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SWITZERLAND’S AID PROGRAMME IN TANZANIA

1. Introduction

1. In preparation for the review of Swiss aid by the Development Assistance Committee (DAC), a mission comprising a representative of one of the examining countries, the Netherlands, and Members of the DAC Secretariat, visited Tanzania from 13-19 April 2000. Tanzania is one of the concentration countries for the Swiss co-operation and received on average 24 million Swiss francs (CHF) per year, in 1996-98. During the visit, contacts were established with all Swiss co-operation actors.

2. Overview of the national context and the main challenges for development

2.1. Recent economic and social trends

2. After 25 years of socialism-inspired policies based on self-reliance and a centrally-controlled economy which failed to deliver the intended results in terms of development, in 1986, Tanzania embarked on a series of “Economic Recovery Programmes” with the support of the Bretton-Woods institutions and bilateral assistance. Although slippages occurred during 1993-95, the programmes have been successful in progressively dismantling the system of state controls, privatising state-owned—enterprises (SOEs) and rehabilitating key parts of the infrastructure. The pace of these reforms has been slow, but Tanzania’s economy underwent a major transition from being state controlled to a free market economy. As a result, annual growth recovered to 4% on average over 1986-94.

3. On the political front, multi-partyism was established in 1992. The first multi-party presidential and parliamentary elections took place in 1995 and Chama cha Mapinduzi (CCM), the party that had ruled Tanzania since independence, remained in power. Democracy has progressed, however, with political liberalisation and the emergence of a Tanzanian civil society, freedom of the press and the increasing expression of people’s needs and expectations. Moreover, in a part of Africa which has been engulfed in civil and foreign wars, Tanzania has managed to stay away from these regional conflicts, although approximately 300 000 refugees have gathered in the northwestern part of the country. In past decades, Tanzania has maintained a remarkable degree of stability unseen so far in the region. That stability is seen by some as the result of well-defined non-discriminatory policies of the government.

4. In recent years, however, economic growth has remained relatively low, just above the population growth rate of 2.8% a year. The persistence of such a situation precluded much reduction of poverty in a country which is one of the poorest on the list of least developed countries (LLDCs), with a population of 31 million people and a GNP per capita of 210 United States dollars (USD) in 1998. About 80% of the population live in rural areas with agriculture contributing around 50% of gross domestic product (GDP). About 50% of the population are estimated to be living below the poverty line on less than USD 1 a day. Poverty remains predominantly a rural phenomenon, although the number of poor in urban
areas, mostly the unemployed and those engaged in the informal sector, is growing fast. The vulnerability of the poor is increased by the preponderance of disease, including the rapid spread of HIV/AIDS. Though Tanzania’s GNP per capita is less than half of the average in countries in Sub-Saharan Africa (SSA), its social development indicators are generally comparable with those of SSA. The government’s fiscal policies, especially as they have led to inflation of below 8% in the last year, are expected to gradually have a positive impact on the situation of the poor.

5. Since macroeconomic stability has been restored, the main reasons for this insufficient rate of growth are structural. First, the ratio of gross domestic savings to GDP has remained below 5% on average over the last five years. Although most of the development budget has been financed through foreign assistance, the investment/GDP ratio has stagnated around 17% during the same period. Second, despite the fact that Tanzania has benefited from six Paris Club rescheduling agreements since 1986 (the last one in early April 2000), external debt, which amounted to USD 6.0 billion at end-1998, is still clearly unsustainable, even after the full application of all traditional relief mechanisms: external debt service represents more than 33% of exports of goods and services and about 30% of central government revenues. In April 2000 Tanzania passed the so-called decision point and is starting to benefit from the enhanced Heavily-Indebted Poor Countries (HIPC) initiative. The government plans to submit a Poverty Reduction Strategy Paper (PRSP) to the IMF and the World Bank by end-August 2000, which is a key requirement for reaching the completion point.

2.2. Main challenges and Tanzania’s development strategy

6. The main challenge facing Tanzania is the reduction of poverty. This is indeed the government’s priority, which led it to adopt a National Poverty Eradication Strategy (NPES) in November 1997. However, although results have started to materialise, in part due to the improved macroeconomic situation, they have been quite limited. Not much will be achieved without an increase in the rate of growth to levels significantly higher than the rate of population increase, e.g. around 6% a year. This in turn will require a rise in the investment/GDP ratio, which will have to come not only from increased public investment, but also from the development of the Tanzanian private sector and foreign direct investment.

7. The government’s main objective on the fiscal front is to increase the revenue-to-GDP ratio, which is too low, at 12.6% in 1998-99. The creation of the Tanzania Revenue Authority (TRA) in July 1996 and the introduction of the value added tax (VAT) in July 1999, together with other measures and reforms under a Tax Administration Project financed by the International Development Association (IDA) and bilateral donors, should help to gradually increase this ratio. This, combined with reduced debt service obligations, would facilitate the attainment of a sustainable deficit target (projected at -0.4% of GDP in 1999), while increasing expenditures to priority sectors.

8. The government is committed to implementing the NPES. It has adopted expenditure plans which in 1999-2000 closely follow the three-year Medium-Term Expenditure Framework (MTEF) introduced in 1998-99, in terms of magnitude as well as in the prioritisation across sectors, with the focus on social sectors supporting the government’s poverty reduction initiative. The main priority sectors, for which the budgetary allocations will be protected, are education, health, water and roads. The government’s commitment to poverty eradication is also reflected in the undertaking to achieve internationally agreed development targets, including the 20/20 Initiative, implying the allocation of at least 20% of budgetary expenditures to the provision of basic social services. This target was exceeded substantially in 1999, since such allocation reached 24.4% of the recurrent budget. Implementation of the MTEF is monitored through the annual public expenditure review (PER) process, involving a wide range of stakeholders.
9. A major element in the government’s strategy has been a resolute shift to decentralisation in the delivery of social services to the local government level. Under the Local Government Reform Programme (LGRP), a new approach of decentralised financing by level of administration started in 1998-99. The first phase of the LGR programme is a pilot phase. It entails issuing block grants to 35 districts to finance all activities under the jurisdiction of the authorities, including health and education. The government has decided progressively to shift responsibility for the recruitment of District Medical Officers and health staff to District Councils. The challenge ahead will be to generalise the reforms to all districts and to continue the transfer of tasks to local governments in all areas under their responsibility. This will require strengthening the capacity of local authorities and systems for managing a much broader range of activities. To this end, the government has prepared a work plan and budget for the period 1999-2002.

10. After almost 15 years of reforms, only about 50% of the more than 400 state-owned enterprises (SOEs) have so far been divested. The process must therefore continue, and another big challenge ahead is the divestiture of public utility companies, particularly in the telecommunications, water supply, railways and shipping sectors. Promotion of the private sector is essential and will require a reduction of transaction costs of doing business in Tanzania. Participation of non-residents in domestic capital and money markets must also be liberalised.

2.3. **The donor community and recent developments in Tanzania’s strategy**

11. Net official development assistance (ODA) to Tanzania totalled USD 940 million a year, on average, over the three-year period 1996-98, or nearly 14% of GNP. This corresponds to USD 30 per capita. During the same period Switzerland’s aid (gross ODA) to Tanzania represented USD 18 million a year, ranking it as the eleventh bilateral donor to Tanzania. The main donors in this period were the United Kingdom, Japan, Germany, Denmark, the Netherlands, Sweden and Norway, whose ODA ranged between USD 50 and USD 100 million. Although Tanzania was in 1997-98 the third most important recipient of Swiss ODA and is one of their priority countries, Switzerland is still a relatively small player in this country in terms of volume. At the multilateral level, the leading donors are the World Bank, the African Development Fund (AfDF) and the European Community. The United Nations (UN) system concentrates on capacity building in social sectors and good governance.

12. The government is currently developing the Tanzania Assistance Strategy (TAS), which is intended to be a home-grown strategy to guide external aid to Tanzania. This initiative aims at restoring local ownership and leadership, as well as promoting partnership in designing and executing development programmes. It dates back to the mid-1990s when Tanzania/donors relations were strained, due mainly to serious slippage in revenue collection and increasing corruption. *The report of the group of independent advisers on development co-operation issues between Tanzania and its aid donors* (the Helleiner Report, 1996) and adoption of the *Agreed Notes* in January 1997 set in motion the process for building a new relationship. In this context, the TAS intends to put in place and operationalise a coherent blueprint for co-ordinating and managing external resources. A revised version was presented at the meeting of the Consultative Group in Dar es Salaam at the end of May 2000.

13. The TAS is closely related to the PRSP which the Tanzanian government intends to complete by August 2000 in compliance with the conditions of the HIPC initiative. Its preparation started in October 1999, in consultation with Tanzanian stakeholders and bilateral donors as well as multilateral institutions. An Interim PRSP was issued in March 2000. It reflects the steps taken so far by the government in formulating a comprehensive poverty reduction strategy and describes its plans for preparing a full PRSP. It provides a preliminary matrix of structural reforms and sectoral targets consistent with achieving higher growth and poverty reduction. It has been agreed with the World Bank that the TAS
would serve as the basic framework for the PRSP. Therefore, the Tanzanian authorities have integrated the technical work of TAS and PRSP, prepared at the same time by the same people. All this explains why the Comprehensive Development Framework (CDF) is not considered as a priority, neither by the government nor by most of the donors.

3. Swiss co-operation in Tanzania

3.1. The strategic context of Swiss-Tanzanian relations

Swiss development activities in Tanzania began in the mid-1970s in the domains of rural roads, health and professional training, initially managed from the co-ordination office of the Swiss Agency for Development and Co-operation (SDC) in Nairobi and since 1981, from Dar es Salaam, the year that Tanzania became a priority country. Swiss co-operation is based on country strategies, which for Tanzania have been embodied in three successive country programmes (CPs), starting in 1986. The first one covered the six-year period 1986-92, and was reviewed through internal self-evaluation during the formulation of the second CP, 1993-98. There was no involvement of local partners in the entire process from review to formulation of this second CP.

The participatory process for the formulation of the 1999-2003 country programme

15. By contrast, elaboration of the present 1999-2003 CP involved a much more participatory approach to both the review of the former CP and the design of the CP itself, which were conducted in three steps. First, an external evaluation, consisting of an in-depth assessment of the 1993-98 CP, was performed by a team of two national and one international consultants, based on three main criteria: empowerment and ownership; institutional sustainability and economic viability; and gender sensitivity. Lessons learned and recommendations were valuable inputs for the formulation of the new CP, as well as for its management. Second, internal reviews of sector programmes were conducted and documented by the SDC team members. And finally, four workshops were conducted in Tanzania between January and May 1998, based on the inputs of the external evaluations and the internal reviews.

16. The first workshop aimed at strengthening the awareness and understanding between SDC and its partners on the basic values to be shared in development co-operation partnership; sharing SDC’s framework for planning of the new CP; and compiling a set of parameters for the CP formulation. The objectives of the second workshop were to review and assess the main elements of the former CP; to develop scenarios for the 1999-2003 CP and identify operational options linking goals and resources; and to plan for action on all other relevant issues pertaining to the CP. A third workshop was held with fifteen key Tanzanians (including one donor representative) and four eminent Tanzanians from political, public and private circles invited to define their vision of Tanzania in the year 2015. The outcome was used as a basis to enable the SDC to orient its future programme in a constructive and practical manner. The fourth and final workshop defined the goals, objectives and strategies of the 1999-2003 CP, as well as a conceptual framework. It also planned resources allocation, and defined a set of indicators, risks and assumptions for monitoring the new CP.

17. Local partners and project staff at district, regional and central levels were involved in the first three workshops. Beneficiaries and stakeholders at grass-roots level were not involved in the process, but

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1. This sub-section relies heavily on a paper titled *Country Programme Evaluations Workshop: the Case of Tanzania.*
were broadly represented, but in the second workshop were only represented by a representative of civil society through one non-governmental organisation (NGO) umbrella organisation. Other like-minded donors were consulted during the external evaluation process to a very limited extent. However, partners were not involved in the planning and drawing up of terms of reference for the evaluation of the former CP, because this first phase was separate from the elaboration process itself of the new CP.

The main features of the 1999-2003 country programme

18. The past CP review had concluded that weak strategic orientations had resulted in a project approach rather than a programme approach. The current programme starts by defining a conceptual framework. The overall goal may seem extremely wide since the CP states that “Switzerland contributes to Tanzania’s efforts to sustainably improve the economic, social, political and institutional framework, in order to combat the root causes of poverty, enhance economic growth, promote good governance, gender balanced sustainable development, and democratic decision-making”. But the CP also indicates that “the main strategy to achieve the programme objectives is a progressive shift from a project approach to a comprehensive sector-wide approach”. Indeed the CP proposes that the joint programme of SDC and the State Secretariat for Economic Affairs (Seco) continues to concentrate on three main sectors (health, infrastructure and transport, and economic support), with the assistance of two cross-cutting support programmes (Gender-balanced Development, Decentralisation and Democratisation).

The annual programmes

19. Each year SDC co-ordination office prepares an annual implementation plan, derived from the five-year CP. The programme for 2000 updates the analysis of the overall and sectoral situation, and draws the lessons learned from implementation in 1999 to establish the objectives for 2000 in the various areas of activity. The proposed programme is discussed in Bern by SDC and Seco. It is then approved in quite a formal way, since there is a performance agreement signed between the co-ordination office and the headquarters, which sets objectives and expected results, together with indicators and means of verification. There is no symmetrical approval by the Tanzanian authorities, which are not given the annual programme, since it is considered as an internal document, i.e. a kind of Plan of Operation for the Co-ordination Office. Although there is no annual joint commission between the Swiss and the Tanzanian authorities, they are well aware of its content through the annual discussions held on each sectoral programme.

3.2. The shift to sector programmes

20. In 1999 SDC was still involved in ten on-going projects: five in the health sector, two in the roads sector and three so-called “island projects”. The new approach implied consolidating or phasing out the projects in the health and road sectors in order to shift towards sector programmes, and phasing out the “island projects”. As regards the latter projects, this happened by end 1999 for the National Income Generation Programme, started in 1997. After some 20 years of support to the Faculty of Engineering, the Human Resources Development Trust Fund should also be phased out by the end of 2000, meaning a withdrawal from the education sector.

21. However it looks like it will be more difficult to phase out the Southern Highlands Dairy Development Project. Although this project has been going on since 1978, and the decision to terminate it was made in 1998, it does not seem as yet to have reached the stage of self-sustainability. This raises the question of its relevance and the efficiency of the financing involved over the eight phases it went through during the last 22 years (CHF 22.6 million in total). The recent external evaluation of the project concludes that “the impact of the project in terms of actually influencing what happens ‘out there’ is obviously
difficult to assess” and that “the intervention logic is unclear”. An attempt to develop a scenario for a last, phase out period, considers that support is still necessary for three and a half more years, which would mean a withdrawal after 2003. This raises the issue of the effectiveness of the Swiss implementing agency, Inter-Co-operation, a firm of consultants partially staffed by former SDC personnel and working mainly on behalf of SDC. It has not been possible in the past 22 years to develop a clear policy as regards the attainable degree of self-sustainability of the programme nor to develop, together with other donors, a more country-wide programme to promote dairy farming in rural areas. The Swiss authorities will, no doubt, wish to draw on the lessons of this project, since the evaluation raises doubts as to its true success.

Activities in the health sector and the health sector programme

22. Tanzania suffers from low quality of health services, with health indicators which stagnated or even deteriorated in the 1990s (e.g. life expectancy has declined due to the HIV/AIDS epidemics). To improve the situation, the government articulated its vision for health sector reform in early 1994. The objectives were to ensure more transparent, cost effective use of resources, and improve the delivery, quality and impact of health care, through decentralisation to the district level, under the leadership of the Ministry of Local Government (MLG). In 1995, the Ministry of Health (MOH) introduced cost-sharing systems at all levels. SDC decided to support, together with several other donors, the implementation of the government health sector reform programme, through a sector-wide programme in 1999-2002. The objective is to establish a comprehensive district-based health system with essential packages of preventive, curative and rehabilitative services, and communities’ participation in the definition of health plans and the management of health facilities. SDC plans to contribute an amount of CHF 8-9 million a year to the sector, with half of this amount allocated to ongoing projects. Such projects will be progressively integrated into the sector-wide approach over a five-year period. The other half will be going to the sector programme itself.

23. As regards the on-going projects, the mission team visited two dispensaries that get funding from the Dar es Salaam Urban Health Project (DUHP). In this project, as in the Kilombero Health Support project (KHS), health facility boards have been set up to involve the communities in the management of their health facilities. Both projects aim at strengthening local capacities, the empowerment of communities and their local authorities, and the promotion of gender sensitive development. They intend to enhance decentralisation at health-sector level through delegation of decision making and management to district authorities.

24. The DUHP started in 1990, with the Swiss Tropical Institute (STI) as the executing agency, on behalf of SDC. The STI provides technical assistance and assists with international procurement; it also supports and supervises the expatriate management positions in the Project Assistance Unit (PAU). The current emphasis during the third phase 1996-2000 is to mainstream the project into a sector-wide approach (SWAp). However it is not yet clear whether this would entail the transfer to Tanzanian managers of PAU functions by the end of this phase, as was recommended by the external evaluation carried out in 1995.

25. The three additional projects funded by SDC in the health sector are:

- The Ifakara Health Research Development Center, a project started in 1983, which has received CHF 17.3 million since its inception. SDC contributes to the core budget of the centre with technical assistance by the STI to its administrative and financial management. Direct support to this project will be decreased in phases.
• The National Tuberculosis and Leprosy Programme, started in 1989, which provides joint support to the national programme, with other donors and NGOs. Funding by SDC has totalled CHF 19.1 million. This successful jointly co-financed programme, in which agency support is organised jointly by donors, is intended to be gradually merged into the SWAp for health.

• The Kilombero Impregnated Nets project, which started in 1996, covers the identification and evaluation of a special marketing distribution system for getting impregnated bed-nets to the population of Kilombero valley and monitoring the impact on malaria reduction. STI is again the implementing agency.

26. The goal of the sector-wide programme is for the Tanzanian health system to respond to people’s demands without discrimination. This implies a shift from managing diseases to managing health systems, by enabling them to deliver a standard minimum health package from a minimum input. At this stage the objective cannot be achieved even with the combination of donors and government resources. Cost recovery is a tricky area because of the tradition of free service for all: in spite of a number of pilot initiatives, there is no definitive government policy today. It appears, however, that in Dar es Salaam around 80% of people can afford to pay for their drug prescriptions and health care needs to be free for the rest, but these propositions cannot be generalised to rural districts.

27. The need to increase the effectiveness of resources available countrywide justifies the SWAp and has led seven donors to contribute to “basket funding” by pooling resources for budget support earmarked for the health budget. The budget approved by SDC for the programme in 1999 was CHF 11.1 million, allowing for annual disbursements of about CHF 3.3 million a year over the period 1999-2003. Apart from Switzerland, the pooling partners are Denmark, Ireland, the Netherlands, Norway, the United Kingdom and the World Bank. Germany should join soon. Donors agree on joint planning, implementation, funding, monitoring, and evaluation.

Activities in the roads sector and the infrastructure and transport sector programme

28. In a very large country like Tanzania rural populations are scattered and many villages are far from markets for agricultural products and social services like dispensaries or schools. Thus for the Tanzanian authorities an efficiently managed road network is vital for agricultural marketing and for access to services and thereby an indispensable ingredient of a poverty reduction strategy. This is how SDC sees its previous decision to support the roads sector. The sector indeed received SDC’s support since the early 1980s. It started with rural roads rehabilitation and maintenance in two districts of the Morogoro Region, before shifting to the regional level support from 1990 to date through the Morogoro Roads Support Project (MRSP), which so far has been allocated CHF 55.3 million. The CP foresees an annual budget of CHF 5 million over the period 1999-2003.

29. The mission team visited Morogoro and was able quickly to assess the situation of a few roads in the area, as well as discuss the project with senior engineers in the Regional Engineer’s Office (REO) of the Ministry of Works (MOW), the Tanzanian counterpart. The project is aimed at facilitating an increased agricultural production in the Morogoro Region through removal of transport constraints. The objective is to ensure an improved road transportation system with increased reliability, improved accessibility, reduced transport time and diminished vehicle-operating costs. To achieve that, the project focuses on improving the administrative, managerial and technical capability of the REO, funding of specific rehabilitation works, and on strengthening local contractors’ capacity. But the project itself does not provide the funding for road maintenance, which is supposed to be funded by the government.
30. Both SDC and the Tanzanian government consider the project as successful. However the Phase III evaluation report released at the end of 1998 concluded that “Phase III did not meet the required targets and expectations”. It was “severely delayed and damaged by extremely low and erratic funding”, which “resulted in unprecedented deterioration of these facilities” (roads, bridges and other related infrastructure). SDC cannot be held responsible for erratic and inadequate financing by the government, which did not meet its commitments. However, this situation was foreseeable from the very start of the project in 1990 and at the beginning of the following phases, because an appropriate sectoral policy, securing sufficient resources for maintenance and rehabilitation of the existing road network, was not in place. Indeed in Tanzania there has been a long history of spending almost all the available budgetary resources on road construction rather than maintenance, mainly because of corruption, government policies and donor preferences. A substantial part of the investments were ineffective because of absence of maintenance.

31. Another aspect of the MRSP, which is debatable, is the advice role played by the Swiss supporting agency, ITECO. The evaluation report found that “the supporting agent played the role of a passive adviser (to the REO) with an attitude of ‘advice is always available to whomever comes and gets it’. This attitude backfired since the REO staff operated independently though inadequately with minimum consultation of the supporting agency (SA)”. Although the evaluators also concluded, two years ago, that “there is no need for a fulltime presence of the SA at the REO”, there was still one full time adviser at the time of the visit. The exit strategy, which has been agreed upon, has been slow to be implemented. This raises the issue of the exclusive nature of the longstanding relationship between ITECO and the headquarters of SDC, which directly enter into contractual relations with ITECO. Ownership will remain limited as long as the Tanzanian partner is not allowed to choose the technical assistants and contract directly with them.

32. Finally, the evaluation found that “the Equipment Hiring Unit (EHU) was running at a loss. The units have failed to generate adequate revenue to ensure their sustainability, resulting in low and unreliable equipment availability”. The only truly successful component in this project has been the Contractor Involvement Component (CIC), which started from 1996 with the objective of enhancing the participation of local private contractors in the maintenance works. In this area the targets have generally been met. ITECO was effective in building the capacity of local contractors, which have been able to compete successfully for contracts even outside of the Morogoro region.

33. By contrast a small Village Travel and Transport Project (VTTP) directly addresses the poverty issues by supporting the implementation of community-based initiatives for improving transport. The pilot phase, which is just being completed, has funded a locally recruited SDC advisor and selected local NGOs. The amount funded was limited to CHF 0.2 million and involved only six villages and 56 000 people. The advisor, whom the mission team met, seems to have done an effective job, in particular through Participatory Learning and Action (PLA), towards empowering local communities themselves to carry out low cost rural road rehabilitation and maintenance activities. The first phase of three years duration should start in July, within a government setting, and involve 200 000 people in 40 villages, in the mountainous part of the Morogoro district. The average annual budget would be CHF 700 000.

34. SDC’s main project in the roads sector, the MRSP, failed to deliver all its expected results mostly because of the lack of a coherent and sustainable sectoral policy. Nevertheless SDC’s involvement allowed it to push with other donors for the adoption of such a policy. The approach has been quite different from that followed in the health sector, since in the road sector there was a need for a new organisation and a new policy. This, combined with the government’s reluctance to undertake such institutional changes, explains that the process towards the adoption of the roads sector reform and of a full-fledged sector programme has been much slower. Although the government and some donors consider that the Swiss
programme puts too much emphasis on conditionality and that this has led to substantial delays in road construction, this view is not shared by the Secretariat.

35. The process started in 1992. Since 1996 Switzerland, together with the European Union (EU) and the World Bank, has been a donors’ “chef de file” in the roads sector. A roads fund bill was approved in June 1998, but was found unsatisfactory by the donors. Then a Joint Working Group was created and a new improved bill was approved in November 1998. It creates a fuel levy of 70 Tanzanian shillings (TZS)/litre which, together with the transit fees, should provide the roads fund with an annual budget of TZS 45 to TZS 50 billion (about USD 70 million), to be allocated to roads maintenance. The fund manager has just been appointed. An agency called TANROADS has also been created to be in charge of maintenance, and should be fully autonomous, with an adequate and appropriately paid staff, in July 2002, i.e. ten years after the start of the reform process.

36. These reforms will allow for a SWAp approach to become fully operational. SDC is fully involved, being a member of the joint Government-Donors Steering Group which will follow up on the policy dialogue, in particular to establish proper co-ordination between the MOW, the Ministry of Regional Administration and Local Government, and TANROADS. Future plans for SDC’s support in the road sector during a next phase foresee: i) a flexible shift away from the support at Morogoro Regional level towards a SWAp and pooled funding in the road sector at a national level, through joint support of TANROADS (mainly for institution and capacity building); ii) a new transactional support to the four rural Districts of Morogoro Region; and iii) a continuation of CIC, the contractors training, which in future will also include consultants and move up to support the national professional associations (i.e. ACET and TACECA). At the community level a first phase of VTTP will also start from July 2000.

3.3 Economic support

37. Economic support is considered as a sector within the Swiss country programme. It consists mostly of financial support in the form of non-project assistance, mainly macroeconomic support, as opposed to micro or meso-economic support, and also of technical assistance in the area of macroeconomic management. As indicated in the CP, the goal of economic support is the promotion of sustained and balanced growth, based on private initiative and liberalised markets, which should contribute to poverty reduction. The specific objectives are to expand private sector activities in rural and urban areas, increase exports steadily, and ensure adequate resource allocation to social sectors and other poverty relevant public activities through transparent fiscal policy and management.

38. Economic support is supposed to combine interventions financed by both SDC and the State Secretary for Economic Affairs (Seco). Synergies between SDC and Seco in this area are mainly rhetorical. In practice, SDC’s involvement is limited to some support to the improvement of the sectoral resource allocation, within the framework of the PER. The bulk of interventions is under the responsibility of Seco, which in 1999 provided CHF 17 million, focused on the following activities:

- Balance-of-payments assistance in the form of direct budget support, amounting to CHF 7 million in 1999, and a similar amount in 2000. Disbursement in 1999 was conditional upon the privatisation of the National Bank of Commerce (NBC). Disbursement in 2000 was channelled through the Multilateral Debt Fund (MDF). Under the MDF arrangement the funds contributed by donors are used to comply with debt obligations towards multilateral financing institutions. The funds thus released in the national budget are being used by the Government of Tanzania to fund the budgets for health, primary education, rural roads and drinking water supply. A contribution of CHF 10 million towards the IDA commercial debt buy-back operation was made in 1999.
Switzerland also supports the HIPC initiative and has made a contribution of CHF 40 million to the HIPC Trust Fund. Seco supports Tanzania’s efforts in the formulation and implementation of a prudent debt strategy and is committed to providing further debt relief once the completion point under the HIPC initiative is reached.

- Support to sound monetary policies focusing on capacity building at the Bank of Tanzania, with a technical assistance programme to assist the Bank in implementing key monetary policy reforms. The Institute of International Studies in Geneva is providing such technical assistance.

- Support to the government to address the two major fiscal policy issues, i.e. government budgeting and expenditure control. Seco supports a technical assistance programme with the International Monetary Fund (IMF) to build up capacity for improved fiscal policies and management. The objectives are to better integrate the macroeconomic framework and expenditure planning and management, and to maintain aggregate fiscal discipline. Technical assistance is in particular provided to the Policy Analysis Department of the MOF, to develop an integrated policy concept.

39. Switzerland approved in 1994 a Swiss Debt Reduction Facility (SDRF) under which Tanzania benefited from a reduction of CHF 33.3 million of its debt to Switzerland. Technically, in the case of Tanzania it took the form of an international debt buy-back amounting to CHF 33.3 million, with a redemption rate of 15%. The Tanzanian government had therefore to repay 15% of this amount in local currency (TZS), i.e. the equivalent CHF 5 million. Such “creative debt relief” allowed use of the counterpart in TZS to create a Tanzanian public trust, called the Tanzania-Swiss Trust Fund.

40. The bilateral debt relief agreement stated that at least 40% of the funds of the trust would be used for funding development projects of public and private (grass roots) organisations, while the rest of the fund may be used as budgetary support. The management of this fund was entrusted to a Board of three Trustees, consisting of a Deputy Permanent Secretary of the ministry of Finance (Chairman), a Deputy Permanent Secretary of the Ministry responsible for Local Government, and the Head of SDC as the board’s secretary. The Board finally approved 100% of the funds to be used for community development projects and nothing was paid back to the government as budgetary support. A group of consultants from the private sector appraised the funding requests for projects proposed by communities in the areas of: basic education, secondary education for girls, health, community development and environment conservation. The maximum amount of financing was TZS 75 million for an individual project. The Fund has now been fully committed. Out of about 520 projects submitted to the Trust Fund since its launch in 1994, 91 have been approved for funding (23 in 1999 alone). According to the Tanzanian authorities, there have been very few implementation problems. The Trust Fund has been instrumental in providing direct support to communities, which would not have occurred if funds had to come directly from the general budget. However, the funding was targeted on regions where other SDC support was involved, i.e. Dar es Salaam, Morogoro, Iringa and Mbeya Regions.

3.4. Cross-cutting support programmes

Gender-balanced development

41. Both the Government of Tanzania and Switzerland share the view that equal participation by women and men in the development process is a development objective. The Gender Balanced Development (GBD) programme aims at gender capacity building of staff and stakeholders, mainstreaming
This is clearly one of the strong points in Swiss co-operation in Tanzania. Indeed there is a National Programme Officer (NPO) who works as a gender specialist in the Co-ordination Office. Moreover, as a result of two gender workshops held in January and September 1999, all staff have a better understanding of gender concepts. In most projects the process of gender mainstreaming has started and entry points and/or elements for project and sector strategy development have been identified, even though full development of strategies has still to be realised.

42. To mainstream gender in ongoing projects is not seen as requiring significant additional resources, but mainly a change of approach. Indeed the mission team could observe that in the MRSP a gender assessment had been done by a consultant and that there had been training for the project’s staff. The project provides incentives and training to encourage involvement of women as petty contractors, supervisors or workers. Progress reports have to incorporate gender aspects. Women are also closely associated with the VTTP.

Decentralisation and Democratisation

43. In recent years the Tanzanian government has taken major steps towards decentralisation and democratisation of its activities. In 1991 a Civil Service Reform Programme (CSRP) started a shift of responsibilities from central to local government. The Local Government Reform Programme (LGRP) launched in 1997 was one of the results of the CSRP programme. It gradually assumed an independent function which was enhanced by the creation of a separate ministry of Regional Administration and Local Government, created in 1999 A number of institutional changes have also been introduced to facilitate decentralisation to local government, i.e. 120 districts and municipalities.

44. SDC is keen to encourage this process in order to allow communities to participate in the decision making process at district level, mainly through the mainstreaming of decentralisation and democratisation into the Health and Roads sector programmes. The objective is to put in place decentralised management of resources and services in both sectors, with the districts managing resources in a transparent and accountable way. Within the Health sector, Community-Based Health Care is the main area of SDC support. In the roads sector the approach is also focused on community empowerment. It is mainly pursued, in the VTTP, through strengthening of the communities’ capacity to address self-development in rural transport.

4. Assessment: approaches, mechanisms, management and co-ordination instruments

4.1. Policy orientation and coherence

45. Tanzania is one of the most important recipients of Swiss ODA, and it is therefore worth noting that the aid programme relies on a well-prepared, consistent and participatory country strategy. It is fully in line with the Tanzanian development strategy as well as with the DAC 21st Century Strategy, although the prioritisation of poverty reduction as the overarching objective could be more clearly stated. Owing to the size of the country programme, it is appropriate that the programme concentrates on two main sectors, i.e. the health and roads sectors, and that it is also geographically concentrated, with the exception of a few projects and new involvements in SWAps. This allows for the projects to achieve a “critical mass”, necessary for them to produce significant results, and some synergy between different projects in the same area.
46. The programme can be considered as intrinsically coherent. Switzerland has an active but low profile foreign policy, with no particular stakes in Tanzania. In particular there are only a few Swiss companies active in the country. This explains why, on rare occasions when there could have been conflicting objectives between development policies and trade activities, decision making in headquarters favoured the development approach.

4.2. Organisation of the Swiss aid system in Tanzania

47. The Co-ordination Office of SDC in Dar es Salaam seems to be well organised, with a clear distribution of responsibilities. It employed 17 persons at the time of the field visit. Only three were expatriates, namely the Head of SDC local agency, the Deputy Head in charge of health and economy and the Head of Finance and Administration. There were five locally recruited National Programme Officers (NPOs), out of which three are reporting to the Deputy Head: the economist, and the NPOs in charge of Health and Decentralisation and Democratisation. The remaining two NPOs were in charge of Gender and Infrastructure and Transport. The recruitment seems to have been appropriate, since the NPOs had the right skill mix and seemed to be fully involved in the programme. Overall staffing seems to be adequate. It can be noted that Seco had no expatriate representative in Tanzania. Seco related activities are taken care of by the NPO economist, and to some extent by the Head of office, who also represents Seco.

48. There is a Swiss Embassy in Dar es Salaam and in principle the Co-ordination Office is part of the Embassy. In practice, however, it is fairly autonomous, because it reports directly to the SDC and Seco headquarters and has its own budget. Therefore the Ambassador has no hierarchical supervision of the Office, but co-ordination is assured by weekly meetings. The Ambassador signs the bilateral agreements with the Tanzanian authorities.

49. There is some degree of decentralisation of decision-making to field level in SDC, but only as far as implementation is concerned, since approval of projects over CHF 200 000 is still done at headquarters. As regards Seco there is even less decentralisation, since all the negotiations and decisions are made in Bern. This explains why Seco did not feel the need to be represented locally by an expatriate staff member, although it would certainly prove useful to better follow all the initiatives going on at macroeconomic level, and to have direct input in the corresponding issues.

4.3. Approaches, mechanisms and instruments

50. A commendable feature of the programme is the shift to the SWAp, which should go a long way to delivering more “value for money”, as the example of the roads sector demonstrates. The process towards implementation of this approach may have been a slow one, but it shows that such an approach cannot succeed without the strong commitment of the government, to back, adopt and implement sound sectoral policies. SDC has played an important role, together with other donors, to develop the policy dialogue, which led to the adoption of such policies. It proved to be a lengthy and difficult process, as far as the road sector was concerned. It is also worth mentioning that economic and financial assistance has been delivered partly in an innovative way, in particular debt reduction, which helped to focus it on the social sectors and therefore to reinforce its link to the overall strategy. According to the Country Programme 1999-2003, only remaining project activities will be geographically concentrated. With the Swiss commitment to the Sector Wide Approach, in future, Swiss support will no longer be limited to specific geographical areas.

51. With respect to project implementation there is a tendency to rely heavily on Swiss consultants, not only for technical assistance stricto sensu, but also for project implementation. Moreover such consultants are not selected by the Tanzanians themselves, but by SDC. This does not promote ownership
by Tanzania, especially when the presence of these consultants tends to linger over many years, which has been the case for some projects.

52. SDC is not channelling much money through NGOs in Tanzania. First, because there are not many Swiss NGOs in the country, apart from Helvetas, Swisscontact and Swissaid, which all receive a programme contribution from the Swiss government. Second, because the local NGO sector is not yet very developed in Tanzania. However it is fast developing since the government’s attitude towards NGOs has been changing in recent years. There is now a national policy on NGOs and at the policy level NGOs are gradually becoming accepted. The government is supportive, as shown by NGOs’ participation in the PER process. Therefore the opportunity is there, and given the historical background when the government was supposed to take care of everything, they are doing a lot to complement what the government is doing. There is already an unknown but significant amount of funding from Swiss NGOs without SDC being involved. SDC could step up its interventions through local NGOs, which is planned mainly within the two support programmes "Decentralisation+Democratisation" and "Gender Balanced Development".

4.4. Partnership, aid sustainability and co-ordination

53. The participatory process of country programming can be considered as among best practices for DAC Members, since it gave the present CP a solid base of ownership, common partnership and a good chance of long-term sustainability. It allowed SDC to achieve an increased partner interest in the programme, if only because of the joint discussion of major issues and the integration of partners’ views in it. The process provided the environment for discussing the level of partnership responsibilities and duties. It also provided a good example of the feasibility of a participatory approach to some Tanzanian officials, who had been used to centralism and top-down management. SDC was able to explain the Swiss agenda for a partnership in development co-operation, including policies, concepts and conditionality for funding, and give its own strategic directions, together with the rationale for these strategies. Nevertheless, the CP remains basically SDC’s and not a joint SDC-Tanzanian CP.

54. In spite of the positive results of this process, SDC recognises that it was a time-consuming and expensive exercise, which took too long - more than a year. One can wonder whether such a heavy investment is fully justified for an aid programme that did not undergo a major reorientation. As regards participation, programme beneficiaries such as road users and health service users were not adequately consulted, which does not facilitate ownership by the people. Similarly, consultation with other donors did not take place, because of inadequate timing, although it would have been helpful. Most donors continue to develop a bilateral programme without fitting it into a government framework. It is hoped that in due time the TAS will provide such a framework. It should be noted that other donors undertake similar time-consuming and rather narrow processes.

55. On the whole the partnership between Tanzania and Switzerland works quite well. Various actors are satisfied with the way the country programme was discussed and prepared, even though the MOF would have liked a more precise reference to the Tanzania Assistance Strategy (this would have implied delaying the country programme, since the TAS process had not yet started at the time of its preparation). These relationships must be seen in a context where there is very good and intense co-operation among donors and between donors and the Tanzanian government. There are several sectoral working groups and since last year there have been quarterly sector consultations, linked with co-ordination by technical teams. Switzerland participates in the PER process and plays a leading role in the road sector. The government sees the individual project approach as being very burdensome (with 800 projects still underway) and therefore very much favours the SWAp approach. One of the main problems faced here is the harmonisation of procedures, but there must also be mutual trust and accountability between donors and
recipient agencies. However it might be useful to keep some projects for the access they provide to grassroots level. Civil society is starting to emerge which should facilitate partnership in the future.

5. Conclusions

56. Objectives and coherence: the country strategy is relevant and consistent with the DAC 21st Century Strategy as well as with Tanzania’s development strategy. There is a rational concentration of assistance on two sectors: health and roads, and this has been done in association with the Tanzanians, at both the level of government and civil society. This combines with economic support, which reinforces the strategy, in particular through debt reduction. A Trust Fund put in place to translate debt reduction into the financing of small community-based projects has been very useful in this respect.

57. Portfolio management: there is a welcome shift to the SWAp. Delegation of decision making to the local co-ordination office is limited, except for project implementation. But the staffing of the office is adequate, with a good team of three expatriates and five National Programme Officers. There is a geographic focus for bilateral activities on four regions (Dar es Salaam, Morogoro, Iringa and Mbeya), but this will no longer be the case once the SWAp is fully operational. Involvement of operators other than the government is limited, but this is mostly due to historical circumstances.

58. Approaches, mechanisms and instruments: to put emphasis on the SWAp is a good initiative, but its success will depend crucially on the government’s policies and capacity in the corresponding sectors. Therefore one should be cautious as regards the speed of SWAp implementation, mindful not to go quicker than the government can reasonably absorb. The long-term involvement of Swiss consultants should be reviewed, since their role in project implementation is quite important and goes beyond providing technical assistance. But it must be recognised that capacity building is a strong point, with a comprehensive and coherent approach.

59. Partnership, sustainability and co-ordination: there is a good degree of partnership with the Tanzanian authorities, which is also starting to develop with civil society, as evidenced in particular by the participatory process for the design of the five-year country programme and the small village transport project. However Swiss co-operation seems to be too cautious when it comes to transferring responsibilities for implementation. Their conditionality is perceived as sometimes tough. Sustainability has not been reached so far in the health and roads sector, but the SWAp should address this problem. However the Southern Highlands Dairy Development Project, started in 1978, has been weak in this regard. Co-ordination is good as long as it relates to exchange of information, taking into account what other donors are doing, harmonisation of procedures allowing for the financing of pool funds (in health and recently in roads).

60. Monitoring and evaluation: there is an appropriate methodology for monitoring, using in particular process indicators. The involvement of Swiss consultants is questionable when it comes to the monitoring of their own performance. There are some good external evaluation reports, but one can wonder to what extent their conclusions are taken into account for feed-back into new projects (not only in Tanzania, but in the Swiss aid system as a whole), since there does not seem to be any built-in mechanism for this purpose.

61. Best practices: the "cost-recovery" system introduced in the Dar es Salaam Urban Health Project has been mentioned as exemplary. During 2000, a computerised Integrated Financial Management System will be established to provide the basis for adequate accounting for the pooled funds to be given to the Districts under the Health Sector Reform. The pooling arrangements should now be introduced in the 35 districts selected within the framework of local government reform.