

THE UNITED REPUBLIC OF TANZANIA



MEMORANDUM OF UNDERSTANDING

ON THE JOINT ASSISTANCE STRATEGY FOR TANZANIA (JAST)

BETWEEN

THE GOVERNMENT OF THE UNITED REPUBLIC OF TANZANIA

AND

DEVELOPMENT PARTNERS

December 2006

**MEMORANDUM OF UNDERSTANDING
ON THE JOINT ASSISTANCE STRATEGY FOR TANZANIA BETWEEN
THE GOVERNMENT OF THE UNITED REPUBLIC OF TANZANIA
AND DEVELOPMENT PARTNERS**

1. The Government of the United Republic of Tanzania (hereinafter referred to as “the Government”) and its Development Partners (DPs) recognise substantial progress in improving aid effectiveness and strengthening national ownership of the development process in Tanzania. They desire to take this further under the Joint Assistance Strategy for Tanzania (JAST), operationalising the 2005 Paris Declaration on Aid Effectiveness to which they are signatories. This Memorandum of Understanding (MoU) is not a legally binding instrument. However, it declares the principles of implementing the JAST that are shared by the Government and DPs, in order to make aid in Tanzania more effective for reducing poverty and achieving national development goals in line with the Millennium Development Goals.

2. The Government and DPs wish to replace decisions on aid and aid allocations that are made purely bilaterally between the Government and DPs with decisions based on a coherent development framework anchored in Tanzania's own priorities, planning and systems. The changes to be implemented under the JAST aim to: strengthen mutual and domestic accountability and national ownership of the development process; align DP assistance with Government priorities, systems, structures and procedures; promote management for results; sustain progress in Government reforms; and harmonise Government and DP processes to reduce aid transaction costs.

3. Government Ministries, Departments and Agencies (MDAs), Regions and Local Government Authorities (LGAs) and DPs recognise that they are at different starting points in terms of their level of compliance with JAST objectives and principles. They therefore need time progressively to align their practices with those objectives and principles. Existing bilateral agreements between the Government and a DP, the laws or policies of any signatory will prevail over the JAST and this MoU. However, such agreements, laws, and policies will be brought to the attention of JAST participants, in order to continue the process of alignment with JAST.

4. The JAST is a dynamic and evolutionary process that the Government and DPs expect continuously to raise the standards of development co-operation. The JAST is intended to include all MDAs, Regions and LGAs, and all DPs, taking into account the different challenges, different starting points and different pace of reform of each. The Government and DPs expect to see substantive progress from all signatories towards achieving JAST objectives.

5. DPs will base their support on Tanzania's second Poverty Reduction Strategy - the National Strategy for Growth and Reduction of Poverty ("MKUKUTA"), the Zanzibar Strategy for Growth and Reduction of Poverty ("MKUZA") and the JAST as the overarching frameworks for development co-operation. They will ensure that DPs' individual country assistance plans or strategies define each agency's specific contributions to overarching national strategies, will support those national strategies, and will be coordinated with one another.

6. DPs see the Government's annual budget cycle as the key process to identify aid priorities and to allocate resources. They expect this to become ever more transparent, reinforcing the accountability of the Government to the citizens of Tanzania. To facilitate this, DPs recognise the need for a period of 'Government quiet time' each year, with conditions set by the Government that allow sufficient time for budget preparation and approval.

7. DPs recognise General Budget Support (GBS) as the Government's preferred aid modality, because GBS passes ownership and management of the development process to the Government; because it makes aid coherent and predictable; and because it is readily subject to scrutiny by Parliament, civil society and the media.

8. DPs in the aggregate are prepared to increase the share of GBS in total official development assistance to Tanzania, and to sustain that level of support, provided jointly agreed commitments of the Government are met. They also recognise the value of other aid modalities such as basket and project-based funding, when used judiciously and based on criteria for good practice outlined in the JAST. The Government and DPs intend increasingly to eliminate aid to the Government that by-passes the national budget and Exchequer system, whilst recognising the importance of continued direct support to non-state actors.

9. The Government and DPs will avoid creating parallel project implementation units, instead integrating project management into the structures and systems of the implementing Government agency. DPs will seek to provide firm financing commitments to the Government's three-year medium-term expenditure framework to the maximum extent possible, minimising year-to-year variations. They will make information available on these commitments and on disbursements and aid modalities in a timely and transparent manner to all stakeholders.

10. To sustain external support, DPs expect the Government to demonstrate continued progress in its core public service reforms. These include the public service, financial management, legal sector, local government, good governance and anti-corruption reform programmes, and strengthening of expenditure and accountability systems.

11. Considering the large number of DPs in Tanzania, and the broad range of each agency's activities, DPs will rationalise the number of sectors and thematic areas in which each agency is engaged in order to reduce transaction costs that Government agencies incur in dealing with multiple DPs and achieve a more even engagement of DPs in sector or thematic dialogue. Sharper sectoral or thematic focus is not intended, however, to mean less external funding overall for Tanzania and DPs can continue to provide assistance to any sector or thematic area. A new division of labour will be agreed and refined over time between the Government and DPs. This will be organised around "lead", "active" and "delegating" partnerships as defined in the JAST. "Lead", "active" and "delegating" DPs will be selected on the basis of principles of comparative and competitive advantage and not according to the amount of financial support they provide to a sector or thematic area. Lead partners will ensure that the views of other partners are heard and reflected in DP positions presented to the Government. Whilst dialogue on division of labour will engage all partners, DPs recognise that the Government leads this process.

12. The Government and DPs consider it essential to support the long-term development of human resources, technical and financial capacity within Tanzanian institutions. The Government in collaboration with other stakeholders will identify and address weaknesses in planning, management and service delivery functions. DPs wish to make their assistance to public institutions more responsive to Government needs, progressively integrating this into Government structures, systems and procedures. DPs therefore support publication of a new Government policy on technical assistance.

13. The Government and DPs will carry out joint efforts to upgrade Tanzanian procurement systems towards international standards. DPs where relevant will also seek increasingly to untie the provision of technical assistance, goods and services to Tanzania from the source of financial assistance. Services will be increasingly procured under Government leadership, in an open, competitive, and accountable manner, in accordance with the Public Procurement Act (2004) and the Procurement and Disposal of Public Assets Act No. 9 (2005) of the Revolutionary Government of Zanzibar (RGoZ). However, the transition from donor-led to Government-led systems and procedures presupposes further progress in the reforms of Government public financial management and procurement. DPs will increasingly use Tanzanian accounting and auditing systems and procedures in line with the Public Finance Act No. 6 (2001) and the Public Finance Act No. 12 (2005) of the RGoZ. They will nonetheless retain the freedom to conduct their own independent external audits to meet their national requirements, in consultation with the Government.

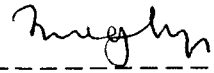
14. The success of the JAST will depend on continued, high quality and regular dialogue between the Government, DPs and domestic stakeholders. DPs expect this dialogue to be led by the Government, based on the principles described in the JAST and in existing national processes such as MKUKUTA, MKUZA, and annual GBS, public expenditure and sectoral reviews. DPs expect the Government to adequately involve them and non-state actors in sector and cross-sectoral dialogue, in order to strengthen the quality of public policy, management and services. The Government and DPs prefer sector dialogue to adopt a medium and long-term strategic approach, and not to be preoccupied merely with external funding.

15. The Government and DPs consent to independent monitoring and evaluation, and joint assessment of performance under JAST. They support a JAST Working Group to facilitate and coordinate the production of a JAST Action Plan and a resulting performance matrix for JAST implementation, based on the Paris Declaration indicators. The Working Group will also coordinate a Joint Annual Review of the JAST, in consultation with non-state actors and coordinated with other key reviews of the national budget / PER, MKUKUTA, MKUZA and GBS.

16. In recognition of the above, we give full support to the objectives and principles of JAST.

Signed by

Hon. Zakia H. Meghji (MP)

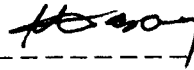


Minister for Finance

United Republic of Tanzania

Date... 5/12/06

Sheku Sesay

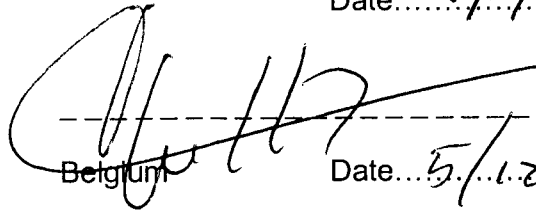


Resident Representative

African Development Bank

Date... 5/12/06

H. E. Peter Maddens




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Belgium

Date... 5/12/06

H. E. Andrew McAlister



High Commissioner

Canada

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H. E. Carsten Nilas Pedersen



Ambassador

Denmark


Date... 5/12/06

H. E. Marinus Frans Baan
Head of Delegation



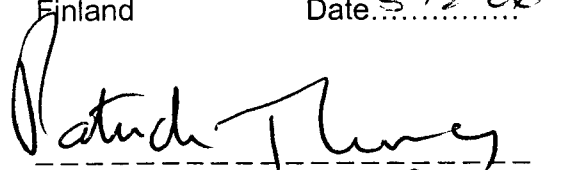
European Commission
Date... 5/12/06...

H. E. Jorma Paukku
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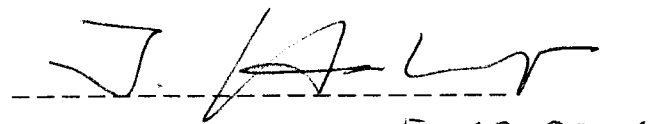
Finland
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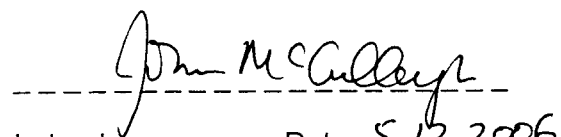
France
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Germany
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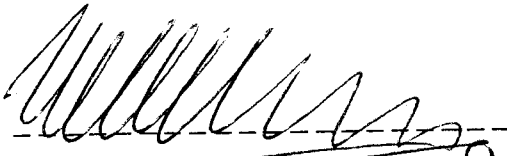
Ireland
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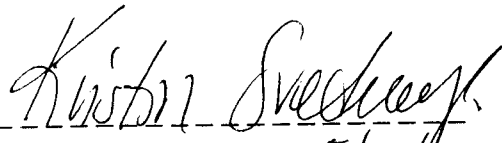
Japan
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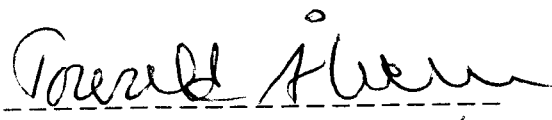
The Netherlands Date... 5/12/06

Kristin Sverdup
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Norway Date... 5/12/06

H. E. Torvald Åkesson
Ambassador



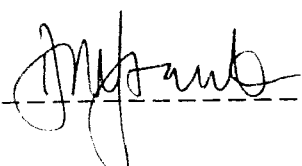
Sweden Date... 5/12/06

H. E. Dr. Emanuel Jenni
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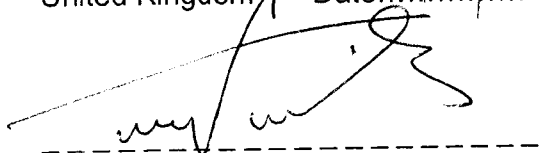
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Oscar Fernandez-Taranco
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United Nations Tanzania Date... 5/12/06

Pamela White
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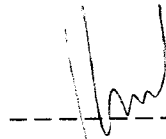
United States Date...5/12/06

Judy O'Connor
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World Bank Date...5/12/06

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Spain Date...5/11/06