

INTRODUCTION

WITH A POPULATION OF 39 MILLION, Tanzania has a gross domestic product (GDP) of USD 425 per person. According to the latest survey conducted in 2001, 58% of the population lived below the dollar-per-day international poverty line, with 90% falling below the two-dollars-a-day threshold. Net official development assistance (ODA) to Tanzania in 2006 was USD 1.8 billion, which accounted for 10.0% of GDP. Tanzania has been at the forefront of efforts to improve the quality of aid based on ownership, alignment and harmonisation. Together, the 24 donors that responded to the 2008 Survey provided 94% of the country's ODA.

Tanzania has made progress overall towards meeting the Paris Declaration 2010 targets. However, challenges remain for making further progress on alignment indicators, specifically relating to aid on budget, aid predictability and how donors use national systems. A key underlying factor for the performance of many indicators is the public financial management (PFM) system, an area in which the government has made substantial improvements.

DIMENSIONS	2007	CHALLENGES	PRIORITY ACTIONS
Ownership	Strong	Limited capacity, in particular at local level	Strengthen national and local capacities for sustainable implementation of strategies
Alignment	Moderate	Integrating aid on budget and improving aid predictability	Increase use of national budget systems for project aid disbursements
Harmonisation	Moderate	Limited use of joint missions	Donors increase use of joint missions
Managing for results	Strong	Lack of up-to-date development data	Implement Statistical Master Plan
Mutual accountability	Strong	Limited participation of non-state actors	Implement mid-term assessment of Joint Assistance Strategy for Tanzania

OVERVIEW

Box 49.1:

Challenges and priority actions

OWNERSHIP

OWNERSHIP IS CRITICAL TO ACHIEVING DEVELOPMENT RESULTS and is central to the Paris Declaration on Aid Effectiveness. Aid is most effective when it supports a country-owned approach to development; aid is less effective when countries feel that aid policies and approaches are driven by donors that provide assistance. In the context of the Paris Declaration, ownership specifically concerns a country's ability to carry out two, inter-linked activities: exercise effective leadership over its development policies and strategies; and co-ordinate the efforts of various development actors working in the country.

INDICATOR 1

Do countries have operational development strategies?

Ownership has many dimensions. Indicator 1 – assessed as part of the World Bank's review on *Results-Based National Development Strategies: Assessments and Challenges Ahead* – provides an entry point to the issue. The World Bank assesses the operational value of a country's development strategy and policy against three criteria, all of which are essential features of any serious effort to harness domestic and external resources for development purposes: the existence of an authoritative, country-wide development policy which clearly identifies priorities and is well costed.

The World Bank rates the operational value of a country's development strategy against a five-point scale running from A (highest score) to E (lowest score). The Paris Declaration 2010 target is to raise, to at least 75%, the proportion of partner countries having operational development strategies – *i.e.* meriting a rating of A or B.

Tanzania received a B rating in the 2006 Baseline Survey. This means that its medium- and long-term operational development strategies are “largely developed.” Tanzania already fulfils the Paris Declaration target that at least 75% of partner countries have a rating of B or A, but should aim to achieve an A rating by 2010. For the 2008 Survey, Tanzania maintained a B rating according to World Bank's 2007 Review assessment which indicates that significant action has been taken already, although further action is needed.

Tanzania'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 development and poverty eradication efforts. Tanzania's medium-term strategy is outlined in two documents: the National Strategy for Growth and Reduction of Poverty (NSGRP) 2006-10 and the Zanzibar Strategy for Growth and Reduction of Poverty (ZSGRP) 2007-10. These strategy documents, commonly identified as NSGRP/ZSGRP, lay out detailed goals, operational targets and strategies to meet the long-term objectives identified in Vision 2025/Vision 2020 and the NPES. The NSGRP and ZSGRP are supported by sector strategies and policies.

The NSGRP/ZSGRP is a second-generation, outcome-based poverty reduction strategy that focuses on three broad clusters: (i) growth and reduction of income poverty; (ii) improvement of quality of life and social well-being; and (iii) governance and accountability. The strategy allows for more effective linkages with the Millennium Development Goals (MDGs) and results-based management. It takes into account contributions from all sectors and gives due recognition of “cross-cutting” issues such as HIV/AIDS, gender, environment, and employment to growth and poverty reduction.

The annual public expenditure review (PER) and the medium-term expenditure framework (MTEF) processes translate the NSGRP/ZSGRP into specific activities and budgets for implementing the strategies. The output of these processes informs all primary stakeholders on progress achieved and, therefore, on resource commitments for the implementation of the strategies through the national budget. To facilitate more strategic resource allocation, a computerised Strategic Budget Allocation System has been adopted in all ministries, departments and agencies. The government has developed a database to allow local government authorities to formulate MTEF plans and budgets linked to the NSGRP, and monitor their expenditure and implementation.

The government continues to make good progress toward, and should meet its 2010 target. However, it should focus in particular on building national and local capacity for sustainable implementation of its operational development strategies. In addition, donors raised concerns that the ratings may not necessarily capture reality. Evidence from planning, budgeting and reporting processes indicate that donors still maintain ownership. ■

ALIGNMENT

FOR AID TO BE EFFECTIVE, it must be aligned with national development strategies, institutions and procedures. The Paris Declaration envisions donors basing their support fully on country partner aims and objectives. Indicators 2 through 8 examine several dimensions of aid to assess the degree to which partner countries and donors achieve alignment.

In 2006, the government and donors established the Joint Assistance Strategy for Tanzania (JAST) as the new framework for managing and guiding development co-operation in Tanzania. As a result, Tanzania's ratings for alignment reveal some progress since the 2006 Baseline Survey. However, continued effort is needed in particular with integrating ODA into the national budget and improving predictability of aid disbursements if the 2010 targets for alignment are to be met.

BUILDING RELIABLE COUNTRY SYSTEMS

Indicator 2 covers two aspects of country systems: public financial management (PFM) and procurement. In each case, the focus is on the degree to which these systems adhere to broadly accepted good practices – or to which there is in place a reform programme to promote improved practices. If countries have reliable systems, donors will be encouraged to use such systems for the delivery and management of aid. This helps to align aid more closely with national development strategies and enhances aid effectiveness.

Indicator 2a of the Paris Declaration assesses the degree to which partner countries either have public financial management (PFM) systems that are in line with broadly accepted good practices or have credible reform programmes in place to establish reliable PFM systems. The assessment is based on the World Bank's Country Policy and Institutional Analysis (CPIA) score for the quality of PFM systems, which uses a scale running from 1 (very weak) to 6 (very strong) with half-point increments. To score highly, a country needs to meet all three of the following criteria: a comprehensive and credible budget linked to policy priorities; effective financial management systems to ensure that the budget is implemented as intended in a controlled and predictable way; and, timely and accurate accounting and fiscal reporting, including timely and audited public accounts. The 2010 target is that each country will move up at least one measure (*i.e.* 0.5 points) on the CPIA scale for measuring the quality of PFM systems.

INDICATOR 2a

How reliable are country public financial management systems?

In 2005, Tanzania received a rating of 4.5 on a six-point scale, significantly above the average of 3.2 for all countries rated in the World Bank's Country Policy and Institutional Assessment. Tanzania's rating for 2007 declined to 4.0.

Despite a lower rating, the government has made significant progress in strengthening its public financial management systems since the 2006 baseline survey. Through introduction of an integrated financial management system (IFMS), the government has taken a major step toward being able to produce more timely and accurate revenue and expenditure data. The IFMS has already been rolled out to 85 (out of 133 total) local government authorities, more of which are now receiving clean audit reports from the Auditor General. In the budget management process, the government has adopted consultative fora with stakeholders, including the annual PER, and the general budget support (GBS) process, as well as the MTEF. These open processes have resulted in greater transparency and accountability, thereby enhancing public and stakeholder confidence in the government PFM systems.

Challenges, however, remain in accounting and financial reporting, in particular at the local government level. This poses risks of undermining the management of services and the intended allocation of resources. PFM committees have been established at the ministerial and local levels to strengthen their participation in PFM reforms. Designated officers in ministries and local authorities will work together with national level counterparts to formulate capacity building interventions and provide inputs for other deliverables of the reform programme. The priority for the government should be to ensure implementation of all these new mechanisms and institutions, in order to meet the 2010 target of 5.0 on Indicator 2a. In addition, there are a number of areas in which further reforms could be undertaken including: strengthening the budget preparation process, improving cash management, and assessing inter-governmental transfers.

INDICATOR 2b

How reliable are country procurement systems?

At the time of the 2006 Baseline Survey, no mechanism was in place to systematically assess and quantify the quality of procurement systems in partner countries. Thus, it was impossible to set country-level targets on progress towards Indicator 2b.

In the context of the 2008 Survey, the quality of a country's procurement system is assessed through the Methodology for the Assessment of National Procurement Systems, which was developed by the Joint Venture on Procurement. The methodology includes two components: the baseline indicators compare the country's systems to internationally-accepted good practice; and a new set of indicators assess overall performance of the system and compliance with national legislation and standards. The results of the procurement system self-assessment are expressed as grades on a four-point scale running from A (the highest) to D (the lowest).

No score was available for 2005 on the quality of Tanzania's procurement systems. In 2007, Tanzania received a B rating indicating that its systems are largely developed towards achieving good practice. The 2010 target is that one-third of partner countries move up at least one rating on the four-point scale. Thus, the goal for Tanzania would be an A rating. To further strengthen national procurement systems, the government has implemented a Procurement Capacity Building Strategy as well as a System of Checking and Monitoring to identify and solve problem areas. Harmonised donor oversight of the procurement system is undertaken through the public expenditure and financial accountability (PEFAR) review.

ALIGNING AID FLOWS ON NATIONAL PRIORITIES

Comprehensive and transparent reporting on aid, and how it is used, is an important means of ensuring that donors align aid flows with national development priorities. The degree to which development assistance to the government sector is fully and accurately reflected in the budget provides a useful indication of the degree to which serious effort is made to connect aid programmes with country policies and processes. It also allows partner country authorities to present accurate and comprehensive budget reports to their parliaments and citizens.

Indicator 3 is a proxy for alignment. It measures the percentage of aid disbursed by donors to the government sector that is included in the annual budgets for the same fiscal year. The indicator is a joint measure of two components: the degree to which donors report aid flows comprehensively to partner countries; and the degree to which partner countries accurately record aid.

INDICATOR 3

	Government budget estimates of aid flows for 2007 (USD m) a	Aid disbursed by donors for government sector in 2007 (USD m) b	2005 (for reference)		2007*	
					c = a / b	c = b / a
African Dev. Bank	106	134		83%		79%
Belgium	14	9	57%			59%
Canada	29	28		83%		96%
Denmark	79	76	77%			96%
European Commission	119	159	90%		75%	
Finland	20	21	71%		94%	
France	4	3		53%		80%
GAVI Alliance	0	--	0%		--	
Germany	35	46		96%		76%
Global Fund	22	35	17%		64%	
IFAD	0	--		88%	--	
IMF	0	0	--		--	
Ireland	29	27		89%		93%
Italy	0	4	--		0%	
Japan	28	36	44%		80%	
Korea	2	5	--		51%	
Netherlands	55	67	90%		83%	
Norway	62	63		93%		99%
Sweden	87	93	86%		94%	
Switzerland	12	16		95%		72%
United Kingdom	192	196	80%		98%	
United Nations	22	61	18%		35%	
United States	2	184	51%		1%	
World Bank	484	419	99%			87%
[Unallocated donors]	140	--	--		--	
Average donor ratio	--	--	70%		72%	
Total	1 403	1 680	90%		84%	

* Ratio is c=a/b except where government budget estimates are greater than disbursements (c=b/a).

The final figure highlights any discrepancy between the government's budget estimates and actual disbursements by donors. The discrepancy (or gap) can be in either direction: budget estimates can be higher or lower than disbursements by donors. In order to have a single measure of discrepancy under 100%, the ratio is inverted when budget estimates are higher than donor disbursements. The 2010 target is to halve the proportion of aid flows to the government sector that is not currently reported on government budget(s), ultimately arriving at a point where at least 85% of aid is reported on the budget.

TABLE 49.1:

Are government budget estimates comprehensive and realistic?

The 2006 Baseline Survey for Tanzania showed 90% of total aid disbursed being recorded in the government budget, indicating that donor strategies are generally aligned with government priorities as set out in the National Strategy. The 2008 Survey results report a slight decline, with 84% of total aid disbursed recorded in the national budget. This puts Tanzania further away from achieving its 2010 target of 95% (halving the gap) for this indicator. However, if the simple (unweighted) average of the donor-by-donor ratios is taken into account, the accuracy of budget reporting of disbursements across all donors has actually improved from 70% in 2005 to 72% in 2007. This signals that while the discrepancy between the value of budget estimates and actual disbursements widened, the national budget estimated accurately a greater proportion of each donor's aid.

Approximately 40% of aid to Tanzania is general budget support, which is fully integrated in the national budget process. However, the remaining gap between actual disbursements and the annual budget estimates stems mainly from problems with recording the basket and project funding modalities. The results from the 2008 Survey highlight difficulties in aid predictability and information capture with these modalities. Aid predictability is discussed further with Indicator 7. In terms of information capture, problems arise from incomplete information flows between donors and government, as well as from issues with the national budget process.

In relation to the first problem, budget estimates for project funds are based on confirmed figures from government implementing agencies and on the government's own assessment of the reliability of project aid commitments. Thus, discrepancies occur when late disbursements are carried over to the following year and there are delays in implementing programmes. Provision of reliable projections for these funds by donors is also constrained by differences between donor planning and implementation cycles and government budget cycles, as well as a lack of transparent procedures for recording project support. Furthermore, low levels of government ownership and leadership in projects have made it difficult for ministries and local government authorities to obtain full information on expected aid flows.

On the second issue, there is need for an improved national budget process and system of data collection in co-operation with ministries. To streamline the process, the government is piloting the Aid Management Platform (AMP), a web-based database for tracking, reporting and monitoring the effectiveness of ODA. The AMP is aiming to address the challenges raised by 2006 and 2008 Surveys and the JAST. The government has also developed a new sector dialogue structure to integrate ODA fully into the national budget in a way that strengthens ownership and accountability of responsible ministries over scheduled disbursement. For example, the government has initiated a process to sensitise sector line ministries to build capacity on aid management procedures.

Since 2006, the JAST has undertaken efforts to further increase the amount of ODA recorded on budget by expanding the use of general budget support, improving government ownership in project management and building capacity. Full implementation of these efforts, along with significant improvements in the quality and communication of aid flow, data, will be needed if Tanzania is to meet the 2010 target of 95% of aid for the government sector recorded in the budget.

CO-ORDINATING SUPPORT TO STRENGTHEN CAPACITY

Capacity constraints significantly undermine the ability of partner countries to capture, co-ordinate and utilise aid flows more effectively. Under the Paris Declaration, donors committed to providing technical co-operation in a manner that is co-ordinated with partner country strategies and programmes. This approach aims to strengthen capacities while also responding to the needs of partner countries. Likewise, there is greater recognition that successful capacity building is endogenous – *i.e.* is led by the partner country. To this end, the partner country defines clear objectives to ensure that existing capacities are used effectively and that external support is harmonised within this framework.

Indicator 4 focuses on the extent to which donor technical co-operation – an important input into capacity development – is moving towards this country-led model. It measures the degree of alignment between donor technical co-operation and the partner country's capacity development needs and strategies. The Paris Declaration 2010 target is that 50% of technical co-operation flows are implemented through co-ordinated programmes that are consistent with national development strategies.

INDICATOR 4

	Co-ordinated technical co-operation (USD m) a	Total technical co-operation (USD m) b	2005 (for reference) c = a / b	2007*
African Development Bank	0	0	0%	0%
Belgium	0	2	33%	11%
Canada	1	1	27%	74%
Denmark	6	8	45%	70%
European Commission	22	35	12%	62%
Finland	3	3	46%	76%
France	1	1	18%	100%
GAVI Alliance	--	--	--	--
Germany	8	9	67%	87%
Global Fund	0	0	--	--
IFAD ¹	--	--	--	--
IMF	1	1	--	100%
Ireland	2	2	21%	100%
Italy	1	1	--	69%
Japan	4	4	9%	100%
Korea	2	2	--	100%
Netherlands	4	5	62%	93%
Norway	4	6	78%	60%
Sweden	3	9	57%	30%
Switzerland	3	7	30%	39%
United Kingdom	22	32	93%	68%
United Nations	43	44	59%	97%
United States	49	126	0%	39%
World Bank	14	15	68%	92%
[Unallocated donors]	--	--	--	--
Total	189	313	50%	61%

* Ratio is $c = a / b$ except where government's budget estimates are greater than disbursements ($c = b / a$). Disbursements recorded by government for donors that haven't reported data in the 2008 Survey: 139.68 USD.

TABLE 49.2:
How much technical
co-operation is co-ordinated
with country programmes?

¹ IFAD submission is part of the submission made by the United Nations in 2008.

Technical assistance co-ordination in Tanzania improved in 2007 – 61% of technical assistance provided by donors was co-ordinated, compared with only 50% in 2005. This exceeds the 2010 target of 50%. Some of this improvement may reflect the 2008 Survey’s revised definition of co-ordinated technical co-operation, as the definition used in the 2006 Baseline Survey only considered technical assistance supporting reform programmes managed by the government as “co-ordinated”. The positive change may also be attributed to the fact that capacity building is one of the key areas addressed in the implementation of JAST.

The government has been implementing a range of cross-cutting, co-ordinated capacity development programmes, such as the Public Service Reform Programme and the National Anti-Corruption Strategy and Action Plan. In addition, there are several co-ordinated capacity development initiatives, including on the public expenditure review process, the poverty monitoring system and the business environment, as well as various sector programmes in health, education, water, agriculture, HIV/AIDS and forestry. In order to ensure a systematic approach, the government has begun formulating a national Technical Assistance Policy to provide further guidance on the effective use of technical co-operation for capacity development.

USING COUNTRY SYSTEMS

INDICATOR 5

Donor use of a partner country’s established institutions and systems increases aid effectiveness by strengthening the partner’s long-term capacity to develop, implement and account for its policies – to both its citizens and its parliament. The Paris Declaration encourages donors to increase their use of country systems that are of sufficient quality, and to work with partner countries to strengthen systems that are currently weak. In this respect, Indicator 5 is directly linked to Indicator 2 on the quality of PFM and procurement systems, and measures the use of both.

Indicator 5a measures the extent to which donors use partner country PFM systems when providing funding to the government sector. It measures the volume of aid that uses partner country PFM systems (budget execution, financial reporting, and auditing) as a percent of total aid disbursed to the government sector. The 2010 target is relative to Indicator 2a on the quality of PFM systems.

Indicator 5b measures the volume of aid, as a percent of total aid disbursed to the government sector, that uses partner country procurement systems. The 2010 target is relative to Indicator 2b; thus, targets are indicated only for those countries that established scores for Indicator 2b in the context of the 2006 Baseline Survey.

The 2006 Baseline Survey for Tanzania reported that 66% of aid made use of PFM systems, averaged across the three components. For procurement, 61% of aid made use of country systems. The 2008 Survey shows a slight improvement in both areas, with 71% of aid to the government sector using country PFM systems, and in particular 69% using national budget execution procedure. Given that Tanzania scored 4.5 on

Indicator 2a, the 2010 target for Indicator 5a is that 77% of aid (a one-third reduction from the previous survey) makes use of national PFM systems. Similarly, because Tanzania received a B rating for Indicator 2b, the 2010 target for Indicator 5b is that 74% of aid (one-third reduction) and 90% of donors make use of procurement systems.

The increased use of country PFM and procurement systems is due largely to increased use of general budget support and basket funds by donors. Efforts are being made to use the national budget execution systems for projects. Project funds can be captured *ex post* in the Exchequer system through dummy vouchers. The government considers these funds to be using national budget execution systems. Moreover, many ministries and agencies are not aware of these processes, including procedures to capture direct disbursement through dummy vouchers which require numerous steps by various players. Donors cited the slow speed of the disbursement as one of the major constraints in making use of the Exchequer system. Other donors cite headquarter regulations or domestic legislative constraints as the main reason for not using national systems.

As mentioned earlier, the government has initiated several PFM and procurement reforms to build confidence in their public systems; this should enhance donor use of such systems. The government continues to improve its PFM and procurement systems. However, the onus is on donors to increase use of national systems, if the 2010 targets are to be met.

TABLE 49.3:
How much aid for
the government sector
uses country systems?

	Aid disbursed by donors for government sector (USD m) a	Public financial management (PFM)					Procurement		
		Budget execution (USD m) b	Financial reporting (USD m) c	Auditing (USD m) d	2005 (for reference)	2007	Procurement systems (USD m) e	2005 (for reference)	2007
		avg (b,c,d) / a					e / a		
African Development Bank	134	91	134	134	67%	89%	134	0%	100%
Belgium	9	6	6	6	64%	69%	7	65%	81%
Canada	28	28	27	27	97%	98%	27	97%	97%
Denmark	76	49	45	38	59%	58%	53	72%	70%
European Commission	159	66	66	66	47%	42%	66	47%	42%
Finland	21	19	19	19	52%	92%	19	60%	92%
France	3	2	2	2	37%	72%	2	100%	78%
GAVI Alliance	--	--	--	--	33%	--	--	0%	--
Germany	46	18	37	37	34%	68%	38	35%	84%
Global Fund	35	35	35	31	10%	97%	19	100%	55%
IFAD	--	--	--	--	67%	--	--	100%	--
IMF	0	0	0	0	--	--	0	--	--
Ireland	27	27	26	26	87%	98%	26	95%	98%
Italy	4	0	0	0	--	0%	0	--	0%
Japan	36	22	22	22	17%	60%	22	17%	60%
Korea	5	0	0	0	--	0%	0	--	0%
Netherlands	67	58	58	58	88%	87%	58	95%	87%
Norway	63	52	39	40	59%	69%	50	62%	79%
Sweden	93	65	60	60	63%	67%	66	49%	71%
Switzerland	16	11	11	11	66%	68%	11	71%	68%
United Kingdom	196	193	193	193	87%	99%	193	88%	99%
United Nations	61	6	16	16	1%	21%	25	4%	40%
United States	184	0	24	0	0%	4%	24	0%	13%
World Bank	419	268	419	419	66%	88%	311	68%	74%
[Unallocated donors]	--	140	--	--	--	--	--	--	--
Total	1 680	1 155	1 240	1 207	66%	71%	1 151	61%	69%

AVOIDING PARALLEL IMPLEMENTATION STRUCTURES

INDICATOR 6

When providing development assistance, some donors establish specific project implementation units (PIUs), *i.e.* dedicated management units designed to support development projects or programmes. A PIU is said to be “parallel” when it is created at the behest of the donor and operates outside existing country institutional and administrative structures.

In the short term, parallel PIUs can play a useful role in establishing good practice and promoting effective project management. However, in the long run, PIUs often tend to undermine national capacity building efforts, distort salaries and weaken accountability for development.

TABLE 49.4:
How many PIUs are parallel
to country structures?

	2005 (for reference)	2007 (units)
African Dev. Bank	8	5
Belgium	1	0
Canada	1	1
Denmark	14	6
European Commission	2	2
Finland	1	1
France	0	0
GAVI Alliance	0	--
Germany	0	0
Global Fund	0	0
IFAD	0	--
IMF	--	0
Ireland	3	0
Italy	--	0
Japan	0	0
Korea	--	0
Netherlands	0	1
Norway	0	5
Sweden	6	3
Switzerland	0	0
United Kingdom	1	1
United Nations	10	1
United States	0	0
World Bank	10	5
[Unallocated donors]	--	--
Total	56	28*

* The number has been adjusted to avoid double counting of parallel PIUs supported by multi-donor funds.

To make aid more effective, the Paris Declaration encourages donors to “avoid, to the maximum extent possible, creating dedicated structures for day-to-day management and implementation of aid-financed projects and programmes.” Indicator 6 is a count of the number of parallel PIUs being used in partner countries. The 2010 target is to reduce by two-thirds the stock of parallel PIUs in each partner country.

The 2008 Survey shows a significant reduction in the number of parallel PIUs in Tanzania, from 56 in 2005 to 28 in 2007. This puts the 2010 target of reducing the number of PIUs to 19 within reach. Of note, the national coordinator commented that it was difficult to assess whether this reduction was due to the phasing out of parallel PIUs or to the quality of data submission.

In the past, donors cited Tanzanian government capacity constraints for the implementation of projects as the reason for maintaining PIUs. Through JAST, the government – together with donors – is in the process of drawing up an action plan to strengthen national capacity for project management and to phase out PIUs. Increasing efforts are made to integrate the implementation of projects within government executing agencies; however, remuneration issues have been highlighted as a challenge.

PROVIDING MORE PREDICTABLE AID

For many countries, development assistance constitutes a vital source of revenue and resources. Being able to predict aid disbursements – in terms of both how much aid will be delivered and when – is as an important factor in the ability of countries to manage public finances and undertake realistic planning for development. It is particularly crucial to enabling partner countries to implement medium- to long-term development plans and to optimise the allocation of resources within and across sectors. In this regard, the Paris Declaration calls on donors to provide reliable, indicative commitments of aid over a multi-year framework, and to disburse aid in a timely and predictable fashion according to agreed schedules.

INDICATOR 7

TABLE 49.5:
Are disbursements on schedule and recorded by government?

	Disbursements recorded by government in 2007 (USD m) a	Aid scheduled by donors for disbursement in 2007 (USD m) b	Aid disbursed by donors for government sector in 2007 (USD m) for reference only	2005	2007*	
				(for reference)	c = a / b	c = b / a
African Development Bank	91	153	134	0%	59%	
Belgium	6	16	9	49%	37%	
Canada	29	58	28	84%	50%	
Denmark	52	77	76	67%	68%	
European Commission	64	161	159	43%	40%	
Finland	19	20	21	55%	98%	
France	2	5	3	10%	41%	
GAVI Alliance	0	--	--	0%	--	
Germany	18	56	46	22%	32%	
Global Fund	31	99	35	31%	31%	
IFAD	0	--	--	0%	--	
IMF	0	0	0	--	--	
Ireland	26	28	27	72%	96%	
Italy	0	4	4	--	0%	
Japan	22	44	36	44%	49%	
Korea	0	4	5	--	0%	
Netherlands	57	63	67	94%	90%	
Norway	54	59	63	45%	91%	
Sweden	68	102	93	68%	67%	
Switzerland	10	13	16	62%	81%	
United Kingdom	189	211	196	97%	89%	
United Nations	6	56	61	2%	11%	
United States	0	121	184	0%	0%	
World Bank	235	491	419	60%	48%	
[Unallocated donors]	140	--	--	--	--	
Average donor ratio	--	--	--	43%	51%	
Total	1 120	1 841	1 680	70%	61%	

* Ratio is $c=a/b$ except where disbursements recorded by government are greater than aid scheduled for disbursement ($c=b/a$).

Indicator 7 examines in-year predictability of aid to the government sector, measuring the proportion of planned disbursements (as reported by donors) that are recorded by governments in the national accounting system as actually disbursed. Indicator 7 assesses predictability from two angles. The first angle is the combined ability of donors and government to disburse aid on schedule. The second is the ability of donors and government to record comprehensively disbursements made by donors to the government sector.

Indicator 7 is designed to encourage progress in relation to both angles, with the aim of gradually closing the predictability gap – by one-half – by 2010. The ultimate goal is to improve not only the predictability of actual disbursements, but also the accuracy of how disbursements are recorded in government systems – an important feature of ownership, accountability and transparency.

In Tanzania, donors scheduled USD 1.8 billion for disbursement in 2007 and actually disbursed – according to their own records – slightly less than expected (USD 1.7 billion). The discrepancy between scheduled and actual disbursement varies considerably among donors. As to the second angle, only 61% of aid scheduled for disbursement was recorded by the government in its accounts as disbursed within 2007. This is a decline from 70% in 2005, and puts Tanzania farther away from its 2010 target of 85%. However, the average donor ratio shows that aid predictability for each donor improved on average, from 43% in 2005 to 51% in 2007. This indicates that individual relationships between donors and government are improving in terms of this measure of predictability but, on the whole, the situation needs substantial improvement.

Challenges in narrowing the gap between scheduled and actual disbursements are mainly associated with the unpredictable nature of project funding modalities and the lack of recording project funding on government systems. Problems with project implementation, lengthy donor procedures and assessments and government capacity constraints often lead to funding delays. In addition, some donors do not report project aid to the government in a timely manner, despite requests from the Ministry of Finance for quarterly actual disbursement reports. Greater use of the Exchequer system for disbursing funds would allow for better capturing of project disbursements.

Closing this predictability gap will require donors and government to work together more closely on various fronts. This includes improving the realism of predictions on volume and timing of expected disbursements by donors and increasing the disbursements of funds directly through the Exchequer so that disbursements are automatically captured in the government accounting systems. Further, efforts need to be made for donors to fully disclose information on the necessary accounting details to the relevant government implementation agencies for aid that is captured ex post in the Exchequer systems, and encouraging further relevant government implementing agencies to follow procedures for recording project aid ex post in the Exchequer system.

The adoption of the Aid Management Platform, development of sector strategy dialogues and improvement of government capacities may help Tanzania reach its 2010 target. However, concerted efforts are still needed by both donors and government.

UNTYING AID

INDICATOR 8

How much aid is untied?

Aid is said to be “tied” when it is provided on the condition that the recipient country will use it to purchase goods and services from suppliers based in the donor country. Experience shows that aid with such conditions attached increases the costs of goods and services provided to partner countries; it also increases the administrative burdens on both donors and partners. By contrast, untied aid helps build a country’s capacity to provide goods and services.

Country figures for untying aid are based on voluntary self-reporting by donors that are members of the OECD Development Assistance Committee (OECD-DAC). The 2010 target is to continue progress towards untying aid over time.

On untying aid, according to OECD data covering 94% of aid to Tanzania, 99% of aid was untied in 2007. Tanzania has made progress on Indicator 8, exceeding the baseline amount of 95% and meeting its 2010 target of continued progress over time. This is a result of increasing ODA through GBS and basket funds. ■

HARMONISATION

DECADES OF DEVELOPMENT EXPERIENCE show that poor co-ordination of aid increases the cost for both donors and partner countries, and significantly reduces the value-added of aid. Harmonisation of aid delivery procedures and adoption of common arrangements help reduce duplication of effort and lower the steep transaction costs of managing aid. The Paris Declaration focuses on two dimensions of aid as a proxy for assessing overall harmonisation: the use of common arrangements within programme-based approaches (PBAs) and the extent to which donors and partner countries conduct joint missions and share analysis.

In Tanzania, the JAST has allowed donors to co-ordinate their activities more closely and, thus, make good progress towards increased harmonisation.

USING COMMON ARRANGEMENTS

Aid effectiveness is enhanced when donors use common arrangements to manage and deliver aid in support of partner country priorities. A sound mechanism for aid co-ordination can be described as one that builds on shared objectives and that reconciles, in a constructive manner, the various interests of stakeholders.

Indicator 9 assesses the degree to which donors work together by measuring the proportion of total ODA disbursed within PBAs. In practice, there are many different modalities for implementing PBAs, which operate at various levels. At one level, the partner

INDICATOR 9

TABLE 49.6:
How much aid is
programme based?

	Programme based approaches (PBAs)			Total aid disbursed (USD m) d	2005 (for reference)	2007
	Budget support (USD m) a	Other PBAs (USD m) b	Total (USD m) c = a + b			
African Development Bank	76	15	91	134	0%	68%
Belgium	0	6	6	11	53%	52%
Canada	18	13	30	39	71%	77%
Denmark	27	18	45	90	41%	50%
European Commission	40	26	66	176	39%	38%
Finland	11	9	20	22	49%	90%
France	0	2	2	4	25%	57%
GAVI Alliance	--	--	--	--	0%	--
Germany	10	34	44	46	37%	97%
Global Fund	0	35	35	35	76%	100%
IFAD	--	--	--	--	0%	--
IMF	0	0	0	4	--	0%
Ireland	21	5	26	31	75%	86%
Italy	0	0	0	6	--	0%
Japan	21	9	30	36	16%	83%
Korea	0	0	0	5	--	0%
Netherlands	39	23	62	70	79%	89%
Norway	34	11	45	80	49%	56%
Sweden	43	19	62	101	38%	61%
Switzerland	9	2	12	24	47%	49%
United Kingdom	174	35	209	210	89%	99%
United Nations	1	6	7	69	32%	10%
United States	0	46	46	265	0%	17%
World Bank	222	81	303	419	68%	72%
[Unallocated donors(E)]	--	--	--	--	--	--
Total	745	395	1 141	1 877	55%	61%

country is responsible for defining clear, country-owned programmes (*e.g.* sector policy) and establishing a single budget framework that captures all resources (both domestic and external). At the second level, donors are responsible for taking steps to use local systems for programme design and implementation, financial management, monitoring and evaluation. Finally, partner countries and donors are jointly responsible for donor co-ordination and harmonisation of donor procedures. The 2010 target is that 66% of aid flows are provided in the context of PBAs.

Increasing use has been made of PBAs in Tanzania, through GBS, basket funding modalities and increased alignment of project modalities to sector-wide approaches (SWAps). This has allowed for greater alignment of donor support to national priorities and systems, and increased harmonisation of donor procedures. The proportion of aid using PBAs, and thus common procedures, rose from 55% in 2005 to 61% in 2007 – slightly below the 2010 target level of 66%.

The government is strongly encouraging its donors to provide more aid in the form of general budget support. Progress on common procedures also continues through joint support to sector and core reform programmes. However, challenges remain in channeling more external resources to PBAs. These challenges include capacity constraints of government of government agencies and its financial management systems, legislative constraints which prevent donors to use PBAs, and donors' concerns on the reliability of PFM systems. In addition, challenges remain for those programmes already meeting the criteria of PBAs to align progressively to a country-led sector-wide framework. These issues will be addressed through continued dialogue between the government and donors on how to expand the use of PBAs, through the demonstration of effectiveness of PBAs, and through donors' reviews of existing domestic regulations in the context of implementing the JAST.

CONDUCTING JOINT MISSIONS AND SHARING ANALYSIS

One of the most frequent complaints of partner countries is that donors make too many demands in relation to their limited resources: country authorities spend too much time meeting with donor officials and responding to their many requests. The Paris Declaration recognises that donors have a responsibility to ensure that, to the greatest extent possible, the missions and analytical work they commission are undertaken jointly – *i.e.* that the burden of such work is shared.

Indicator 10 measures the extent to which donors are merging their missions (Indicator 10a) and analytical work (Indicator 10b) at the country level – either with country partner authorities or amongst the donor community (or both). It calculates the proportion of missions to the country undertaken jointly (*i.e.* by more than one donor) and the share of country-analysis exercises undertaken on a joint or co-ordinated basis. The 2010 target is that 40% of donor missions to the field are conducted jointly and that 66% of country analytical work is carried out jointly.

In 2005, only 17% of donor missions in Tanzania were conducted jointly. The 2008 Survey shows a slight decline on Indicator 10a, with 16% donor missions conducted jointly in Tanzania in 2007. This is still far below the 2010 target of 40%. The formalisation of the Development Partners Group (DPG) in 2004 has enabled greater co-ordination and coherence among donors. The DPG maintains a calendar of missions on its website, which provides an opportunity for donors to inform each other on upcoming missions and to increase rationalised and co-ordinated missions. Increased use of budget support, basket funds and SWAps has provided further opportunities for joint reviews and missions.

INDICATOR 10a

	Co-ordinated donor missions* (missions) a	Total donor missions (missions) b	2005 (for reference)	2007 c = a / b
African Development Bank	7	30	20%	23%
Belgium	0	9	11%	0%
Canada	2	6	40%	33%
Denmark	8	13	29%	62%
European Commission	2	2	0%	100%
Finland	3	12	25%	25%
France	0	3	0%	0%
GAVI Alliance	--	--	--	--
Germany	2	6	25%	33%
Global Fund	0	4	0%	0%
IFAD	--	--	67%	--
IMF	0	3	--	0%
Ireland	0	1	40%	0%
Italy	0	1	--	0%
Japan	0	8	8%	0%
Korea	0	3	--	0%
Netherlands	1	2	100%	50%
Norway	6	25	33%	24%
Sweden	0	13	7%	0%
Switzerland	4	7	0%	57%
United Kingdom	1	7	100%	14%
United Nations	41	75	18%	55%
United States	1	28	--	4%
World Bank	21	149	23%	14%
[Unallocated donors]	--	--	--	--
Total	64	407	17%	16%

* The total of co-ordinated missions has been adjusted to avoid double-counting. A discount factor of 35% is applied.

Country analytical work encompasses the analysis and advice necessary to strengthen policy dialogue, and to develop and implement country strategies in support of sound development assistance. It typically includes country or sector studies and strategies, country evaluations, discussion papers, etc. The Paris Declaration recognises that donors have a responsibility in ensuring that the analytical work they commission is undertaken jointly, as much as possible. Doing country analytical work jointly has a number of benefits. It helps curb transaction costs for partner authorities, avoid unnecessary duplicative work and foster common understanding between donors. Donors need also to draw on partner countries' own analytical work and, where appropriate, work with government and other donors. Indicator 10b measures the proportion of country analytical work that is undertaken jointly.

TABLE 49.7:
How many donor missions
are co-ordinated?

INDICATOR 10b

TABLE 49.8:
How much country analysis
is co-ordinated?

	Co-ordinated donor analytical work* (analyses) a	Total donor analytical work (analyses) b	2005 (for reference)	2007 c = a / b
African Development Bank	0	1	0%	0%
Belgium	0	1	0%	0%
Canada	5	5	50%	100%
Denmark	1	1	100%	100%
European Commission	5	5	20%	100%
Finland	3	3	40%	100%
France	0	0	--	--
GAVI Alliance	--	--	--	--
Germany	4	4	--	100%
Global Fund	0	1	--	0%
IFAD	--	--	100%	--
IMF	2	3	--	67%
Ireland	1	1	--	100%
Italy	0	0	--	--
Japan	0	1	25%	0%
Korea	0	1	--	0%
Netherlands	1	1	--	100%
Norway	2	2	--	100%
Sweden	4	5	6%	80%
Switzerland	8	9	100%	89%
United Kingdom	1	1	--	100%
United Nations	56	62	44%	90%
United States	1	1	--	100%
World Bank	2	3	25%	67%
[Unallocated donors]	--	--	--	--
Total	72	111	38%	65%

* The total of co-ordinated analytical work has been adjusted to avoid double-counting. A discount factor of 25% is applied.

Tanzania improved substantially in the extent to which the number of analytical work are co-ordinated, increasing from 38% in 2005 to 65% in 2007, close to the 2010 target of 66%. The large variation between donor responses in the 2008 Survey raises concerns that donors may have interpreted the definition of joint analytical work differently, despite the 2008 Survey's enhanced guidance. Nevertheless, improved co-ordination of analytical work has been facilitated by various factors. Since 2005, public expenditure management has been combined to a single instrument. The harmonised and aligned GBS framework has also contributed to more co-ordinated analytical work. The GBS Annual Review relies heavily on national process and information provided by the national monitoring systems and procedures. In addition, the DPG undertook a joint country analysis as part of a joint programming exercise in 2006, with a view of using this analysis to inform their respective donor country assistance strategies/programmes. This has reduced drastically the need to undertake individual country analyses.

Some donors, such as the World Bank and the UN, have also adjusted their internal systems and procedures to promote enhanced partnership. In the context of the JAST, donor co-ordination will continue to be enhanced through further rationalisation and division of labour within sectoral and thematic areas through delegated partnerships. The JAST will also encourage joint financing arrangements and will place greater reliance on dialogue on national policy and consultative processes. ■

MANAGING FOR RESULTS

THE PARIS DECLARATION CALLS ON donors and partner countries to make a joint commitment to managing for development results – *i.e.* to manage resources according to desired results. This implies defining desired results and measuring progress toward them, as well as using information on results to improve decision making and performance. It also implies strengthening capacity to undertake such management and helping to increase the demand for a focus on results (*i.e.* adopt a results-based monitoring framework).

Indicator 11 utilises data collected as part of the World Bank’s review on *Results-Based National Development Strategies: Assessments and Challenges Ahead*. The review focuses on three particular aspects of a robust results-based monitoring framework: the quality of the information generated; stakeholder access to the information; and the extent to which such information is utilised within a country-level monitoring and evaluation system.

The assessments are expressed in scores running from A (high) to E (low), with B representing a “largely developed results-based monitoring framework.” The 2010 target is to reduce by one-third the proportion of countries lacking transparent and monitorable results-based monitoring frameworks (*i.e.* reduce by one-third the number of countries not attaining at least a B rating).

Tanzania maintained the same B rating in the World Bank’s 2007 Review as in the previous 2005 Comprehensive Development Framework assessment. This means that it has already met the 2010 target of having largely developed good practice in this area, but should work towards scoring an A.

In 2006, the government approved the national Mkukuta Monitoring System (MMS), which aims to provide a transparent performance assessment framework for the NSGRP. Explicit performance reporting requirements have been developed and were incorporated into the 2007/08 Plan and Budget Guidelines. These requirements specify a more analytical and accessible series of reports, which are consistent with NSGRP and other national reporting requirements. Information for the MMS will derive from self-performance assessments conducted by ministries and local government agencies, and supported by independent surveys and analytical work.

The quality and availability of poverty-related data is increasing, but needs to be further strengthened. The National Bureau of Statistics is in the process of finalising the Tanzania Statistical Master Plan, which sets out guidelines on how to meet data needs for performance monitoring at the national, ministry and local levels. It proposes strategies for improving social, economic and spatial statistics. Key outputs of the MMS are various household surveys, the bi-annual Poverty and Human Development Report, and annual progress reports and the NSGRP Annual Implementation Reports. Currently, the government is conducting an independent review on the status of monitoring and evaluation systems across 27 ministries, departments and agencies. This study will provide insight on capacity issues and inform decision makers on steps needed to further develop the monitoring and evaluation policy, and legal framework. Whilst the government has made great strides towards putting in place the M&E system, the quality of data and its use to inform planning and budgeting process poses significant challenges in this area. ■

INDICATOR 11

Do countries have results-based monitoring frameworks?

MUTUAL ACCOUNTABILITY

INDICATOR 12

Do countries have reviews of mutual accountability?

THE PARIS DECLARATION RECOGNISES that for aid to be truly effective, stronger and more balanced accountability mechanisms are required at all levels. In particular, aid is more effective when both donors and partner country governments are accountable – to their respective publics and to each other – for the use of resources and management to achieve development results. The Paris Declaration calls for donors and partner countries to jointly assess (through existing country-level mechanisms) mutual progress in implementing agreed commitments on aid effectiveness, including commitments made under the Paris Declaration.

Indicator 12 is concerned with the specific question of whether there is a country-level mechanism for mutual assessment of progress on the partnership commitments arising from the Rome or Paris Declarations, or from local harmonisation and alignment plans. The 2010 target is for all partner countries to have in place such mechanisms.

Tanzania has a well-developed system of mutual accountability, based on the work of the Independent Monitoring Group (IMG). The IMG, made up of independent local and international consultants and formally established in 2000, conducts biennial reviews of donor and government progress against their various commitments. In addition, the JAST includes an Action Plan and Monitoring Framework with jointly agreed indicators and targets that all partners use to assess progress towards achieving the objectives of the JAST. This Framework incorporates fully targets of the Paris Declaration. The government and donors, in consultation with non-state actors, will undertake joint annual reviews of the JAST to assess their performance against JAST indicators. It is expected that the IMG will undertake the mid-term independent assessment of the JAST in early 2009 and at the end of a five-year JAST cycle. ■

PROGRESS SINCE 2005 AND PRIORITIES FOR 2010

THE 2008 SURVEY SHOWS that Tanzania has continued to demonstrate leadership in meeting the 2010 targets of the Paris Declaration. It has met targets for four indicators (4, 8, 11 and 12) and is within reach of achieving targets for another five indicators. Whilst the 2008 Survey pointed out substantive improvements in a number of areas, it also highlighted key challenges and reforms that are needed if Tanzania is to achieve the targets agreed in Paris. In particular, substantial efforts are required by the government and donors to increase the number of joint missions (while reducing the total number of missions), enhancing the integration of aid in the national budget and improving the predictability of aid. ■

SUMMARY
TABLE 49.9

INDICATORS		2005 REFERENCE	2007	2010 TARGET
1	Operational development strategies	B	B	A
2a	Reliable public financial management (PFM) systems	4,5	4,0	5,0
2b	Reliable procurement systems	Not available	B	A
3	Aid flows are aligned on national priorities	90%	84%	95%
4	Strengthen capacity by co-ordinated support	50%	61%	50%
5a	Use of country PFM systems	66%	71%	74%
5b	Use of country procurement systems	61%	69%	90%
6	Strengthen capacity by avoiding parallel PIUs	56	28	19
7	Aid is more predictable	70%	61%	85%
8	Aid is untied	95%	99%	More than 95%
9	Use of common arrangements or procedures	55%	61%	66%
10a	Joint missions	17%	17%	40%
10b	Joint country analytical work	38%	65%	66%
11	Results-based monitoring frameworks	B	B	A
12	Mutual accountability	Yes	Yes	Yes

CONTRIBUTORS

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ACRONYMS

GBS	general budget support
GNI	gross national income
IFMS	integrated financial management system
IMG	Independent Monitoring Group
JAST	Joint Assistance Strategy for Tanzania
MTEF	medium-term expenditure framework
NPES	National Poverty Eradication Strategy
NSGRP	National Strategy for Growth and Reduction of Poverty
ODA	official development assistance
PBA	programme-based approaches
PER	public expenditure review
PFM	public financial management
PIU	project implementation units