

The survey sought to measure objective evidence of progress against 13 key indicators on harmonisation and alignment (see Foreword). A four-point scaling system was used for all of the “Yes/No” questions:

1. “Yes without reservations” represented here as: **YES!**
2. “Yes with reservations”: represented here as: YES
3. “No with reservations” represented here as: NO
4. “No without reservations” represented here as: **NO!**

Specific technical criteria were suggested to guide responses (See Annexes). Respondents were also invited to provide a brief explanation when they expressed reservations (Categories 2 and 3 above). The qualitative information they provided has informed this chapter.

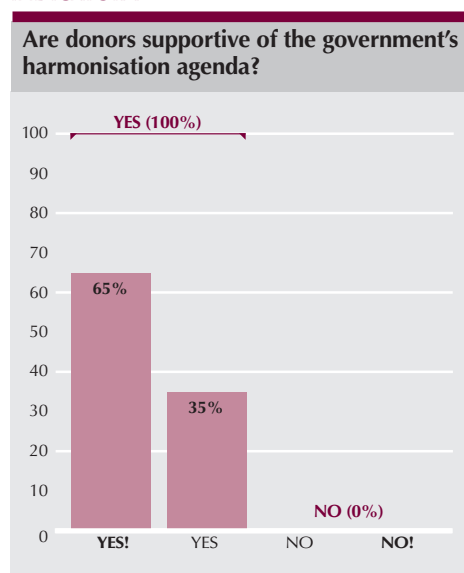
The government of Tanzania developed its full poverty-reduction strategy paper (PRSP) in 2000 and most development assistance since has been focused on implementing it. For example, 14 development agencies have been funding the poverty-reduction strategy (PRS) through budget support. Efforts are now focusing on strengthening the links between the PRSP and the government budget; aligning other national and core reform processes around these two processes; agreeing on a common performance assessment framework; and linking the country/portfolio annual review processes to existing in-country review processes. Harmonisation in Tanzania is promoted through the Tanzania Assistance Strategy (TAS). It includes a donor-government secretariat and a joint TAS/Harmonisation Group co-ordinated by the Ministry of Finance.

OWNERSHIP

A CLEAR AGENDA ON HARMONISATION

The TAS, the government-led framework for managing development assistance resources, was launched in 2002. It includes an action plan for harmonisation (including harmonisation of procedures to channel donor project funds through the national Exchequer system) and a donor-government secretariat. Donor-government discussions on the TAS take place on a regular basis through this secretariat.

FIGURE 13.1
INDICATOR 1



One donor noted that there are many sector-wide and project examples of harmonisation, citing examples of health sector reviews; the use of PER, performance monitoring systems (PMSs) and PRS processes by all donors; and the increasing use of basket financing mechanisms. Donors indicate that they are supporting the government's agenda (see Figure 13.1 – Indicator 1).

The government, however, does not share this point of view and regrets that donors do not increasingly support its harmonisation agenda: “Not all donors are using the instruments prepared by the government. Some have cited domestic laws/policies as inhibiting harmonisation in recipient countries.”

**TABLE 13.1
INDICATOR 2**

Is government co-ordinating aid?		
Is there a formalised process for dialogue?	YES	
Is government proactive?		NO
Is government in the driving seat?	YES	
Do donors' rules support harmonisation?	YES	
		76%
% of donors who take part in co-ordination		

In assessing the TAS, one bilateral donor reports:

...the joint TAS secretariat is not optimally functioning and [policy] dialogue with the government is difficult. It seems that donor harmonisation is left to the donors, with the Ministry of Finance seeming to be more interested in the viewpoints of the International Monetary Fund and the World Bank.

**TABLE 13.2
INDICATOR 3**

Capacity development		
► Have weaknesses been identified?		
In public financial management	YES!	
In budget planning and execution	YES!	
In co-ordination of aid	YES!	
► Are weaknesses being addressed?		
In public financial management	YES!	
In budget planning and execution	YES!	
In co-ordination of aid	YES!	
► Is the level of support appropriate?		
In public financial management	YES!	
In budget planning and execution	YES!	
In co-ordination of aid	YES!	

Despite progress in implementing Tanzania's harmonisation agenda under TAS, some high-priority actions have been awaiting full implementation for some time. This is why, some donors call for a more assertive lead from the government on harmonisation issues.

The government exercises control over resource allocation at the national level through budget support and at the sectoral level through basket funding. In terms of the transparency of external resource flows to Tanzania, provisions have been made for all aid modalities to be disbursed through the Exchequer. With regard to projects, some support does go directly to implementing agencies without passing through the government system, although a framework for co-ordinating aid resources is in place (see Table 13.1 – Indicator 2).

FORMAL GOVERNMENT-LED FRAMEWORK FOR DIALOGUE AND CO-ORDINATION

The implementation of the TAS is co-ordinated by the Ministry of Finance in close collaboration with sector ministries, civil society and the Development Partners' Group (DPG) which emerged out of the former Development Assistance Committee and was established in January 2004. The joint government-donor TAS/Harmonisation Group has taken the lead in monitoring the implementation of TAS, with the support of the TAS secretariat. Its first annual implementation report was issued in November 2003.

CAPACITY DEVELOPMENT

Government capacity weaknesses have been identified in public financial management, budget planning and execution, and aid co-ordination (see Table 13.2. – Indicator 3). They are being addressed in each area.

Local level budget-related issues are being addressed under the fiscal decentralisation programme and the local government reform programme. Further discussion may be required to establish a vision for further evolution of the budget cycle and to devise appropriate capacity building assistance. It is anticipated that this will be developed as part of Tanzania's second poverty-reduction strategy (PRS II).

ALIGNMENT

RELIANCE ON PARTNERS' NATIONAL DEVELOPMENT STRATEGIES

The government developed a PRSP in 2000. Most development assistance since has been focused on implementing it. A number of donors have allocated a substantial proportion of their aid envelopes in the form of budget support for the PRS. PRS reviews and sector reviews (such as the joint health sector programme reviews) take place annually.

The PRSP includes targets and indicators that inform all programming decisions that are aligned with PRS priorities. However, the coverage of indicators, and their monitoring systems, are considered to be insufficiently robust and will require further strengthening before they can become the sole guide for programming decisions.

The links between the PRS and the budget are being strengthened. This being said, timing of their processes is not always synchronised with other national processes and this needs to be addressed if a coherent planning-budgeting-monitoring-review cycle is to be developed.

Even though all donors report that they rely on the PRS when programming assistance (see Figure 13.2 – Indicator 4), only 13% of them actually use the annual progress review (APR) to influence their annual resource-allocation decisions. A common view articulated is that while the APR informs programming decisions, it is insufficiently detailed to be taken into account for resource-allocation. Donors point to other annual government processes, such as the PER and sector work, which also inform programming decisions.

Do donors rely on the PRS when programming official development assistance?

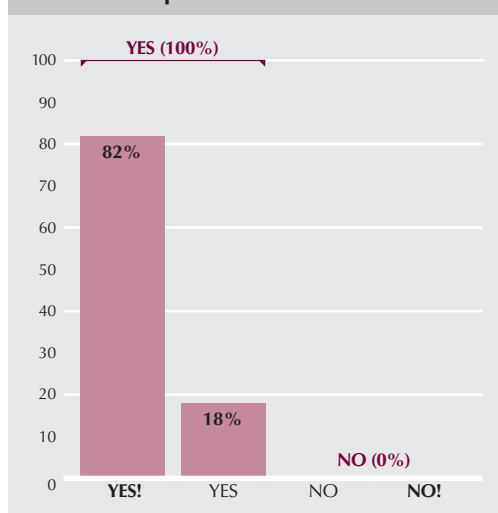


FIGURE 13.2
INDICATOR 4

BUDGET SUPPORT

Eleven bilateral agencies, the African Development Bank, the European Commission and the World Bank have allocated a substantial proportion of their development assistance to Tanzania in the form of budget support for the PRS. The group has adopted a common performance assessment framework (PAF) which focuses on results, improved public expenditure management, and capacity building.

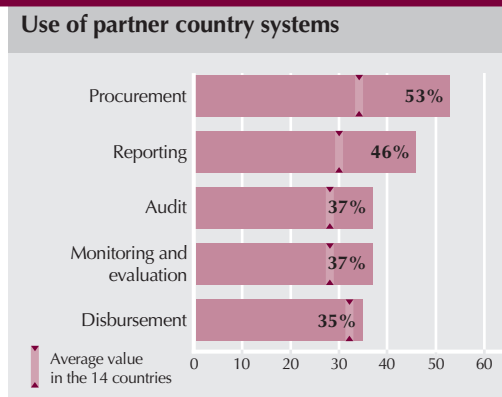
According to this survey, 79% of budget support donors provide multi-annual commitments (see Table 13.3 – Indicator 5). Others, such as Norway, provide multi-annual commitments with the caveat that they are subject to annual parliamentary approval. In 2003, 64% of budget support donors made commitments in time to allow the government to take them into account for the purposes of budget preparation.

Budget support disbursements, as compared to commitments, have improved significantly. Disbursement decisions are made on the basis of the PAF assessment before the new fiscal year. This allows for a smooth release of funds as the year progresses. Since the 2002/03 fiscal year, disbursement has been 100%, with more than 80% of the total amount now being disbursed during the first half of the year. First quarter disbursements have increased from 8% in 2002/03 to 80% in 2004/05.

TABLE 13.3
INDICATOR 5

Is budget support predictable and aligned?				
Are budget support donors making:	YES!	YES	NO	NO!
► multi-annual commitments?	Canada Denmark Finland Germany Ireland Netherlands Sweden Switzerland United Kingdom European Commission World Bank	Norway	ADB	Japan
► timely commitments?	Canada Denmark Finland Germany Ireland Sweden Switzerland United Kingdom World Bank	Netherlands Norway ADB European Commission		Japan

FIGURE 13.3
INDICATOR 6



PROJECT SUPPORT

Tanzanian government systems are used to a greater extent than the average of other countries surveyed (see Figure 13.3 – Indicator 6).

A significant proportion of aid is provided through budget support and basket funding, which uses government systems. However, as

far as project support is concerned, many donors use their own external systems, sometimes in combination with government systems.

For example, the World Bank procurement thresholds for international competitive bidding are determined by the capacity of the national implementing agency. The Roads Agency (Tanroads) has been given high thresholds for “prior review” by the World Bank and European Commission. The Tanzania Revenue Authority has also been allowed by a number of bilateral donors, including the United Kingdom, to undertake procurement itself rather than use an agent. The Medical Stores Department is another autonomous body which donors (including Denmark and the World Bank) allow to use its own procurement procedures. The government plans to fully decentralise procurement in early 2005; this will affect high-value procurement on sector-wide approaches (SWAs) and basket funds, which is currently processed by the Central Tender Board.

Alignment with sector programmes					
	Health	Education	Water	Transport	Agriculture
► Are sector systems in place?					
Is government leading in the sector?	YES!	YES!	YES!	YES!	YES!
Does a clear sector policy exist?	YES!	YES!	YES	NO	NO
Is a sector medium-term expenditure framework (MTEF) in place?	YES	YES	YES	YES	YES
Is there sector co-ordination?	YES!	YES!	NO	NO!	YES
Is a sector monitoring system in place?	YES	YES	NO	NO!	NO
Are systems being harmonised?	YES	YES	NO!	NO!	YES
► Are donors supporting the sector systems?					
Are the systems aligned with government policies?	YES!	YES!	YES	YES	YES!
Are funds integrated into the MTEF?	NO	NO	NO	NO	NO
Are donors using the government monitoring system?	YES	YES	YES	YES	NO

TABLE 13.4
INDICATOR 8

SECTOR SUPPORT

Indicator 8 measures donor support to sectors in key policy areas (see Table 13.4).

Sector working groups have been established in all priority sectors to address the need for harmonisation of processes at the sector level. Draft terms of reference for these sector working groups include:

- Developing common reporting formats.
- Maintaining a calendar of donor missions.
- Identifying areas for reducing transactions costs at the sector level.

Many harmonisation initiatives have been introduced at the sector level, with SWAp in the health and education sectors, an emerging SWAp in the agriculture sector and donors financing the implementation of various programmes including the local government reform plan, through a basket fund.

Health sector

A clear health sector policy exists, supported by a medium-term expenditure framework (MTEF), although the budgeting in the MTEF is sometimes inconsistent with the stated goals in

the sector policy. Health sector information systems are in place, but they require further development and alignment with the PRS. Data systems are becoming increasingly robust. The World Health Organization (WHO) reports, however, that:

Performance monitoring in the health sector faces problems of reliability and timeliness of health information. The WHO uses information from Health Statistics Abstracts and Demographic Sentinel surveillance, and specific periodic surveys to track some health indicators. The WHO has a programme performance monitoring and reporting system for the biennial work plan which is not part of government performance monitoring.

A joint procurement, financial management and disbursement assessment is being undertaken by a group of donors for multi-donor pooling through government systems for the health sector SWAp development programme. Not all donors active in the sector participate in the basket-funding mechanism and a number of programmes are operating outside the SWAp.

Education sector

The education sector policy and MTEF are in a similar state of development to those in the health sector and they also face the same challenges. The education sector SWAp is supported by most donors active in the sector, as is the formal donor co-ordination mechanism.

Water sector

A water sector strategy is in its final stages of preparation. It is intended to guide the implementation of the National Water Policy prepared in July 2002. The PER and MTEF are increasingly embedded, but a comprehensive sector investment plan that guides both external and domestic assistance is yet to be developed. It is recognised that this plan will require the participation of government agencies (such as the health and agriculture ministries) and all sector partners. Progress towards harmonisation at this stage is negligible.

Transport sector

A transport sector policy exists but there is currently no implementation strategy. Donor co-ordination meetings are *ad hoc* and informal. There is no sector PMS. There is no real progress towards harmonisation.

Rural development

An agricultural sector policy and strategy exist, but they are insufficiently robust to link financial resources through the budget to the stated sector goals and strategies. One donor notes that government leadership is undermined by the existence of three agriculture-related ministries and a limited understanding of SWAp concepts and practices on the part of both government and donors active in the sector.

HARMONISATION

The harmonisation agenda is well established in Tanzania, and the support provided to the PRS by many donors through budget support has helped to drive it forward. Efforts are focusing on strengthening the link between the PRS and the government budget (through reinforcing the link between the PER and the PRS annual reviews); coming to an agreement on a common performance assessment framework; and linking the country/portfolio annual review processes to existing in-country review processes.

According to “Principles for Promoting Harmonisation and Aid Effectiveness”, a report by the Tanzania DPG secretariat:

[...] The principles and the programme of action for improved harmonisation were important initiatives in providing a framework for harmonisation in Tanzania.

Open and honest communication between the government and the donors to enhance the effectiveness of harmonisation initiatives are also beneficial. The government notes that:

...great improvements have been made by donors in supporting the country's procedures and systems to achieve the intended goals. Much of the development assistance is now being delivered in the form of budget support and basket funds in support of the implementation of the PRSP.

STREAMLINING CONDITIONALITY

Indicator 7 looks at the extent to which donors have streamlined conditionality when providing development assistance in a number of specific areas (see Table 13.5).

The budget support memorandum of understanding (MoU) states that suspension will only be considered for a following fiscal (rather than within a fiscal) year and that in the event that any issues arise, reconciliation will be sought through a joint meeting of donors and the government. No formal agreement establishing conditions for suspension exists; however, donors once suspended education sector disbursements following a delay in the submission of an audit report, and the European Commission maintains a variable tranche, enabling it to make disbursements on the basis of performance.

MoUs exist in many sectors, but they tend not to explicitly detail circumstances for within-year suspension of support.

DELEGATED CO-OPERATION

According to this survey, 19% of donors in Tanzania claim to be party to an arrangement by which one donor (a lead donor) acts on behalf of another donor (the delegating donor). A further 25% replied “yes, with reservations” (see Table 13.6 – Indicator 9). Examples include Ireland co-chairing the local government reform programme with the Netherlands; a US arrangement with the United Kingdom to take the lead in the area of parliamentary strengthening; and World Bank participation in thematic discussions under the lead of relevant budget support donors.

DONOR FIELD MISSIONS

Approximately 230 missions took place in 2003, with around 5% of all missions being undertaken jointly. Three donors (World Bank, United Nations and Netherlands) accounted for more than half of the total number of missions (see Figure 13.4 – Indicator 10).

Are donors streamlining conditionality?		TABLE 13.5 INDICATOR 7
Direct budget support	NO	
Health sector	NO!	
Education sector	NO	
Water sector	NO!	
Transport/road sector	NO!	
Rural development agriculture	NO!	

Who is delegating co-operation?				TABLE 13.6 INDICATOR 9
YES!	YES	NO	NO!	
Finland	Ireland	United Nations	Canada	
Germany	United Kingdom		Denmark	
Netherlands	USAID		France	
	World Bank		Japan	
			Norway	
			Sweden	
			Switzerland	
			European Commission	

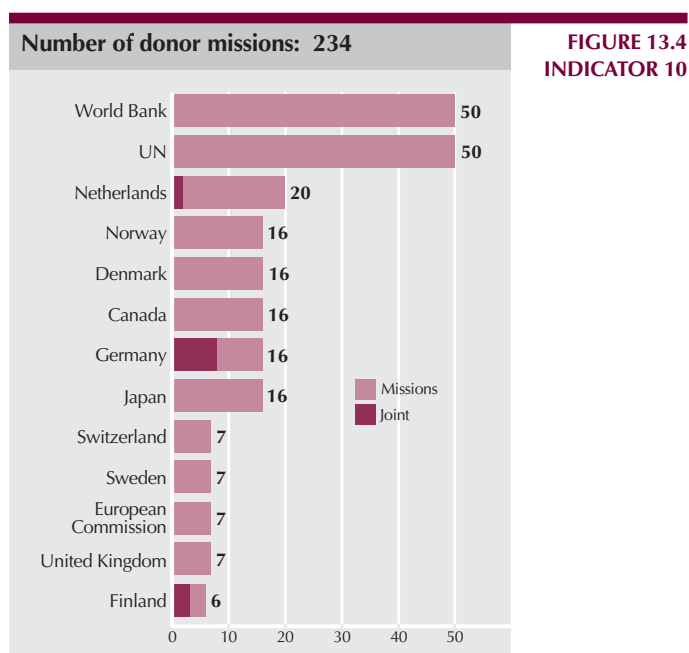


TABLE 13.7
INDICATOR 13

Who is sharing country analytic work?			
YES!	YES	NO	NO!
AFDB	Germany	Canada	Denmark
IMF	Ireland	Finland	France
World Bank	Switzerland	Sweden	Japan
	European Commission	United Kingdom	Netherlands
	United Nations	United States	

STREAMLINING DIAGNOSTIC REVIEWS

In the three years 2001-03, ten diagnostic reviews were undertaken in Tanzania, two involving more than one donor and producing an action plan (Indicator 11 – Table not presented).

An annual evaluation of fiscal performance is conducted jointly by bilateral donors and the World Bank. A Joint World Bank-DFID (UK Department for International Development) CFAA for mainland Tanzania was completed in 2001 and a similar exercise was conducted recently for Zanzibar (by the UNDP with the World Bank, African Development Bank and the United Kingdom). A joint World Bank-African Development Bank CPAR was completed in 2003.

DISCLOSING INFORMATION

According to the government, procedures have been agreed for the notification of disbursements for both budget support and in the health, education, water, transport and rural development sectors.

71% of donors claim to notify the government on indicative disbursements they plan to release over at least a three-year period (Indicator 12a – Table not presented). Budget support and basket-funding commitments are indicated in advance, following a three-year rolling programme and information is provided ahead of the budget cycle to allow for the integration of the funds into the planning frame. Projects are planned and adjusted as implementation is ongoing.

75% of donors claim to provide comprehensive and regular information about in-country disbursements (Indicator 12b – Table not presented). One bilateral donor comments that:

“We are getting there, but not 100% yet due to the fact that neither we nor the government have fully developed the routines.”

13% of donors regularly share information on their country analytic work on the country analytic Web site (see Table 13.7 – Indicator 13).

ACRONYMS

ADB	Asian Development Bank
AFDB	African Development Bank
APR	Annual progress review
CFAA	Country financial accountability assessment
CPAR	Country procurement assessment review
DAC	(Tanzania) Development Assistance Committee
DFID	Department for International Development (United Kingdom)
DPG	Development Partners' Group (Tanzania)
IMF	International Monetary Fund
MoU	Memorandum of understanding
MSD	Medical Stores Department (Tanzania)
MTEF	Medium-term expenditure framework
PAF	Performance assessment framework
PER	Public expenditure review
PMS	Performance monitoring system
PRS	Poverty-reduction strategy
PRSP	Poverty-reduction strategy paper
SWAp	Sector-wide approach
TAS	Tanzania Assistance Strategy
UN	United Nations
UNDP	United Nations Development Programme
USAID	United States Agency for International Development
WHO	World Health Organization

