors on the CSP for 10th EDF, and upon receipt of your suggestions on the governance' commitments, we have included changes as suggested in the attached matrix which is favourably in conformity with the MKUKUT A matrix of indicators. In addition, we have also introduced a column indicating institution(s) responsible to undertake and *for* report the implementation status of the commitment.

As noted earlier in our above mentioned meeting, I would wish to bring to your attention however that, these commitment are still to be further refined as we continue to dialogue with you and other stake holders.

Thanking you for your continued cooperation.

Yours sincerely,

Nyamtara D. Mukome Deputy National
Authorising Officer - EDF For:
PERMANENT SECRETARY-TREASURY

CSP – 10th EDF PROGRAMMING – GOVERNANCE COMMITMENTS

<i>SIN.</i>	Key performance Area (KPA)	Commitment	Key Performance Indicator (KPI)	Target	Method of Verification	Responsible institution
1	Control of Corruption	1.1 Finalization, approval and implementation of NACSAP II	Political and Parliamentary approval	Start implementation June 2007	Government Gazette	PCB
		1.2 Publication of transfers of funds to districts authorities and their intended purposes	Publication of details on notice boards in districts and individual facilities in sectors concerned (eg schools)	Start 2007/2008 budget	Reports by NSA on the implementation, News papers, districts notice boards, Government website	MOF
		1.3 Publication of tender results -	Number of public procurement tender results published in comparison to the number launched	75%, with 100% for tenders above TZS 500 million	Newspaper publications, government websites	PPRA
		1.4 Increase compliance to procurement Act	1.4 Number of Public entities compliant with the procurement Act		PAF (PPRA to provide justification)	PPRA
		1.5 Carry out baseline survey on corruption	1.5 Baseline survey published	Survey published by November 2007 (check)	Publication, PCB annual report	PCB
2	Economic Governance	2.1 Publication of necessary documentation for business registration and maximum time necessary	Publication of requirements in public media and registrar general (sub) - offices		Media reports, Government website, TIC website, BRELLA website	BRELLA

..

-	2.2 Consultation with local communities on new licenses,	Number of consultation vs number of new licenses, specific reference to consultation processes in licensing documents	80%, with 100% for licenses above TZS 500 million	Reports of NSA	MNR & T, MLHS, MEM
	2.3 Publication of trade data on natural resources	Trade data	All export data linked to Tanzania natural resources will be made public	Economic Survey	MPEE, MIT & M,
	2.4 Publication of government income from licences	Number and amount of new licences as income for the government	80% with 100% for licences above 500 million Tsh	National budget data & Economic Survey	MOF
	2.5 Provide structured government response to report of the National Audit Office	Submission of government's response to NAO report	Response submitted within 2 months of publication of NAO report	Publication of government response	MOF, NAO -
	2.6 Incorporate key findings from Public Expenditure Reviews in the Budget Guidelines (BG)	BG makes explicit reference to PER findings	TBD	Budget Guidelines	MPEE & MOF
	2.7 Simplified version of the National Budget distributed	Simplified version of the National Budget	Second quarter of 2007	Simplified version of the National Budget	MOF, NSAs
	2.8 Performance monitoring through	Number of RIMKU users	TBD	TBD	MPEE, NSAs

		RIMKU rolled out and open for use by NSA				
3	Quality of partnership	3.1 Art. 8 dialogue implemented	No of annual meetings in Art. 8 Cotonou context	2 per annum		MOFA&IC
		3.2 Substantive inclusion of NSAs in to the MKUKUT A process, GBS Review, and PER	number of sessions where NSA representatives present review and sector/cluster reviews, opportunities to participate in debate were invited	Representatives 80% of five NSAs all relevant sessions	List and records of underlying processes and sessions reviews	MOF, MPEE NSAs
		3.3 re-establishment of the Development Cooperation Forum (DCF)	number of DCF meetings per year	4 meetings		MOF, MPEE, MM M, NSAs

Annex 10

Basic data	2000	2001	2002	2003	2004	2005	2006	2007
1 Population (in 1000)	31900	328000	33600	34200	35200	36200	37500	
- annual change in %		2.80%	2.40%	2.90%	2.90%	2.80%	2.80%	
2a Nominal GDP (in millions €)	9705	1088	1038	8675	9194	9813	1140	
2b Nominal GDP per capita (in €)	304	332	308	253	261	283	304	328
2c - annual change in %		9%	-7%	-18%	3%	8%	7%	8%
3 Real GDP (annual change in %)	5.70%	6.20%	7.20%	7.10%	6.70%	7%	6%	7.20%
4 Gross fixed capital formation (in % of GDP) - investment to GDP	17.60%	17%	19%	18%	18%	19%	19%	20%
International transactions								
5 Exports of goods and services (in % of GDP)	14,6%	16%	17%	18%	19%	21%	21%	21%
6 Trade balance (in % of GDP)	-7.70%	-8.50%	-6.50%	-9.10%	-9.80%	-10.20%	-11.30%	-10.50%
7 Current account balance (in % of GDP)	-9.80%	-8.60%	-7.30%	-6.80%	-8.20%	-13%	-14.20%	-13.50%
8 Net inflows of foreign direct investment (in % of GDP)		3,5%	3,8%	4,7%	4,1%	4,4%	4,2%	4,1%
9 External debt (in % of GDP)	80.70%	78.50%	75.90%	78.40%	77.50%	68%		

10 Service of external debt (in % of exports of goods and non-factor services)		6%	4.80%	4.20%	3.10%	3.40%	3.40%	3.10%
11 Foreign exchange reserves (in months of imports of goods and non-factor services)	5.30%	5.30%	5.90%	6%	5.50%	4.90%	4.80%	4.7
Government								
12 Revenues (in % of GDP) - of which: grants (in % of GDP)	12.2/3.7	12.2/4.4	12.8/6.6	13.3/6.5	13.8/7.8	14.3/10.2	14.6	14.8
13 Expenditure (in % of GDP) - of which: capital expenditure (in % of GDP)	17.7/3.7	17.1/4	21/5.2	23.5/6.9	25.8/9.4	28.4/9.6	28.4/10	25.8/7.7
14a Deficit (in % of GDP) including grants	1.20%	1.10%	1.70%	4%	4.50%	5.10%		
14b Deficit (in % of GDP) excluding grants	4.60%	5.60%	8.20%	11.20%	11.80%	14.20%		
15 Debt (in % of GDP) - of which: external (in % of total public debt)	83%	79%	82%	85%	81%	78%		
Other								
16 Consumer price inflation (annual average change in %)	6.20%	5.20%	4.60%	4.50%	4.30%	4.80%	6%	
17 Interest rate (for money, annual rate in %) average deposit and lending rate	4.2/19.6	3.5/16.4	3.1/15.7	2.4/14	2.5/14.4	2.6/15.2	2.6/15	
18 Exchange rate (annual average of national currency per 1 €)	748	760	909	1231	1340	1393	1517	
19 Unemployment (in % of labour force, ILO definition)	13%							
20 Employment in agriculture (in % of total employment)	80%	80%	80%	80%	80%	80%	80%	

Indicators for the Millennium Development Goals (MDGs)

	Indicators	1990	2000	2005	2015
Impact	1. Proportion of Population below Poverty Line (%)	22	19		11
	2. Prevalence of underweight children (under – five years of age)	28.8	29.5	21.9	14.4
	3. Infant mortality rate	115	99	83	38
Out-put	4. Net enrolment ratio in primary education (%)	54.2	57.1	94.8	100
	5. Primary Completion Rate				
	6. Ratio of girls to boys in:				
	➤ Primary education	0.98	0.98	0.98	1
	➤ Secondary education		0.84	0.87	1
	➤ Tertiary education				1
	7. Proportion of births attended by skilled health personnel (%)	43.9	35.8	46	90
	8. Proportion of 1 year old children receiving DPT3 vaccination (under 1)		81	85	
	9. HIV prevalence among 15-24 year old pregnant women (%)			6.8	
	10. Proportion of population with sustainable access to an improved water source (%)		56 (rural) – 92 (urban)	53 (rural) – 73 urban	82

Source (s): MDG Progress Report Dec. 2006; Poverty and Human Development Report 2005; Mkukuta Progress Report 2006
Data refer to Tanzania Mainland (excluding Zanzibar)