



**Joint Irish Aid and DFID's  
country programme evaluation  
Tanzania 2004/05 to 2009/10**

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ITAD with Fiscus Ltd and Verulam Associates Ltd

**IRISH AID/  
DEPARTMENT FOR INTERNATIONAL DEVELOPMENT  
Evaluation Report**

**JOINT IRISH AID AND DFID  
COUNTRY PROGRAMME EVALUATION  
TANZANIA 2004/05-2009/10**

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## Preface

The idea of this joint evaluation arose from the work of the DAC Evaluation Network in promoting joint evaluations and from the information provided in the DAC Inventory of On-going and Planned Evaluations. The inventory enabled DFID and Irish Aid to identify their separate intention of evaluating their Tanzania Country Programmes in 2009/10 and to initiate discussions on the possibility of doing it jointly. A scoping visit to Tanzania was undertaken by DFID's Evaluation Department and Irish Aid's Evaluation and Audit Unit in October 2009 and concluded that a joint evaluation was indeed feasible.

The joint evaluation has been a very positive experience for both organisations and a number of clear advantages arose from the joint exercise.

1. DFID and Irish Aid, rather than adopting an “economies of scale” approach to doing it jointly, each devoted the same resources to the exercise as they would have devoted to a single donor evaluation. Significantly increased financial resources and consultancy time could thus be devoted to the exercise and the result can be seen in the quality and depth of the evaluation report.
2. Undertaking the evaluation jointly enabled both DFID and Irish Aid gain insights into sectors and issues they would not otherwise have examined in a country programme evaluation but which are important to economic, political and social developments in Tanzania. For example, DFID were exposed to Agriculture and Local Government Reform, areas supported by Irish Aid. Irish Aid in turn deepened its understanding of issues around Public Financial Management and Private Sector Development, important areas in DFID's country programme.

No major difficulties arose from the joint nature of the evaluation. Any glitches were easily resolved through good communications between the two evaluation departments and a couple of quickly arranged meetings. Delays which were experienced could just as easily have occurred in a single donor evaluation.

The Evaluation Departments of DFID and Irish Aid would like to convey their appreciation to the Government of Tanzania and to the staff of DFID's country office and the Embassy of Ireland in Dar es Salaam for the excellent cooperation received in carrying out this evaluation. The high quality work and professional approach of ITAD/Fiscus was also greatly appreciated.

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This evaluation was undertaken by an independent team from the ITAD-led consortium under the overall direction of Julian Barr. The team was led by Paul Thornton (Verulam Associates) and consisted of Kate Dyer, Andrew Lawson (Fiscus), Gavin Olney, Hans Olsen, and Johanna Pennarz (ITAD).

Research assistance and project management at ITAD was provided by Daisy MacDonald, research assistance at Fiscus by Alexandra Murray-Zmijewski with quality assurance from Hilary Thornton. The evaluation was managed by John Murray from DFID's Evaluation Department reporting to a management/reference group comprising Fintan Farrelly from Irish Aid and Nick Highton from DFID.

The DFID and Irish Aid teams in Dar es Salaam provided support throughout the evaluation. Thanks are due to Darren Welch, Head of DFID Tanzania and Gerard Considine, Head of Development in the Irish Embassy and all their staff, Ivan Crowley for Irish Aid and Simon Gill and Emily Poskett for DFID, coordinated the provision of documentation and provided support with logistics and interview contacts.

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Full responsibility for the text of this report rests with the authors. In common with all evaluation reports commissioned by DFID's Evaluation Department and Irish Aid's Evaluation and Audit Unit, the views contained in this report do not necessarily represent those of DFID, Irish Aid or any of the individuals or agencies consulted.

## Executive Summary

### Introduction

S1 The Tanzania Joint Country Programme Evaluation examined the performance of the development assistance to Tanzania provided by the United Kingdom and Ireland during the period 2004/05–2009/10. The UK's support to Tanzania is provided by the Department for International Development and Ireland's support by Irish Aid, managed by the Department of Foreign Affairs. The evaluation was undertaken from February to October 2010 by a team of independent consultants from ITAD, a UK company that specialises in evaluation work.

S2 There are similarities between the two programmes with both channelling about 80% of their country programme through government systems, notably through their commitment to budget support, and both having a strategic focus on poverty reduction. However, there are also differences, most notably in size of programme and strength of office, with DFID spending four times as much as Irish Aid and having almost twice as many staff including a larger proportion of head quarters appointed civil servants. Irish Aid has a larger proportion of project and programme funding whereas DFID devotes the major share of its assistance to BS. There are also differences in sector emphasis though both give high priority to, support to civil society, governance and gender and take similar approaches to partnerships with other development partners. Thus, whilst the evaluation focused on issues of common concern, it should not be seen as a comparative study nor should conclusions about one programme be assumed to apply to the other.

S3 The joint evaluation of two country programmes was innovative and the approach taken, with a multistage methodology, including an initial Scoping Mission and a major documentation review preceding the main evaluation visit, breaks new ground for the two evaluation departments and the evaluation team. Though broadly based on earlier programme evaluation methodology, the joint CPE developed its own approach in collaboration with the two evaluation departments.

S4 The joint CPE was a five-year retrospective evaluation of the two programmes with an emphasis on the period from 2007–2010. The overall focus was on evaluating two programmes with large commitments to budget support. The period is covered by the Irish Aid 2007 Country Strategy Paper for Tanzania and the DFID 2007 Country Assistance Plan. Tanzania's 2005 National Strategy for Growth and the Reduction of Poverty, which forms the basis for the budget support, was due for review early in 2010. By taking account of this review and other evaluations taking place around the same time, the intention was that the joint CPE would not be a comprehensive evaluation of the whole DFID and Irish Aid programmes but would focus on key evaluation questions and, in particular, the respective programme links to budget support.

### Development Results in Tanzania 2005–2010

S5 The period covered by this evaluation has seen Tanzania maintain the progress it achieved in its development results over the previous five years and, in some areas, build significantly on those foundations. Growth has exceeded 7%, aside from 2009 (5%), though the marginal decrease in income poverty has been overwhelmed by population growth. Whilst more people are poor the dynamics of poverty are not well understood and further analysis of the spatial patterns of concentrated poverty at district level would enable a more complete picture to emerge. Most growth has been the result of public sector investment with little impact on incomes to date; the rest has been in areas of the economy that do not affect the incomes of the poor.

S6 There is more evidence of impact on non-income poverty with some human development indicators performing well, including remarkable achievements in education and health. A substantial roll-out of social services was possible as a result of the increased public spending during the evaluation period and overall since 2001. However the provision of infrastructure has advanced faster than the provision of qualified staff. There are thus major supply side issues that restrict the expansion of quality services; access also remains a key concern. Further, the limited attention paid to capacity in social services over a long period means the country is lagging behind in the availability of qualified staff in the social sectors and, whilst private providers are important, there are not sufficient to fill the gaps.

S7 Overall, results in terms of reforms have been mixed. The pace of Public Sector Reform has been slow with limited movement on pay reform. Public financial management reform stalled for a considerable period from 2007/08. Dialogue deteriorated significantly but has recently picked up. There is now a serious need for new impetus in approach and content. The change from area based approaches to an overall reform approach has been instrumental in catalysing progress with the Local Government Reform Programme. Though some of the reforms have moved slowly, progress with decentralisation has continued, with increases in the proportion of local government spending and transfer of responsibilities for key sectors. Finally, reform in the business environment, through an enormous portmanteau programme attempting to address a wide range of disconnected elements, effectively came to a halt.

S8 We conclude that overall there is evidence of continued improvement in development results, though at a slower pace, which in some respects is to be expected. There needs to be more emphasis on income related growth, especially for the poor, alongside, but not instead of, the major increases in public sector investment; the next stage of continued support should focus on the shortfall in quality and equity that remains.

## **Budget Support**

S9 Tanzania has been at the forefront of the global move toward enhancing the effectiveness and efficiency of external assistance. A central element of this was the move toward the use of general budget support based around the priorities identified in the 2000 poverty reduction strategy. From its genesis in 2000/01 general budget support has moved forward, linked to MKUKUTA since 2005 with some 14 development partners providing poverty reduction budget support.

S10 General budget support has contributed 18–20% of total public spending over the evaluation period which, helped also by growing domestic revenues, has more than doubled. This has enabled a dramatic expansion in the scale of service provision in education, health, water and sanitation, infrastructure (roads) and agriculture. These have been the priority areas promoted both by government and by the poverty reduction budget support partners through the dialogue process. Transaction costs have remained manageable and disbursements predictable. It is inconceivable that such a significant contribution to spending in these areas could have been made through other aid modalities.

S11 However, general budget support has not led to improvements in the quality or efficiency of services and inequities in social sector allocations to the most disadvantaged districts persist, despite the prominence given to these issues in the policy dialogue. Whilst general budget support has been successful in providing increased discretionary funds to high priority areas, improvements in democratic accountability, through programmes designed to complement general budget support, have not been achieved and general budget support has had limited impact as an instrument of policy leverage.

S12 The use of general budget support combined with policy dialogue as the central strategic thrust of the respective country strategies was appropriate in a general sense and consistent with central level policy guidelines. However, the level of expectations over the extent to which ‘policy leverage’ could genuinely be exerted was unrealistic and led to an excessive use of policy conditionality. The evaluation found evidence of growing mistrust and loss of confidence on the part of both Government of Tanzania and its development partners dating from 2006 when the dialogue structures became more complex. The situation was exacerbated by the reactions to a major corruption case in 2007, and by the increasing development partner dissatisfaction with Government of Tanzania policy, engendered by the disappointing income poverty results revealed by the 2007 Household Budget Survey. Essentially, the reaction by the development partners was to tighten the application and interpretation of poverty reduction budget support disbursement conditions within the formal dialogue, whilst moving increasingly away from informal dialogue mechanisms.

S13 The effect has been to reduce interaction outside of the formal process of monitoring the poverty reduction budget support Performance Assessment Framework matrix, a process which has become increasingly rigid in operation. This has weakened the space for dialogue and the quality of information and participation, with monitoring focused on the achievement of conditions rather than open discussion of progress and constraints.

S14 There remains a continuing and important place for general budget support in Tanzania, where substantial improvement in the coverage of public services is necessary to progress towards the Millennium Development Goal. However, the evaluation supports a relative reduction in the scale of general budget support and sector budget support until the issues of quality, efficiency and equity in public spending are addressed through a revitalised dialogue process, and potentially through strategic project interventions and technical assistance.

### **Sector level support**

S15 Sector budget support and other sector interventions, e.g. common basket funds have provided alternative entry points and enabled a more balanced range of engagement and dialogue. Experience with sector level dialogue has been mixed but there are indications that intervention at sector level can provide opportunities to focus on issues of quality and equity in service delivery and address more specific operational concerns, though there is a risk of drifting into inappropriate micro-management.

S16 Where common basket funds are in place (health, agriculture) the dialogue is productive whether or not there is attribution of sector outcomes to the basket fund. This suggests the benefit is to the sector as a whole and the overall dialogue process. It may be no coincidence that Irish Aid has played a leading role in both these groups combining strong sectoral support with equally strong general budget support engagement, and so a holistic approach is being taken.

S17 The balance across modalities which Irish Aid has generally been able to maintain across the portfolio, and which DFID has more recently re-established, seems inherently desirable as a way of ensuring that problems on the ground can be attacked from a variety of angles. This implies keeping a balance between public sector and non-public sector interventions and across modalities with regard to the public sector interventions. As far as possible, national procedures should be used and harmonised joint funding arrangements should be adopted but sometimes small-scale, independently managed projects for specific support and innovation can be justified and we believe that both Irish Aid and DFID may have inadvertently ignored opportunities for such initiatives.

## **Looking forward**

S18 The policy dialogue has become too rigid. The dialogue should be more modest and realistic, taking a nuanced and sophisticated approach, with rigour around the eligibility conditions for budget support – timely information and effective monitoring – matched with creativity in the mutual development of shared understanding and solutions to the challenges faced by Government of Tanzania. A wide repertoire of engagement that includes informal, unstructured approaches and wider alliance building could give space for progress to be restored in what is generally a successful budget support environment.

S19 The strategy pursued by DFID and Irish Aid over the last two years to scale down the relative importance accorded to budget support in their future portfolios is appropriate. Budget support is delivering higher public spending in broadly the right areas, for relatively low transactions costs (relative to alternative modalities) and consequent improvements in the scale and scope for public services are being achieved. Yet the expansion of public spending is meeting diminishing returns, as allocative and operational efficiency falls. Until these efficiency problems can be resolved, it does not seem appropriate to raise public spending much beyond its current level of 25.5% of gross domestic product. If domestic revenues continue to grow fast, then BS must decline in relative terms. We would encourage DFID and Irish Aid to move towards a more explicit policy in this respect.

## **Beyond the State**

S20 Within the context of neo-patrimonialism and state dominance, the space for non-state actors has been limited in Tanzania. Whilst cultural anxieties remain regarding the processes of organising, be they private businesses, farmers' groups or civil society organisations, agency is increasing beyond the state and contributing to democratic governance and economic growth. However, these processes require a deeper understanding of politics, the political economy, and the place and nature of civil society.

S21 Resistance to reform by Government of Tanzania across agriculture, private sector and trade seems more to do with the lack of political leadership than with substantive blocks. Uncertainty over the direction and shape of private sector development has made it difficult for development partners to find catalytic entry points. However the experience with both business and agricultural reform suggest to the evaluation team that more substantial direct investment in the private sector would be a more productive and complementary approach, rather than linking private sector change exclusively to public sector interventions supported through general budget support.

S22 DFID and Irish Aid have an established track record of support for civil society and a positive reputation. The current use of intermediary institutional arrangements is leading to innovation, and efficient and effective use of resources. However, knowledge and understanding requires a greater depth of engagement. Both DFID and Irish Aid can build on their experience and networks to deepen learning and complement their wider roles.

S23 Policy engagement is a political process and the general budget support dialogue structures provide only one limited arena. Different stakeholders play different roles at different levels of government, for example at local government level, the presence of large bilateral donors is much less obvious, particularly in the social sectors, and there is an enhanced profile for civil society organisations, as they are the ones who are visibly complementing/supplementing what is provided by government. Civil society also has a direct sense of what is happening, e.g. through their presence on the ground they can see that a school budgeted for is not actually built. How they then deal with this is an issue for their role in accountability. Civil society has a much larger accountability,

consultation and participation role at district level, with service users and through more tangible discussion and work with government. Almost every stakeholder has become more assertive; not necessarily more influential or powerful. This reinforces the fact that some discussions and decisions are outside the MKUKUTA structures and processes. Clarity over formal separation of powers and the choices open to who engages where would enrich opportunities.

## **DFID and Irish Aid Strategy and Implementation**

S24 DFID and Irish Aid's strategies have shown a consistency of approach that pre-dates the evaluation period and is well grounded in their respective national policy commitments. Both have played key roles in the promotion of new thinking on aid modalities; DFID being instrumental in the early stages of poverty reduction budget support and continuing to make significant contributions, including chairing a number of working groups (e.g. governance and public financial management), and Irish Aid through its deeper focus at sector level in agriculture and health and its leadership in gender and the One UN process.

S25 Both strategies have been implemented efficiently over the evaluation period, bringing increased resources in support of budget support and overall development, and maintaining a strong development partner consensus through contributions to the overall dialogue process and chairing of particular sector and thematic working groups.

S26 Overall, human resources are of high quality and have been managed effectively though specific concerns and improvements related to maintaining professional continuity, support from HQ, skills, synergies and team working were identified.

S27 The growing level of domestic political interest is putting pressure on both offices to present their programmes and the results achieved. This seems particularly acute for DFID where the burden of reporting has increased markedly over the period. There are differing perceptions of the real nature of results' management with pressure for attributable delivery, leading to a tendency to manage by, rather than for, development results. This conflicts with the challenge of developing the level of understanding and relationship required for a Paris-based country led approach to implementation through budget support.

## **Lessons**

S28 Specific lessons learned from the evaluation are grouped under the ten key issues that were addressed.

### **S29 Despite 6-8% economic growth over the past years, income poverty trends in Tanzania appear to be largely stagnant**

- Growth is largely accounted for by public sector consumption and is in areas that only employ a small proportion of the workforce; thus it has little direct effect on incomes. Aid generally, and budget support in particular, has impacted on the public expenditure increases and has thus contributed significantly to the non-income poverty results.
- During the evaluation period agricultural sector growth has remained far short of the MUKUKUTA target (10%), with Agriculture Sector Development Programme and *Kilimo Kwanza* failing to make significant impact. The traditional reliance on achieving growth by supporting smallholder agriculture through the local government extension service is not sufficient.

- Tanzania's development strategy needs to take a more positive and enabling role towards agriculture and the private sector, not limiting its support to traditional public sector functions and focusing on substantive change at the national and regional level.
- Private sector and trade investments have also had limited impact. Resistance to reform by Government of Tanzania across agriculture, private sector and trade seems a function of political leadership rather than substantive blocks. Uncertainty over the direction and shape of private sector development and the weakness of all non-state actors makes it difficult for development partners to find catalytic entry points.
- DFID and Irish Aid investments in agriculture, the private sector and other growth related areas through the public sector have had limited impact. Whilst the case for renewed effort in the investment climate space is acknowledged, the balance should be readjusted.

### **S30 The balance between budget support and non-budget support**

- Budget Support continues to be effective – it is supporting higher public spending in the right areas, for relatively low transactions costs (compared to alternative modalities), and consequent improvements in the scale and scope of public services.
- Sector budget support and common basket funds arrangements have provided complementary opportunities to focus more specifically at sector level, targeting the issues of equity, efficiency and quality, though results remain elusive.
- Experience is sector specific depending on the range of instruments, actors and the capacity of Government of Tanzania to lead. Choices also depend on the comparative advantage in terms of experience, expertise and relationships that a particular development partner brings.
- A balance of modalities, within the principles of alignment and harmonisation, enables innovation and flexibility that can enrich budget support. Irish Aid has been successful in adopting this diversity across their portfolio and their experience in health and agriculture provides useful sector specific lessons.
- High proportionate commitments to budget support limit the scope for direct investment in the private sector and civil society. Even with a strong state partnership there needs to be sufficient space for non-state investment and interventions.

### **S31 Aid architecture and its role in providing incentives to the Government of Tanzania**

- Consistent and coordinated support through poverty reduction budget support reinforced Government of Tanzania leadership and alignment to MKUKUTA, and brought a degree of harmonisation that has extended to non-budget support projects and funders.
- Development partner support has been critical to encouraging reform, though with less success. DFID has played a key role, particularly as lead of the development partner groups on public financial management and private sector development and trade, addressing weaknesses in the dialogue process and broadening the focus of development partner discourse respectively. Irish Aid has been amongst those supporting decentralisation and local government reform, and its move away from area based programmes has made a significant contribution to the decentralisation process.

- The general budget support policy dialogue approach was overambitious and the emphasis on policy leverage and the use of policy conditionality became counterproductive, weakening the quality of the engagement.
- When general budget support dialogue structures become too complex and multi-tiered, with an undue focus on the negotiation around a growing set of indicators, the space for discussion and ideas exchange is reduced. The pressure on the partner government can stretch their resources, understanding and patience as well as increasing development partner transaction costs.
- Sector dialogue can enhance the depth and quality of the discourse and has the potential to extend sector wide policy engagement more comprehensively, engaging non-budget support development partners and non-state actors.
- Over emphasising civil society participation in formal policy processes, though important to reinforce the value of alternative voices, can limit the development of a fully nuanced appreciation of the processes of participation, especially at local levels.

**S32 Are there constraints on the Government of Tanzania to deliver and manage large aid flows?**

- Government of Tanzania has managed significant increases in aid (notably budget support) alongside increases in domestic income. The broad pattern of resource allocations over the past five years has been fully consistent both with the requirements of sustainable macroeconomic management and with the objectives of MKUKUTA.
- The increase in aid flows through general budget support has not undermined Government of Tanzania revenue efforts. Public expenditures doubled over the evaluation period due to domestic revenue and external assistance, notably budget support, with domestic revenues growing faster, thus reducing aid dependency.
- The management of the increased income has been applied appropriately. The social sector's share of expenditure has remained constant (40%), with economic expenditure increasing sharply and defence and security decreasing sharply. Expenditures on the 'priority sectors' – agriculture, education, health, roads and water – have grown significantly faster than non-priority spending, and 'pro-poor expenditures', as classified in MKUKUTA, have increased from 27% of all expenditures to 46%.
- The difficulties are not with the scale of aid flows but with the equitable, efficient and effective delivery of services resulting from the increased public expenditure. Here, further investigation is required to identify the management and operational constraints as well as any residual public expenditure issues.
- Until these efficiency problems can be resolved, it does not seem appropriate to raise public spending much beyond its current level of 25.5% of gross domestic product. If domestic revenues continue to grow fast, then budget support must decline in relative terms.

**S33 Scrutiny and accountability to civil society**

- There has been an increase in the availability and dissemination of information over the evaluation period – particularly evident in the media. However, knowledge and understanding of budget processes and decision making by central and local government

have constrained accountability to civil society and also to parliamentarians and local elected representatives.

- All stakeholders (e.g. the media, NGOs, civil society, private sector entrepreneurs and politicians) are becoming more assertive, aware and vocal – though this is not synonymous with influence. Accountability requires information, understanding, platforms for articulation and processes and procedures that ensure decision makers listen and respond.
- Policy development is a political process and the general budget support dialogue a limited arena – civil society has a much larger accountability, consultation and participation function.
- Corruption is a growing constraint and is perceived as a major problem. However, knowledge about the scale, nature and impact of corruption is limited.

#### S34 **Internal capacity within Irish Aid and DFID country offices**

- Relatively small country programmes can make a substantial contribution. Irish Aid is appropriately structured and has made effective use of the linked diplomatic and development functions. However, in a small team, key vacancies can be critical.
- The expectation of technical coverage and reporting and the demands of the leading role in the dialogue process require both sufficient and experienced staff, who are sensitive to the context. DFID has faced significant staffing reductions that put at risk its capacity to continue to deliver as strongly as it does.
- The pressures on staff can reinforce traditional sector roles and weaken joint working. Synergies within teams, maximising the contribution of local staff and leadership are all areas where improvements and lesson learning could bring benefits.
- An appropriate balance of skill and experience in teams is necessary for meeting the challenges of a maturing and challenging budget support environment.
- Niche, specialist interventions should not be overlooked in budget support environments. DFID's support to the National Bureau of Statistics and Irish Aid's role with respect to gender are two particular examples noted by the evaluation. Both dependent on specific staff capacity and skill.

#### S35 **Vertical/central demands and initiatives**

- Domestic political considerations, HQ pressures and reporting are detracting time and attention from the country focus required for effective support to budget support and the related dialogue.
- There is a difference between the understanding of budget support (as a modality and a management process) and the Paris Declaration principles (of alignment, harmonisation and management for development results) from an HQ perspective and within country offices. Greater sharing, not only of information but also insights and understandings, will deepen the mutual support required for effective delivery.

#### S36 **Headquarter funding versus country office engagement**

- Funding from HQ (for civil society, trade, climate change, research etc.) can provide innovative opportunities and engagement with new partners. However the potential

synergies between the two funding routes are not being exploited by either agency or their partners and contractors.

- Linkages between HQ and country offices are weak for both DFID and Irish Aid with insufficient information flows or shared lesson learning.

**S37 How are Irish Aid and DFID perceived as development partners by the Government of Tanzania and within the wider development partner community?**

- Both DFID and Irish Aid are highly regarded by their peers for their programmes and the contributions they make; they are perceived as being stronger advocates of budget support than the development partner group as a whole.
- Particular views or opinions are given more attention and can be highly influential on Government of Tanzania or other development partners when they are expressed by DFID or Irish Aid. Being, or being seen to be, in the vanguard is a challenge and a risk.

**S38 Cross-cutting issues (HIV/AIDS, governance, environment, climate change, gender)**

- Cross-cutting issues are often squeezed out in budget support dialogue processes. Here DFID and Irish Aid have played strong roles in a number of cases, notably gender and environment.
- As they are often the sole source of particular cross-cutting expertise the challenge for DFID and Irish Aid, in this budget support environment, is to achieve more effective division of labour, and the involvement of other development partners.

## Recommendations

### For Irish Aid and DFID in Tanzania

S39 DFID and Irish Aid should promote a renewal of the dialogue architecture and process, and a rebuilding of the relationship of trust with Government of Tanzania. Within this, three changes to the future structure of budget support should be considered:

- A relative reduction in the scale of general (and sector) budget support until the issues of quality, efficiency and equity in public spending are systematically addressed.
- Measures to revitalise the policy dialogue and re-establish confidence, around a narrower agenda focused more closely on the Government of Tanzania budget and on service delivery issues, with a pre-requirement that information on the budget, on spending, and on results should be shared by Government of Tanzania on a timely basis. Requirements for information should be clearly spelt out and should be enforced, if necessary, by withholding Budget Support disbursements, since information exchange is an eligibility condition for the operation of Budget Support.
- A change in the nature of disbursement arrangements to focus conditionality on eligibility conditions and avoid attempts at policy conditionality.

S40 Poverty reduction strategy is best supported with focused, niche approaches, possibly led by a single development partner who can build a closer relationship, utilising a range of flexible interventions rather than through large standalone programmes. DFID and Irish Aid should propose

that all the major reform programmes should be reviewed and more effective means of providing support complementary to general budget support discussed with Government of Tanzania.

S41 DFID and Irish Aid should explore ways of opening up the space for understanding policy processes and options with Government of Tanzania, including the use of technical assistance, to promote policy research and dissemination, not just to Government of Tanzania, but also in academic circles, the media and the wider community.

S42 DFID and Irish Aid should give higher priority to (possibly joint) induction and staff development in Tanzania with a focus on the skills and knowledge required to engage in effective policy dialogue, and a deeper understanding of the dynamics of change and the nature of the political economy in Tanzania.

### **For Irish Aid in Tanzania**

S43 Irish Aid in Tanzania should maintain the current effective mix of modalities balancing its support for general budget support with sector based support and also specific projects in order to build on the role it has established in agriculture, health and the cross-cutting issues of gender and decentralisation.

S44 Irish Aid in Tanzania should use its extensive expertise, reputation and position in the agriculture sector to strengthen the Agriculture Sector Development Programme and explore ways to complement the programme by expanding its support to agricultural development, direct initiatives and investments, and additional research through non-state channels.

S45 Irish Aid in Tanzania should prioritise its support in the health sector on building stronger synergies amongst development partners and the Ministry of Health with a focus on health outcomes and decentralisation of service delivery.

S46 Irish Aid should continue to play a lead role in supporting local government reform and decentralisation ensuring that the Local Government Reform Programme is mainstreamed to the Prime Minister's Office – Regional Administration and Local Government; and that the integration of social sector development and recurrent funding into the reformed transfer mechanism to local government authorities in undertaken strategically with appropriate linkages to the respective sector programmes.

S47 Irish Aid should review the recent experience of building effective synergies between the diplomatic and development functions of the Embassy, identifying the strengths and weaknesses so that future practice can be improved and lessons can be shared with other offices.

S48 Irish Aid in Tanzania should continue to develop its capacity for team working and collaboration as a small multitasked office with regular reviews and skill development for the team as a whole, focusing in particular on cross discipline synergies and the contribution of Tanzanian staff to effective teamwork.

### **For DFID Tanzania**

S49 DFID Tanzania should continue to prioritise general budget support within its portfolio, focusing its support around improvements to the policy engagement with Government of Tanzania and its support for public financial management, with a balanced programme with sufficient space for major increases in strategic support to non-state actors.

S50 DFID Tanzania should develop a more radical and substantive programme of direct support for private sector development (including agriculture) that provides significant funding to new industries and entrepreneurs, and addresses market access nationally, regionally and globally.

S51 DFID Tanzania should use its acknowledged expertise and comparative advantage to support Government of Tanzania to undertake deeper analysis of the dynamics of poverty, including distributional factors and other disparities, in order to address issues of equity in public expenditure and service delivery poverty issue through technical support and commissioning independent studies to inform understanding and debate.

S52 DFID Tanzania should explore (with other development partners and Government of Tanzania) the commissioning of work to advance a deeper understanding of the impact of corruption on the economy and the direct and indirect effects on the poor so that interventions aimed at mitigating these effects can be developed.

S53 DFID Tanzania should review its staffing to take account of emerging programme needs, ensuring a balance of sector and cross-cutting expertise, drawing on both UK and Tanzanian appointed staff and prioritising skill and experience related to working in budget support environments.

### **For Irish Aid and DFID Headquarters**

S54 In their support to offices engaged in providing budget support and in promoting the modality themselves, DFID and Irish Aid HQs should review their own guidance and policy positions in the light of this evaluation:

- reaffirming general budget support as a preferred aid modality for providing, harmonised, country led, support to governments to enhance public expenditure in accordance with agreed poverty focused strategies.
- promoting greater modesty over what it is reasonable to expect to be achieved through public spending and, by implication, through budget support.
- acknowledging that the policy, institutional, and human resource obstacles to good public spending are multiple and complex: this complexity needs to be better understood and respected.
- clarifying the place and value of policy leverage and the use of policy conditionality.

S55 DFID and Irish Aid should promote stronger team working between HQ and in-country colleagues with joint lesson learning and more support in dealing with the challenging task of restoring and deepening relationships with Government of Tanzania.

S56 The linkages between all HQ based funding programmes (civil society funding, research, climate change etc.) and country offices should be reviewed and attention given to building effective joint working, information exchange, shared reviews and lesson learning.

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**Abbreviations**

AcT	Accountability Programme in Tanzania
AGRA	Alliance for a Green Revolution in Africa
ASDP	Agriculture Sector Development Programme
BES	Business Environment Strengthening
BEST	Business Environment Strengthening in Tanzania
BFC	Basket Financing Committee
BRU	Better Regulation Unit
BS	Budget Support
CAP	Country Assistance Plan
CBF	Common Basket Funds
CCM	Chama cha Mapinduzi
CIDA	Canadian International Development Agency
CPE	Country Programme Evaluation
CSO	Civil Society Organisation
CSP	Country Strategy Paper
DAC	Development Assistance Committee of the OECD
DADP	District Agricultural Development Plan
DANIDA	Danish International Development Agency
D-by-D	Decentralisation by Devolution
DDTP	Deepening Democracy in Tanzania Programme
DFID	Department for International Development
DP	Development Partner
DPG	Development Partner Group
EAC	East African Community
FIPS	Farm Input Promotions Africa
FSDT	Financial Sector Deepening Trust
GBS	General Budget Support

## *Abbreviations*

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GDP	Gross Domestic Product
GoT	Government of Tanzania
HBS	Household Budget Survey
HIPC	Heavily Indebted Poor Countries
IFMIS	Integrated Financial Management Information System
IMF	International Monetary Fund
INGO	International Non-Governmental Organisation
ITAD	Information, Training and Development
JAST	Joint Assistance Strategy of Tanzania
LGA	Local Government Authority
LGCDG	Local Government Capital Development Grant
LGDG	Local Government Development Grant
LGR	Local Government Reform
LGRP	Local Government Reform Programme
LSRP	Legal Sector Reform Programme
M&E	Monitoring and Evaluation
MDA	Ministries, Departments and Agencies
MDF	Multilateral Debt Fund
MDG	Millennium Development Goal
MKUKUTA	National Strategy for Growth and the Reduction of Poverty
MoF	Ministry of Finance
MoH	Ministry of Health
MoU	Memorandum of Understanding
NBS	National Bureau of Statistics
NGO	Non-Governmental Organisation
ODA	Official Development Assistance
OECD	Organisation for Economic Cooperation and Development
PAF	Performance Assessment Framework

PEDP	Primary Education Development Programme
PEFA	Public Expenditure and Financial Accountability
PER	Public Expenditure Review
PETS	Public Expenditure Tracking Survey
PFM	Public Financial Management
PFMRP	Public Financial Management Reform Programme
PHDR	Poverty and Human Development Report
PMO-RALG	Prime Minister's Office – Regional Administration and Local Government
PO-PSM	President's Office - Public Service Management
PRAP	Performance Results and Accountability Programme
PRBS	Poverty Reduction Budget Support
PRS	Poverty Reduction Strategy
PRSC	Poverty Reduction Support Credit
PRSL	Poverty Reduction Support Loan
PRSP	Poverty Reduction Strategy Paper
PSMRP	Public Sector Management Reform Programme
PSR	Public Sector Reform
PSRP	Public Sector Reform Programme
REPOA	Research on Poverty Alleviation
RPE	Regional Programme Evaluations
SBS	Sector Budget Support
SWAp	Sector Wide Approach
TIC	Tanzanian Investment Committee
ToR	Terms of Reference
TPA	Temporary Process Action
TzSh	Tanzanian Shilling
UNDP	United Nations Development Programme
ZRT	Zonal Reform Team

# 1. Introduction

1.1 This report presents the findings of the Tanzania Joint Country Programme Evaluation (CPE) which examined the performance of the development assistance to Tanzania provided by the UK and Ireland during the period 2004/05–2009/10. The UK's support to Tanzania is provided by DFID and Ireland's support by Irish Aid, managed by the Department of Foreign Affairs. In both cases the main support is delivered through programmes based in Dar es Salaam. The joint CPE was a five-year retrospective evaluation of the two programmes with an emphasis on the period 2007–2010, covered by Irish Aid's Country Strategy Paper<sup>1</sup> (CSP) and DFID's Country Assistance Plan<sup>2</sup> (CAP) respectively.

1.2 DFID and Irish Aid are both committed to the principles of the Paris Declaration<sup>3</sup>. Further, DFID's recent Evaluation Policy<sup>4</sup> makes a commitment to new partnerships for evaluation which is shared by Irish Aid. The Tanzania joint CPE was an attempt to respond to these commitments. It was the specific objective of the joint CPE that it would be undertaken in line with Paris Declaration principles, in alignment with the Government of Tanzania (GoT) review processes and other joint development partner processes, and be sympathetic to the current context in Tanzania. The evaluation report is intended to inform the respective country offices of DFID and Irish Aid as they both prepare new country plans for the period beyond 2010.

## Joint Evaluation

1.3 The decision to undertake a joint CPE was prompted by the fact that the DFID and Irish Aid programmes take a similar approach and share similar priorities, notably working through government systems and supporting government policies through budget support (BS), both general and sector specific. The history of joint working in Tanzania involves other development partners (DPs) and the general budget support (GBS) arrangements are now in their tenth year. This provides further grounds for a joint evaluation that looks at the wider experience and DFID and Irish Aid's engagement with, and support for, this alignment and harmonisation.

1.4 In order to establish the basis for the proposed joint CPE, a Scoping Mission was undertaken in October 2009. The Scoping Mission identified sufficient interest for a joint approach and proposed ten issues<sup>5</sup>, summarised in box 1, to be explored by the evaluation, together with an overall process to be followed. From the outset, the joint CPE has presented DFID and Irish Aid with the first opportunity to undertake a shared evaluation as two bilateral DPs. This key innovation enabled the two programmes to be compared and contrasted, providing lessons for both rather than two individual evaluations conducted in parallel. Thus, whilst the evaluation focused in issues of common concern, it should not be seen as a comparative study nor should conclusions about one programme be assumed to apply to the other.

1.5 The Terms of Reference (ToRs), given at annex 1, were based on the findings of the Scoping Mission and prepared jointly by DFID and Irish Aid. The ToRs set out the similarities between the two programmes, their alignment with GoT, and the principles to be followed in the

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<sup>1</sup> Irish Aid (2007a) *Country Strategy Paper Tanzania 2007-2010*, Irish Aid: Limerick

<sup>2</sup> DFID (2007) *Tanzania Country Assistance Plan*, DFID: London

<sup>3</sup> High Level Forum (2005) *Paris Declaration on Aid Effectiveness, March 2<sup>nd</sup> 2005*, Paris

<sup>4</sup> DFID (2009a) *Building the Evidence to Reduce Poverty, The UK's policy on evaluation for international development*, DFID: London

<sup>5</sup> ITAD (2009) *Joint Scoping Visit Report: Tanzania Country Evaluation*, pages 9-10

### **Box 1 Summary of Ten Key Evaluation Issues from the Scoping Mission**

**1. Despite 6-8% economic growth over the past years, income poverty trends in Tanzania appear to be largely stagnant**

Has aid been effective, and will the priorities of the GoT, supported through BS, deliver the expected reductions? What are the implications for the aid instrument package, and Tanzania's development strategy?

**2. The balance between budget support and non-budget support**

What was the 'budget support plus' approach intended to deliver – and what was it not? Is BS meeting the DP's expectations: what was the theory of the benefits and has this been realised? Is it achieving the changes that DP's hoped for? Have the circumstances changed in Tanzania and over what period? And, is BS still the right instrument? What else is needed in the portfolio of support?

**3. Aid architecture and its role in providing incentives to GoT in its poverty reduction efforts**

What are the strengths and weaknesses of the dialogue processes for BS? Are they still right (fit-for-purpose), or have they become too elaborate? What lessons can be learned?

**4. Are there constraints on the GoT to deliver and manage large aid flows?**

How effective have efforts at public financial management reform been?

**5. Scrutiny and accountability to civil society**

How effective has the support to both civil society and parliament been in achieving a balance of accountability? To what extent are civil society, parliament and citizens involved in the oversight and scrutiny of BS?

**6. Internal capacity within Irish Aid and DFID country offices**

Have the human resources and systems been appropriate to deliver the country programme requirements and demands from headquarters? What was the impact of staffing changes and different skills mix, and the implications of the recent expansion of non-budget support activities?

**7. Vertical/central demands and initiatives**

The country offices of Irish Aid and DFID face various demands from their headquarters and global initiatives which can cause tensions with the country led approach – how have these been handled, and what lessons have been learned?

**8. Headquarter funding versus country office engagement**

Not all funding delivered at the country level is decided or managed by the country office. To what extent are these initiatives coherent and compatible with country level priorities and plans?

**9. How are Irish Aid and DFID perceived as DPs by the GoT and within the wide development partner community?**

**10. Cross-cutting issues (HIV/AIDS, governance, environment, climate change, gender)**

How effectively have Irish Aid and DFID integrated these issues across their portfolios, the policy dialogue and beyond?

joint CPE. The ToRs also provide an evaluation matrix which develops the ten issues of the Scoping Mission with specific evaluation questions which formed the basis of the methodology.

## Approach

1.6 Based on the Scoping Mission suggestions, the ToRs proposed a two-stage process with an inception visit, initial inquiries and a comprehensive documentation review, followed by a field visit to fill in the gaps in the evidence base and triangulate findings through interviews, discussions and observation. The expectation was that the evaluation questions would become more focused and refined by the second stage, building on the preliminary findings. This approach would enable a richer and deeper set of conclusions to be drawn based on this balance of documentary review, qualitative inquiry, and participative engagement.

1.7 As this was a new approach to programme evaluation some adjustment was to be expected. In the event the distinction between the two stages was less discrete. The depth and quality of documentation available was limited and it was not possible to refine the evaluation questions without substantive triangulation through interviews and discussion. The documentation report was extensive, covering a wider range of background information, providing complementary evidence to this report. However the overall process was more integrated and this Final Report provides the single published output of the evaluation covering the ten issues identified by the Scoping Mission and addressing the original evaluation questions set out in the ToRs.

1.8 The theoretical model is based on a contribution analysis of the development results identified over the five years. Since approaching 80% of both portfolios was committed to BS, in accordance with the CSP and CAP, attributing specific results to either or both programmes was clearly neither relevant nor appropriate. Instead the assumptions to be tested were that: the development results achieved were in large part due to the policy (MKUKUTA) and increased expenditures of GoT; these increased expenditures and the policy focus they supported were the result of the increasing level of BS; in turn BS was contributed to by the DFID and Irish Aid programmes. The additional area of inquiry was the support to civil society and the private sector, partly through GoT, but largely through non-state investments.

## Methodology

1.9 Following the Scoping Mission and agreement of the ToRs, an inception visit was made to Dar es Salaam by some of the team during which initial discussions took place with Irish Aid and DFID staff in the country offices, a workshop on budget support was held with a group of DPs, and a limited number of interviews with selected key informants were undertaken. This, together with interviews with headquarters staff of DFID and Irish Aid, provided a contextual framework for the documentation review.

1.10 During the inception visit the team developed more specific questions for inquiry. The expanded matrix (annex 2) was developed further at the start of the main visit based on the findings of the documentation review stage and the responses from DFID and Irish Aid. Whilst this iterative process refined the specific areas of inquiry, the original ten issues from the Scoping Mission and the evaluation questions in the ToRs remained at the core of the evaluation.

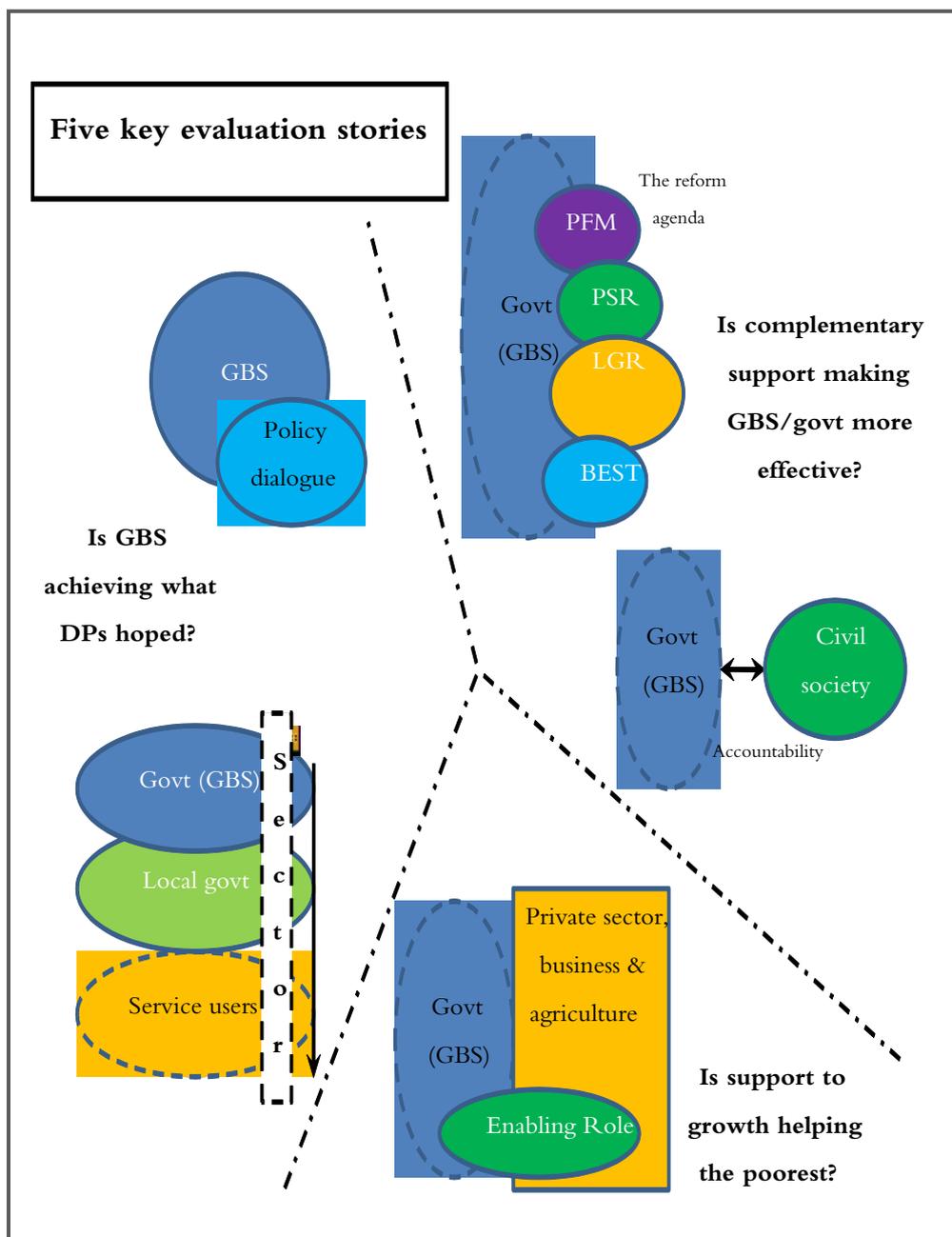
1.11 In preparation for the main field visit a web-survey of DP heads was undertaken focusing on experience of BS dialogue processes and on perceptions of DFID and Irish Aid as DPs; and a series of focus group discussions with civil society representatives (including retired bureaucrats, academics and NGO activists). During the visit itself, a visit was made to Morogoro District; and meetings were held in Dodoma with a group of senior officials from the Ministry of Finance and Prime Minister's Office, together with interviews with senior staff of other ministries. In Dar es Salaam a day workshop was held with DPs and a focus group discussion with the private sector, together with extensive interviews with DFID and Irish Aid staff, government officials, DPs, and civil society

informants (a full list of those met is at annex 3). The visit culminated in a half day presentation and discussion with the Irish Aid and DFID teams at which the initial findings of the evaluation were shared.

1.12 This range of inquiry methods focused on those evaluation questions that were less open to investigation through documentation. Questions related to strategy and development processes require an understanding of how individuals and agencies engaged, the perceptions and assumptions present and aspects of actual practice that are not recorded. In particular the views of government, civil society, and DPs were sought to complement the documentary evidence. The interviews and discussions with the Irish Aid and DFID teams ensured that emerging findings were tested and all the evaluation questions explored fully.

## The Report Structure

Figure 1. Scoping mission evaluation stories



1.13 The scoping report suggested that the joint CPE should focus around five key evaluation stories (figure 1): the relevance and effectiveness of BS in terms of:

- i) the BS modality, financial flows and dialogue/partnership.
- ii) the policy related reform agenda – a) public sector reform (PSR), b) public financial management (PFM), c) local government reform (LGR), and d) business environment strengthening (BES).
- iii) their ‘impact’ through improved government systems of service delivery (health, education, water).
- iv) together with a complementary focus on increasing accountability, particularly of GoT to civil society and its citizens.
- v) support to the private sector to deliver growth that leads to improved livelihoods and poverty reduction.

1.14 These five evaluation stories are reflected in this Final Report which in turn addresses the ten issues and related evaluation questions posed in the ToRs. The report structure follows the analytic approach developed during the evaluation based on the contribution analysis of the results chain (see para 1.8) and the evaluation of the key assumptions within it, concluding with the evaluation of the CSP and CAP themselves.

1.15 Thus, following this introduction **Chapter 2** presents the evaluators’ assessment of the development results in Tanzania over the last five years – evaluation stories ii) and iii). The assumption is that these development results (growth, poverty, reforms, public expenditure) are a significant consequence of GoT policy and more efficient public expenditure resulting from BS. **Chapter 3** tests this assumption and also presents the evaluation findings with respect to the effectiveness and efficiency of GBS/BS and the degree to which it was enhanced by the quality of the financial and policy support from DPs – evaluation story i). **Chapter 4** addresses the contribution of non-state actors – the private sector, business and agriculture – evaluation story v); and civil society – evaluation story iv).

1.16 **Chapter 5** focuses on the contribution of the Irish Aid and DFID strategies and their delivery. How far were their respective theories of change coherent, and did they in turn enhance the effectiveness of the programmes in catalysing the development results and supporting the processes defined in the earlier chapters? The evaluation focused on both the strategies and the processes of their implementation. Thus the questions related to the capacity of the DFID and Irish Aid offices are discussed here together with the relationships between the country programmes and headquarters policy and spending programmes. Finally, the questions in relation to perceptions of DFID and Irish Aid and other aspects of development process are addressed.

1.17 The final sections of the report review the earlier findings. **Chapter 6** presents the lessons learned with particular reference to the lessons for the two country offices as they plan the next phase of their support to Tanzania. **Chapter 7** brings together the conclusions in response to the evaluation questions and the specific recommendations that arise from the evaluation. The report has a number of annexes that provide ancillary information and these are referenced at appropriate points in the text.

## 2. Development in Tanzania: 2005–2010

2.1 In this chapter the evaluation assesses the nature of the development results in Tanzania over the period 2004/5–2009/10. The results we focus on are those of growth, poverty (in both income and non-income terms), the results of the key reform processes and the results achieved by GoT in public expenditure patterns. These are the results one would expect to see improving if development investments and the support from DPs were having an impact. As well as describing these results and the contribution, where relevant, of DFID and Irish Aid, the chapter addresses the first of the ten evaluation issues – that **despite 6–8% economic growth over the past years, income poverty trends in Tanzania appear to be largely stagnant** – and addresses aspects of some other issues including **aid architecture** (with respect to reform processes), **the constraints on the government’s management of large aid flows**, and elements of **scrutiny and accountability**.

### Growth and Income Poverty

2.2 Tanzania’s recent economic growth has been good with over 4% growth per year in GDP in real terms since 1998<sup>6</sup>, and over 7% for practically all of the first decade of the new millennium<sup>7</sup>. Whilst there was a dip to 5% in 2009, as a result of the global economic slow-down, it is projected to recover by 2012. This is as good a performance as anywhere in Sub-Saharan Africa and, by and large, fulfils the 6–8% target set in MKUKUTA<sup>8</sup>.

2.3 However, this has not led to a significant reduction in income poverty. The proportion of the mainland population living below the basic needs poverty line declined from 35.7% (2000/01) to 33.6% (2007)<sup>9</sup>. The MKUKUTA target for 2010 is 21% and there is clearly little chance that this can be met. Moreover, population growth overwhelms the modest percentage gain, with the result that approaching 1 million more people are in poverty than at the start of the century.

2.4 The evaluation endorses the assessment of DFID and Irish Aid, well summarised in box 2, that whilst more analysis is required the most plausible reasons for the limited impact on income poverty is that the growth is largely accounted for by public sector consumption and growth in areas that only employ a small proportion of the workforce and thus have little direct effect on incomes.

2.5 This ‘wrong kind of growth’ hypothesis has yet to be examined in detail for Tanzania or other countries in the region, though it is on the agenda of the International Growth Centre<sup>10</sup>. The underlying evidence is, however, persuasive: public sector investment in infrastructure and services, together with private sector investment, particularly in property development and minerals, have all grown in the period and are the probable drivers of growth. These activities have little immediate impact on the cash incomes of the rural poor and it will take time for any ‘trickle down’ effect.

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<sup>6</sup> Ministry of Finance and Economic Affairs (2008) *Economic Survey*

<sup>7</sup> REPOA – Research on Poverty Alleviation (2009) *Poverty and Human Development Report 2009*

<sup>8</sup> MKUKUTU – Kiswahili acronym for the national strategy for growth and the reduction of poverty, Tanzania’s 2005 PRSP

<sup>9</sup> National Bureau of Statistics (2009) *Household Budget Survey 2007*

<sup>10</sup> An international coalition of leading academics, run from the London School of Economics with support from DFID – see [www.internationalgrowthcentre.org](http://www.internationalgrowthcentre.org)

## **Box 2 Why hasn't poverty fallen in Tanzania?<sup>11</sup>**

### **Background**

The 2007 Household Budget Survey (HBS) provided statistics on consumption, and hence on poverty, for the first time in 7 years.

The figures showed that the proportion of people living in poverty decreased by only 2.4%, from 35.7% in 2000/01 to 33.3% in 2007. This decline is within the boundaries of statistical error and it is possible that there was no income poverty reduction in Tanzania over the period.

In addition, due to population growth, a decline in the poverty rate of 2.4%, translates to 1 million more people living in poverty.

At the same time national accounts' data show that between 2001 and 2007, Tanzania had an average 7% GDP growth rate. This gives cumulative real GDP growth of 51.7% over the period.

### **So why no poverty reduction given the high growth rate?**

Analysis continues, and there is no definitive explanation. Improvements to the quality of inflation data, national accounts' data, and household surveys are all required, and DFID in Tanzania is active in supporting this work<sup>12</sup>.

The phenomenon has been seen in other countries too. It was discussed at a March 2010 Africa Union Finance Ministers' meeting in Malawi. Uganda for example had nearly all its poverty reduction from 1990-2000 and not much more than Tanzania since then, despite higher growth.

One explanation is that most growth has been in sectors employing a small percentage of the labour force (mining, construction, telecoms, banking). By contrast, agriculture employs 74% of the labour force, yet grew at an average of only 4-5% over the period. Population growth eroded much of this gain.

Another possible explanation is that growth has mainly been driven by increased public consumption. This has reduced other forms of poverty and deprivation – e.g. annual spend on education up fourfold since 2000, with 4 million more children in primary school and 1.2 million more in secondary school, numbers of teachers have increased by 40% and the number of schools by 33%.

Annual spending on health has more than quadrupled to \$600 million since 2000. Under five mortality rates have fallen by almost 40%, and nearly 90% of children are vaccinated against diphtheria, whooping cough and tetanus.

But this public consumption has not (yet) raised the incomes of most Tanzanians.

It is also possible that inflation has been higher than estimated, and growth levels overestimated.

Government and DPs are now placing an increased focus on capital expenditure and growth for poverty reduction in the new poverty reduction strategy /MKUKUTA. This will include support to agriculture to improve household incomes, efforts to improve the business environment, and addressing infrastructure constraints to growth.

2.6 The challenge is how to increase impact on the incomes of the rural poor? The composition of rural poverty is unclear and currently is inadequate. The HBS is insufficiently disaggregated to make a clear urban/rural distinction. The results of the NBS National Agricultural Census, 2008/9, may throw some light on the question and the National Panel Survey will in time give a picture of the dynamics of poverty, though not disaggregated at district level.

<sup>11</sup> Source: DFID Tanzania Internal Paper, 2010

<sup>12</sup> DFID Tanzania continues to support the National Bureau of Statistics (NBS). This is valuable work and there is a strong case for increasing support, subject to absorptive capacity

2.7 The Poverty and Human Development Report (PHDR)<sup>13</sup> draws attention to a striking result from the HBS: “the proportion of income derived from agricultural sources has declined from 60% in 2000/1 to 50% in 2007”. This does not necessarily contradict the findings of another national survey<sup>14</sup> on access to financial services which found that 69% of respondents cited “agriculture-related” as an income source, since the survey provided for multiple sources. The dynamics of rural livelihoods and incomes may in fact be more complex.

2.8 Indeed Tanzania appears to be at a significant point of transition, moving away from an overwhelmingly agrarian society towards a more diversified economy. This renders an important strand of traditional rhetoric about the economy anachronistic. The conventional wisdom that “80% of Tanzanians are small-scale farmers”<sup>15</sup> reinforces the view that has long equated *wananchi* (the people) with *wakulima* (farmers), most famously in Mwalimu Nyerere’s slogan ‘*Siasa ni Kilimo*’ (politics is farming). The change is not so surprising, it has happened elsewhere, most strikingly in contemporary China, though the shift in Tanzania may be more to informal services and urban-rural remittances than to manufacturing, which has not prospered.

2.9 Nevertheless, agriculture remains the primary occupation of most Tanzanian families, even if the evidence suggests that changes are taking place; and, as more people are poor, the conclusion is obvious: most of the poor depend on agriculture. The sector has not grown at the 10% MKUKUTA target rate; nor has it attracted a proportionate share of private sector investment. Growth has been in the 3-4% range, which is marginal; given population growth is thought to be approaching 3%. Government has responded to this disappointing result with the *Kilimo Kwanza* initiative.

## Corruption, Growth and Poverty

2.10 According to the East Africa Bribery Index<sup>16</sup>, the Burundi Revenue Authority replaced the Kenya Police as the institution in the East African Community (EAC) perceived as most corrupt. In 2009, with only three countries included in the index, Tanzania was the least corrupt, behind Uganda and Kenya. In 2010 Rwanda ranked as the least corrupt followed by Tanzania with Burundi perceived as the most corrupt. This gives context to a problem which affects the whole continent, with Tanzania apparently not a particularly sorry case, though it has some shameful highlights, with its police force (5th) and judiciary (10th) in the 2010 top ten rankings for individual institutions.

2.11 There was little difference in the index used to rank countries between Uganda (33%), Kenya (32%) and Tanzania (29%), with Burundi (37%) and Rwanda (7%). The last is, of course, the most striking result, a tribute to the discipline of Rwanda’s President, and a demonstration that the problem can be tackled, given political will. Though at some cost, as recent political events in Rwanda suggest. In the Global Peace Index<sup>17</sup>, by contrast, Tanzania (55) ranks best with Rwanda (75), Uganda (100), Kenya (120), and Burundi (131). Thus whilst corruption is a concern in Tanzania the situation is not dissimilar across the region.

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<sup>13</sup> Poverty and Human Development Report 2009. Research and Analysis Working Group, MKUKUTA Monitoring System, MoF, December 2009

<sup>14</sup> FinScope (2009) *Financial Consumer Perception Survey*, for Financial Sector Deepening Trust

<sup>15</sup> See for example article on Kilimo Kwanza in *Paa*, the in-flight magazine of Precision Air, April 2010

<sup>16</sup> Transparency International July 2010 see <http://www.transparency.org> for details and methodology

<sup>17</sup> <http://www.visionofhumanity.org/gpi-data/#/2010/scor/>; ranked out of 149 countries; Ireland (6), UK (31)

2.12 These indices are based on perceptions and proxies since there is little reliable evidence of the actual incidence of corruption or its impact. The public sector functions relatively well – salaries do get paid and services are provided at a level that suggests that public financial management, though problematic, is much more efficient. However it is the perception that impacts on business confidence, and the view that all public projects are subject to corruption is widely held.

2.13 The effect of corruption on economic growth is complex. Endemic rent seeking in the public sector can add additional transaction cost and impair efficiency but there can be efficiency gains where ‘rent’ compensates for low pay. The poor farmer, already suffering high transport costs, has additional exactions added by corrupt officials along the road. These effects get most attention but are not the whole story. What happens at the next level depends on how much of the total cost exits the economy and never re-enters it as new investment. It is this larger scale corruption that influences investment and impacts more on private sector growth and thus poverty reduction.

2.14 The DP position on corruption is, rightly, one of zero tolerance and support for effective redress and other initiatives to reduce incidence. There is, however, little sign of systemic success in this endeavour and there is scope for commissioning work that advances a deeper understanding of the impact of corruption on the economy, and the direct and indirect effects on the poor, so that interventions aimed at mitigating these effects can also be developed.

## **Non-Income Poverty Impacts**

2.15 Despite the slow progress on income poverty reduction, Tanzania has performed well against some human development indicators. Over the last ten years the country has seen some remarkable achievements in education and health which clearly result from the increased public spending since 2001. The progress against all eight MDG targets, both income and non-income related, is given in table 7, annex 4. Here the links to access, service provision and public expenditure are explored in more detail.

2.16 Over the period since 2003, HIV prevalence in adults (15-49 years) has declined in both males and females, across most age groups. Youth prevalence (15-24 years) declined largely because of a significant fall in prevalence among young men from 3.0% to 1.1%. Progress in prevalence among young women was limited, reducing from 4.0% to 3.6%. There is evidence that the TB caseload is declining, following a modest decline in HIV prevalence and the introduction of antiretroviral therapy. Malaria has accounted for the largest burden of morbidity and mortality in Tanzania, especially among young children. Incidence has substantially improved with the introduction of insecticide-treated nets, a highly effective campaign which prioritised regions with the highest prevalence of malaria. The effectiveness of malaria treatment has also improved with the introduction of artemisinin-based combination therapy. The MDG6 targets are thus on-track.

2.17 There has also been progress in the reduction of under five and infant (under one year) mortality and Tanzania is now on track to meet these indicators (MDG4). The improvement in child survival since 1999 is most likely explained by gains in malaria control. However, neo-natal mortality decreased at a slower rate, from 59/1000 in 1999 to 36/1000 in 2004 and 29/1000 in 2007/2008. Rates remain high due to a lack of progress in skilled birth attendance or facility-based deliveries, also contributing to high maternal mortality rates. Immunisation has had a high impact on child mortality reduction. This indicator has been on track and coverage of measles vaccination remains high (90% in 2007), most likely due to repeated catch-up campaigns. However, there was a

decline of DPT-Hb3 immunisation, which depends on routine administration, from the peak of 94% in 2004 to 83% in 2007, with a small recovery to 86% in 2008<sup>18</sup>.

2.18 Maternal mortality rates were high in 2004 (the most recent data) and had changed little in 20 years. The proportion of births attended by skilled health workers was estimated at 46% then, up from 44% in 1999, indicating little improvement in the provision of maternal health services. Rural women are much less likely than their urban counterparts to deliver at a health facility. Just over 80% of urban women deliver in a health facility, compared with 39% of rural women. Differences across regions ranged from 28% in Shinyanga to 91% in Dar es Salaam. Women who are better educated are more likely to seek skilled birth attendance; 85% of women with secondary school education delivered in a health facility. Only 32% of women from the poorest households were able to deliver in a medical institution<sup>19</sup>. It is not only lack of awareness and education that keeps women away from medical institutions. Barriers perceived by women include the costs of preparing for delivery, the distance to the closest facility, the lack of affordable transport at the time of labour, and the formal and informal charges incurred for delivery at a facility<sup>20</sup>.

2.19 A large number of health facilities have been built since 2001, but access to and use of health services remains low. The distance to the nearest health facility has marginally decreased, but people are no more likely to consult a health provider when ill than they were in 2000/01<sup>21</sup>. Most health facilities are located in cities and towns and more than half of the population (52%) still have to travel more than 5km to see a doctor<sup>22</sup>. In addition the poor are deterred from using services because of the cost. 62% of respondents in the 2007 Voices of the People Survey reported the cost of medical treatment as a barrier to use of health services. Similarly, 44% of respondents indicated a concern with the cost of drugs compared to 35% four years ago<sup>23</sup>. Cost-sharing arrangements, such as community health funds, are progressing slowly and still have low coverage, mainly because people are not willing to pay into schemes which may not provide quality services and free drugs on a reliable base<sup>24</sup>.

2.20 The main bottleneck in the provision of health services is the shortage of medical staff, and little progress has been made since 2001. High levels of maternal mortality and child mortality can be directly linked to lack of skilled medical staff. At the same time the burden of diseases such as malaria and HIV place high demands on staff resources. The need for substantial increases in the qualification and recruitment of medical staff were identified as key issues as early as 2002. The Ministry formed a task force on human resources in the health sector in 2004. However, despite the massive roll-out of primary health services under the Primary Health Services Development Programme, recruitment of new staff has been lagging behind. Cumbersome procedures for recruitment at council levels have been identified as a major obstacle<sup>25</sup>.

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<sup>18</sup> Poverty and Human Development Report 2009

<sup>19</sup> Ibid p 61f

<sup>20</sup> CARE International in Tanzania and Women's Dignity, 2009

<sup>21</sup> Briefing on the preliminary results of the 2007 Household Budget Survey (HBS), DP Poverty Monitoring Group 2008

<sup>22</sup> Ministry of Health and Social Welfare & President's Office Regional Administration and Local Government (2009) *Summary of the Comprehensive Council Health Plans 2009/2010 and Regional Health Management Teams Plans and Reports*

<sup>23</sup> Voices of the People. 2007

<sup>24</sup> Women's Dignity. 2009. Review of developments in the health sector: A Study Report. Dar Es Salaam

<sup>25</sup> School of Public Health and Social Sciences, Muhimbili University of Health and Allied Sciences (2009) Analysis of the Constraints in Human Resource Availability (Training, Recruitment, Deployment, And Retention) Especially in Hard to Reach Areas

2.21 There is a strong link between poverty and service provision; poor districts are usually under-served. The pattern of human resource distribution in Tanzania remains highly uneven, and the gap has been widening. A recent study found that, in 2007/08, the best served region (Pwani) had twice the number of health workers per 10,000 persons than the worst off region (Kagera)<sup>26</sup>. About half of all doctors were employed in the Dar es Salaam region, where the density of doctors was six times higher than the national average (0.4 doctors per 10,000). Ten regions have less than 0.5 doctors per 10,000 population, with Shinyanga, Tabora, Kagera and Mbeya having the lowest densities<sup>27</sup>. The under-served districts have been facing immense difficulties in attracting human resources. At the same time, recruitment and transfers into better served districts have continued, leading to a widening of inequity<sup>28</sup>.

2.22 Tanzania has also made significant achievements in education, resulting from increased spending on education and policies to expand primary and secondary education. It is on track for achieving universal primary education and has already achieved the gross enrolment target (MDG2). In 2001 the government adopted a policy of universal primary education; it abolished school and other mandatory fees, and introduced scholarships for disadvantaged children. This led to an increase of 43% in Standard I enrolment in January 2002 and primary school net enrolment increased from 58.6% in 2000 to 97.6% in 2007<sup>29</sup>. Since then the net enrolment rate has slightly declined to 95.9% in 2009<sup>30</sup>. In 2009 there were 8.4 million children enrolled in primary school, up from 7.5 million in 2005 and 4.4 million in 2000. This means that since primary education was made free in 2001, an extra 4 million children have access to education.

2.23 There has also been a major expansion of secondary education in Tanzania<sup>31</sup>. In 2009 there were 4,102 secondary schools – 300 more than the previous year and 4 times as many as in 2000. In 2009, there were 1,466,000 pupils enrolled in secondary school, up from 1,220,000 in 2008 and 260,000 in 2000 with net secondary school enrolments rising from 10.3% in 2005 to 27.8% in 2009. In 2009 around 52% of those who left primary school in 2008 went on to start secondary school. This percentage has risen rapidly since 2002; it was only 22% in 2000. However it peaked in 2006 at around 68% and has seen a downturn in 2007 and 2008<sup>32</sup>.

2.24 The country has already achieved the targets of gender equality in primary and secondary education (MDG3). However boys tend to be enrolled at a later age than girls. Of children aged seven, 52% of boys are enrolled in primary school against 69% of all girls. Only for 10 to 11 year olds are the proportions of boys and girls in school comparable<sup>33</sup>. Girls are still less likely to continue into tertiary education where only 34% of students are women and the gender equality indicator for tertiary education (MDG3) is therefore off-track.

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<sup>26</sup> Background Analytical Note for the Annual Review of General Budget Support 2008 –Equity and Efficiency in Service Delivery: Human Resources

<sup>27</sup> Ministry of Health and Social Welfare, Tanzania Mainland and Ministry of Health and Social Welfare, Zanzibar in collaboration with the World Health Organization. Tanzania service availability mapping: 2005–2006

<sup>28</sup> Background Analytical Note prepared by Irish Aid for the Annual Review of General Budget Support 2008 –Equity and Efficiency in Service Delivery: Human Resources, P. 2

<sup>29</sup> Amon V.Y.Mbelle (2008) *The Impact of Reforms on the Quality of Primary Education in Tanzania*, REPOA Research Report 08.1

<sup>30</sup> DPG Secretariat (2010) *Synthesis of Achievements of the MKUKUTA Implementation*, March 2010

<sup>31</sup> DFID (2009) *Tanzania Budget Support Submission, Impact of budget support on education*

<sup>32</sup> BEST Education Statistics 2005–2009, p. 21

<sup>33</sup> Johannes Hoogeveen and Remidius Ruhinduka (2009) *Income Poverty Reduction in Tanzania since 2001*

2.25 Children from poor households are still less likely to attend school, although numbers have improved. In 2000/01 the proportion of children in school ranged from 47% in the poorest quintile to 72% in the highest quintile. In 2007 the rate ranged from 78% in the lowest quintile to 91% in the highest. In 2007, 82% of children in rural areas were in primary school, compared to 91% in urban areas. Children from poor households are still less likely to continue into higher education where they are unable to pay school fees and few scholarships are available. Children from the poorest household constituted 24% of all primary school pupils; but only 13% in secondary school and 0% in tertiary schools in 2007<sup>34</sup>.

2.26 Rapidly increasing enrolment has caused a critical shortage of human resources exacerbated by recruitment constraints. In primary schools the teacher/pupil ratio was 1:54 in 2009, compared to 1:41 in 2000. It will be difficult to get the teacher/pupil ratio down to the level prescribed by policy and good international practice would take even more resources than are available. In secondary education, the teacher/pupil ratio was 1:43 in 2009, compared to 1:22 in 2005. Teacher/pupil ratios also vary considerably across regions. In Kilimanjaro there are 36 pupils for every teacher in primary schools, whereas six regions have more than 60 pupils for every teacher, including Shinyanga, where there are 71 pupils for every teacher; the teacher/pupil ratio is significantly lower for non-government schools, 1:23 in 2009<sup>35</sup>. There is a major challenge in the years ahead of how to fund the expansion of access to secondary education. The MKUKUTA target of 50% net enrolment will strain the system further by implying a further increase of 2.7 times on the current enrolments.

2.27 Whilst more children are attending school, outcomes are not improving, as a result of class size and the lack of basic teaching materials. Learning outcomes are not properly measured – primary school leaving exam results (Standard VII) fluctuate quite significantly from year to year<sup>36</sup> as do the Standard IV results. There are marked gender disparities with a 55.6% pass rate for boys compared to 43.2% for girls in the 2009/10 school leaving exam. Again there are significant regional variations in learning outcomes<sup>37</sup>.

2.28 Compared to its overall human development status Tanzania is doing remarkably well on gender equality measures. The gender development index for 2009 shows the country on rank 54 (compared to rank 151 on human development). Women have a higher life expectancy and participate almost equally in education. The gender empowerment index ranks Tanzania 69<sup>th</sup> (out of 109 countries). Women constitute 49% of the managers and senior officials; 32% of the professionals and technical workers are women, and 30% of MPs are women, which still falls short of the MDG target (MDG3). However, discrimination and violence against women and girls is still common and women are also more affected by food poverty and are more likely to suffer from poor reproductive health.

2.29 Malnutrition has been identified as the single biggest contributor to child mortality. Since 1991 some progress has been made in reducing malnutrition, but the overall levels remain high, in particular among rural households and the urban poor<sup>38</sup>. Almost four out of every ten children under five are chronically undernourished; about one out of every five children is under-weight<sup>39</sup>. In the

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<sup>34</sup> DPG Poverty Monitoring Group, Rapid Poverty Assessment, 2008, Table 4.1

<sup>35</sup> BEST Education Statistics 2005-2009, p. 35, and 60

<sup>36</sup> Ibid p 33

<sup>37</sup> Ibid p. 31

<sup>38</sup> World Bank 2007

<sup>39</sup> Johannes Hoogeveen and Remidius Ruhinduka (2009) *Income Poverty Reduction in Tanzania since 2001* p.16

five worst affected regions – Mtwara, Lindi, Ruvuma, Iringa and Kigoma – more than 50% of children under five were stunted. Tanzania is thus off-track on the hunger indicator under MDG1.

2.30 The environmental sustainability and access to water indicators (MDG7) are off-track. In rural areas, data on access to water suggest little or no increase in coverage over the seven years to 2007 and in urban areas, the data show a declining trend, particularly in piped water supply. This appears to reflect the failure of network expansion and service delivery to keep pace with urban population growth. Based on these estimates, neither rural nor urban coverage targets under MKUKUTA will be met<sup>40</sup>. However since 2007 there has been a rapid scale up of investments, with the Water Sector Development Programme (\$951 million over 5 years) and the (still unreleased) preliminary report for the National Panel Survey shows some positive signs. Already the share of the water sector budget as a proportion of the national budget has increased (3.8% to 6.5% in the three years to 2007/8), a fourfold increase per capita. However DP support accounts for 80% of the budget, larger than other sectors.

## **Results of Reform and Reform Related Changes**

2.31 As well as the tangible development results in terms of the impact of services there have been results in terms of the reform of public services and, as we will see later, the financing of those services that have in turn contributed to the end results. Some reforms have been in train since the beginning of the BS programme. Here we review the results of the five major reform programmes:

- i) public sector reform (PSR).
- ii) public financial management reform (PFM).
- iii) local government reform (LGR).
- iv) reforms in the business environment – business environment strengthening (BES).
- v) public expenditure.

### **Public Sector Reform**

2.32 Over the evaluation period DFID, together with the World Bank, the Canadian International Development Agency (CIDA) and GoT, have been funding a five-year performance results and accountability programme (PRAP) to support PSR. This second phase of the PSR Programme (PSRPII) is intended to enhance the capacity, performance and accountability of GoT ministries, departments and agencies in the use of public resources and improve service delivery to levels consistent with the timely and effective implementation of the strategic and priority programmes under MKUKUTA. Linked to PRAP is DFID's accountability programme in Tanzania (AcT) that focuses on strengthening public service accountability and responsiveness to citizens through support to civil society organisations.

2.33 DFID has been very active in this reform area over the evaluation period and has contributed constructively to the dialogue and setting the reform agenda with GoT. The overall aim of the PSR Programme has been to introduce systems that enhance service delivery throughout the public sector with a focus on (a) Pay, Incentives and Rewards; (b) Accountability and Responsiveness to the Public; (c) Systems for Managing Public Servants; (d) Leadership Development; and (e) Change Management and Reform Coordination.

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<sup>40</sup> Poverty and Human Development Report 2009, 74f

2.34 The evaluation found that the implementation of systemic change was only being addressed slowly. Nevertheless, whilst PSRP has primarily worked with central government some initiatives (e.g. the staff appraisal system) have been rolled-out at local level as well. However, after over ten years of reform the key area of pay and incentive reform continues to hamper the effectiveness of wider PSR and needs to be looked at in a more comprehensive manner. Issues of pay and incentives are at the heart of the problems faced by many remote and hard to access districts/areas. The inflexible pay and incentive structure in Tanzania effects the placement of nurses, teachers and other front line service staff. The human resource recruitment and management issue is still centrally driven with the President's Office Public Service Management (PO-PSM) approving the appointment and dismissal of all local as well central level staff, constraining effective human resource management especially at local level.

2.35 In essence the results of PSR have been limited since they require a major shift in the centralised nature of Tanzanian political culture. It is not simply a question of introducing new management technology and processes but of changing the fundamental ways in which the state sees its role and its own ways of organising.

### **Public Financial Management**

2.36 Over the past ten years Tanzania has developed sound formal rules for financial management and GoT has taken action in a number of other aspects of PFM through the PFM reform programme (PFMRP). The integrated financial management information system (IFMIS) has increased the accuracy of transactions at central government level though there has only been limited impact at local government level<sup>41</sup>. Procurement regulation has been brought up to international standards. There were impressive improvement in revenue collection nationally, especially over the last four years, and controls over non-tax revenues such as fees collected in various ministries. These improvements have also been translated into improved financial accountability, though to a limited degree to date. In particular there has been a more active response by parliament and the executive to anomalies pointed out in the national audit report.

2.37 Over the last three to four years, progress with PFM reforms has slowed, as apparently has the commitment of GoT to continue the process. The recent assessment of the PFMRP showed that the initial conception of the programme was too broad in scope and ambition and that this ambition exceeded the capacity of the government to implement (Hawkins, 2009). This situation was further compounded by weaknesses in the secretariat, the poor quality of internal planning within the Ministry of Finance (MoF) and the consequent delay in disbursements. It would also seem that arguments over the content and management of the programme have led to a break down in the dialogue between DPs and GoT. A greater concern over the pace of PFM reform at the political level would have led to speedier changes in the management of the PFMRP and in its overall strategic direction. However, the difficulties with the dialogue seem to have been a major problem and did not facilitate appropriate and prompt responses by GoT. Heavy handed communication, infrequent and excessively formal engagement and a didactic approach from the DPs seems to have dominated. In this situation regular informal contact between the key interlocutors is possible so that difficulties can be identified early and mutual understanding improved. The pace of change is

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<sup>41</sup> The present IFMIS challenges relate to the fact that EPICOR is not a local but a US based company whose primary expertise is not in supporting government accounting, and also with the experience of GoT with EPICORs local agent whose services are perceived to be expensive as well as less responsive to GoT requirements. A conscious decision was made in 1999/2000, with DP support, to implement a system that could be supported locally. This put GoT in a strong position vis a vis EPICOR and the contracting decision does not seem to be the issue. However implementation has been slow and the evaluation questions the effective accounting controls at local government level when many of the councils continue to maintain both manual and computer accounting systems.

sensitive and is best determined by GoT, with DP input providing pace setting against agreed milestones so that progress is maintained and blockages anticipated.

2.38 The situation became one of particular concern for DFID when PFMRP was assessed as one of its most poorly performing PFM programmes in Africa. Subsequently DFID has played a constructive role as chair of the DP group in resolving the impasse that has developed between GoT and the DPs on the PFM agenda. Relationships are improving with increased confidence and clearer communication. This could be consolidated further with a small joint retreat where the major issues within the PFMRP are reviewed and concrete steps to improve performance identified with follow-up action benchmarked for all parties. One of the critical issues will be whether there is an acceptance by the GoT of the need to strengthen its technical capacity to take forward a programme of this size. The recent developments in MoF/PFMRP Secretariat will hopefully improve the situation and DPs need to develop some rules of engagement that slowly but surely increase GoT confidence in the dialogue. A less ambitious programme that is more effectively integrated into the overall GBS related reforms with stronger GoT ownership should see the PFM progress restored. This could be done by agreeing a phased approach with a limited set of outputs (e.g. budget credibility, IFMIS at local government level) identified as priorities for the next two year period and other reforms delayed, thus establishing a pattern of incremental change. More explicit links could also be made with other reforms and sector level initiatives so that PFM is set within its broader context and other contributions mobilised.

2.39 However, the attention given to the DP supported PFM agenda can detract from the equally important issue of accountability to parliament and citizens. Budget credibility is still an issue in Tanzania but there have been some improvements in the budget process over the past five years. More budget information is now widely available to MPs, Non-Governmental Organisations (NGOs) and the media; there are greater opportunities for MPs and civil society involvement in the process as well as some marginal increase in capacity, especially in the work of the parliamentary accounts committee and local authorities' accounts committee. Nevertheless, knowledge of key aspects of the budget process is still lacking, resulting in limited scrutiny and very few actual challenges to the budget. Scrutiny and accountability to parliament and civil society (discussed further in chapter 4, para 4.28) will ultimately be the major driver to prevent misappropriation and maximise value for money, creating performance incentives for government to improve efficiency, service delivery and value for money.

### **Local Government Reform**

2.40 Tanzania has always seen decentralisation as an ideal approach to rural and urban development. However, whilst central government administrative structures improved, the participation by the rural and urban populace in the development process was exercised solely through community and village level planning. Even when locally elected bodies – local government authorities (LGAs) were reintroduced in the early 1980's, the impact was limited due to human resource constraints and low revenue raising capacity. The shift from this decentralisation through deconcentration model to the policy of 'decentralisation by devolution' (D-by-D) came with the change from an area based approach to an overall reform approach through the LGRP in 1998.

2.41 LGRP has been instrumental in securing the new and emerging inter-governmental fiscal architecture with an increased focus on stable recurrent transfers to LGAs and coordinated efforts to work with sector ministries and programmes in development expenditures. In addition to the key fiscal decentralisation activities related to inter-governmental fiscal transfers, financial management and local revenues, LGRP has made substantial progress in encouraging and developing stronger inter-ministerial consultative mechanisms. These consultative groups have been instrumental in

designing, promoting and implementing the fiscal reform activities, simultaneously strengthening the various stakeholders involved in the local government finance system.

2.42 As a proportion of national expenditures, local government spending rose from 17% in 2001 to 25% in 2007/8. However, LGA's own revenue accounts for only 10%, and the overall LGA share of recurrent public expenditure has remained relatively stable at 20%. There has been a relative increase for development expenditures, but the LGA share is still recorded as only 14% of the development budget. The increase comes largely from central-local grants, which accounted for over 90% of local government resources in 2005/06<sup>42</sup>.

2.43 The major financial reforms related to adoption of the formula-based grant systems have been relatively recent. The formula-based recurrent sectoral grant and the local government capital development grant (LGCDG) system were introduced in 2004/2005, while the formula-based general purpose grant, which integrated the administration grant and the revenue compensative grants was only introduced in 2006/07. The evaluation field visit found that transfers have been erratic until the current year when all transfers were on time and according to agreement. It is therefore too early to assess impact of the formula-based grants system.

2.44 The allocation of resources to LGAs through the recurrent and capital grant programmes covers the budget requirements for fully devolved responsibilities. However, the allocation of resources for other services was left to the national Planning and Budget Guidelines Committee and the respective ministries. In 2007/8 five priority sector ministries were instructed to review their budget frameworks to assess compliance with the D-by-D policy and to identify resources to be transferred to LGAs based on the allocation for expenditure functions under the subsidiarity principle. It is expected that this D-by-D policy compliance effort will provide an excellent opportunity for the GoT to re-evaluate the appropriate sharing of implementation responsibility and resources between the central and local government levels.

2.45 As noted above (para 2.36) the IFMIS system has not been effectively rolled-out to LGAs though it has been a major priority for the LGRP Finance Team. In 2006, 38 LGAs were reported to be using the company EPICOR's system and this increased to about 82 LGAs in 2008/9. Supporting this development constituted a major cost for LGRP from 2000 to 2008. The evaluation, however, had concerns over the commitment of GoT and LGAs in adopting and using the system as many LGAs are understood to be maintaining parallel manual systems and the full extent of the roll-out is not well evidenced.

2.46 In addition to the rolling out of EPICOR to LGAs, LGRP has supported a major improvement to the local budget formulation process through the introduction of a planning and budgeting database programme (PLAN-REP). All 122 councils used PLAN-REP in FY 2006/07 in the preparation of their local budgets. This allowed for electronic submission of their budget plans to Prime Minister's Office – regional administration and local government (PMO-RALG) and the MoF for the purpose of budget scrutiny. The use of PLAN-REP, which provides an intuitive framework for the performance-based local budget planning process, has laid the foundation for assuring the standardised and computerised availability of local budget data.

2.47 Overall capacity building has been a major focus of the LGRP, both in terms of structured, formal training workshops as well as extensive on-the-job training with the local treasurers, accountants and internal auditors. In addition, LGRP has funded the filling of financial management specialists' positions in several of the regional secretariats and zonal reform teams (ZRT). Information from the National Audit Office (Controller and Auditor General), the ZRT benchmarking exercise,

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<sup>42</sup> See PMO-RALG LG Fiscal review 2006 for details

the LGCDG assessment analysis and recent citizen survey results suggests there has been a general improvement in financial management moving LGAs towards more accountable and transparent governance. However, downward accountability is still weak.

2.48 LGAs are now being resourced to manage the planning, budgeting and implementation of the social sectors (primary education and primary health care) and basic infrastructures (local roads, water and sanitation) through transfers from line ministries and through basket funding. However the role of LGAs in addressing income poverty through the promotion of local economic development is still ill-defined.

2.49 Whilst the LGRP Basket Fund was instrumental in establishing a full formula-based block grant system and fiscal transfers are being introduced for some sectors, significant LGA resourcing is still provided by DP programmes and projects (e.g. the Health Basket Fund, the Primary Education Development Programme, the Participatory Agricultural Development and Empowerment Project, and the Rural Water Supply and Sanitation Project). Irish Aid and other donors providing sector budget support (SBS) through the LGRP basket can take credit for catalysing the process of transition from area based programme resourcing to a single inter-governmental fiscal transfer system that is embedded in the budget over the last five years.

2.50 A decision was taken in 2007/8 to develop a future support phase where the LGRP basket would be fully integrated into ministry structures ending its separate programme structure. It seems that the ministry is not prepared to make this move and the discussions with the DPs are not proceeding. Decentralisation is a contentious policy area as it challenges both political and bureaucratic interests. It is therefore encouraging that the process has made the progress it has even though some of the reform challenges remain. Fully empowered LGAs with devolved policy and fiscal responsibilities, including human resource management, remain a long way off but, with the transfer of responsibilities for major service areas and the increased financial capacity, significant steps have been made and there seems sufficient political commitment to continue.

2.51 Irish support to Kilosa District<sup>43</sup> started at the end of the 1970s and came, after almost 25 years, to a formal end in October 2003. The end of programme evaluation found that “despite a long history of partnership between Kilosa District Council (KDC) and DCI<sup>44</sup> (now Irish Aid), the functional capacities of KDC were moderate at best”. This was evidenced by the fact that KDC ranked relatively low (84th out of 115) in a national categorisation exercise, which measured functional performances of local governments, and that was carried out as a start-up activity for the local government support programme (LGSP).

2.52 The findings, however, were not unique to Kilosa or Irish Aid as they tallied with those for other districts that benefited from area based programmes (ABPs), including the District Rural Development Programmes (DRDP) supported by the Netherlands Government, and the Rural Integrated Project Support (RIPS) in Mtwara/Lindi supported by Finnida. These programmes all achieved little if any impact<sup>45</sup> even after 15-20 years integrated district support programmes.

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<sup>43</sup> See: ETC East Africa (Nov. 2004): *Ex-post Evaluation of Irish Aid to Kilosa District, Tanzania – Lessons Learned from a Long “Partnership”, Tanzania*; and COWI (Jan. 2004): *Evaluation of the District Rural Development Programme (DRDP) and Formulation of future Netherlands’ support to Decentralization and Local Development in the ‘ex-DRDP’ Districts – Final Report; Volume I: Evaluation Report*, Dutch Embassy, Dar es Salaam

<sup>44</sup> In June 2003 the Government of Ireland’s development assistance programme changed its name from Ireland Aid to Development Cooperation Ireland (DCI) and in February 2006 the current title Irish Aid was adopted

<sup>45</sup> See for example the evaluations of the Netherlands support IOB, 2004, and Finnida covered in OECD, 2004

2.53 Whilst the evaluations of other ABPs show a similar picture, the experience in Kilosa appeared to be amongst the worst. This seemed due to a combination of factors including:

- the heavy reliance on expatriate staff.
- the huge budgets especially compared to the budget of KDC itself.
- the weak financial management systems (dating from the early 1990s).
- the apparent difficulty in arresting and rectifying the situation once the institutional foundation was found to be wrongly implemented.

2.54 The closure of the ABPs was therefore appropriate if not overdue when it took place. For Irish Aid the transition to support through central government was congruent with its strategic direction and the support through LGRP is, as SBS, complementary to its support to GBS and to its sector programme support in health, education and agriculture. Continued area based support even through more appropriate modalities would not have been sustainable without overall reform of local government and would have undermined much of the central level support.

2.55 Accountability in use of LGA resources has improved significantly during the period of LGRP and the local government development grant (LGDG) implementation. The reports of the Controller and Auditor General indicate substantive improvements and the annual assessments within the LGDG system provides more detailed benchmarks with indication of improvements in particular in financial management and procurement processes. Therefore, while difficulties currently exist in the reform dialogue between the DPs and PMO-RALG it is the finding of this evaluation that the shift from an ABP focus to one of overall LGR through support and national coordinated dialogue is instrumental in securing consistent and equitable changes at LGA level.

2.56 For Irish Aid in particular, the shift has not only been efficient and effective, replacing a previously flawed approach with one that is congruent with its overall policy stance, but also has clear synergies with support to other sectors. For that reason Irish Aid should continue to play a lead role in ensuring that the LGRP is mainstreamed into PMO-RALG and issues of folding in social sector development and recurrent funding under the reformed transfer mechanism to LGAs are done in a strategic and phased manner. This includes continuing the strengthening of linkages between ongoing work under the 'health sector basket' and LGRP.

### **Business Environment Strengthening**

2.57 Reforms in GoTs enabling and regulatory support to the business sector were also the focus of a DP basket fund, 'business environment strengthening in Tanzania' (BEST)<sup>46</sup>. The programme's lack of success is marked by Tanzania's slide in the World Bank's *Doing Business* rankings over the evaluation period. The rankings are a zero-sum game and the problem would seem to be, not so much that Tanzania got worse, but that it did nothing while others improved<sup>47</sup>. In the view of this evaluation the root cause of this poor performance was the programme's breadth of ambition and the institutional problems of how a single project can address issues that cover and cut across the

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<sup>46</sup> One of the original baskets (designed in 2001-2, effective 2003) funding included Danida, Netherlands, Sida, DFID and the ambitiously all-embracing World Bank-supported Private Sector Competiveness Project, which, as well as the conduit for GoT funding to BEST and FSDT, included the erection of the Tanzania Private Sector Foundation, as a parastatal-like proxy for the 'real' private sector, if (in all its heterogeneity) such a thing can be represented in a single institution

<sup>47</sup> For example, the number of days (308) and number of procedures (21) for dealing with licenses was static between 2006 and 2008. Similar lack of change is evident in the indicators for enforcing contracts and registering property. For those wishing to start a business, the number of days fell by two and the number of procedures by one, over the same period, a disappointingly modest result. DP working group brief on BEST, 18.8.08

purviews of many government ministries and agencies. BEST included the conventional ‘business roadmap’ components – licensing, Tanzania Investment Centre, commercial justice, employment law, occupational health and safety, and even more ambitious initiatives e.g. land reform.

2.58 Given this poor performance the bilateral DPs supporting BEST declined to participate in a second phase in 2008. The DP group, chaired by DFID, cited weaknesses in key personnel, difficulties with procurement and the fact that the ‘Better Regulation Unit’ (BRU), BEST’s implementation unit, simply lacked the clout, in seniority and personality, to secure the engagement of the civil servants in the ministries, departments and agencies (MDAs) ultimately responsible for action: “The BRU is often resented by MDAs because of its parallel nature with staff that are paid more than their civil servant counterparts in the MDAs<sup>48</sup>”.

2.59 The brief also mentions the need to engage the Tanzania National Business Council<sup>49</sup> more closely “to raise the programme to higher levels in government”. This appears to be BEST’s greatest weakness, that it is (DP) supply, not (private sector) demand led. However, there are vested interests within the entrenched private sector that may oppose business environment reform. DFID has for the last four years been supporting the BEST advocacy programme which is building a private sector lobby for change. The evaluation team was informed during several interviews that measures are in hand, at the highest level, to secure the engagement of the private sector in a renewed business environment process.

2.60 The evaluation judgement here is that, whilst regulation and enabling legislation are important, the role of government in promoting private sector development is limited and the DP expectations for BEST were excessive and in some areas misplaced. As will be explored in chapter 4 the role of the private sector and its contribution to growth can be supported more effectively in other ways and government’s contribution can also be set in a broader context.

## **Public Expenditure**

2.61 Public expenditures have grown significantly in recent years, more than doubling since 2004/05 from 3,249 to 6,908 billion TzSh in 2008/09. This has been a consequence of economic growth combined with an increase in public spending as a proportion of gross domestic product (GDP), with expenditures growing from 24.5% in 2004/05 to 25.5% in 2008/09. This has been made possible by fast growth in both domestic revenues and foreign revenues, including budget support.

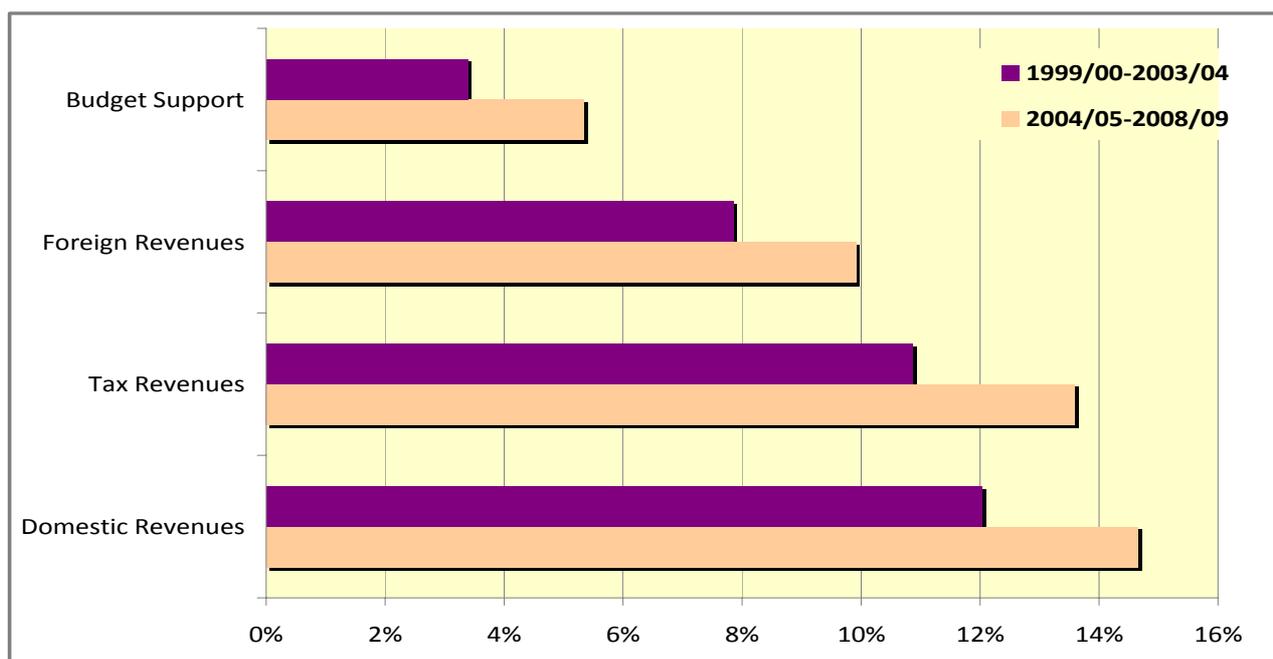
2.62 The contribution of BS to the financing of public spending has been of major importance, amounting to approximately 6% of GDP annually, some 18-20% of public spending. Yet its importance relative to domestic revenues should not be overstated. Domestic revenues (and most notably domestic tax revenues), aggregate foreign revenues and BS revenues as a component of foreign revenues have all risen as a percentage of GDP (figure 2.). The growth in overall domestic revenues has been sustained over the past ten years whilst that for foreign revenues has dropped off. Domestic tax collections as a proportion of GDP have been rising by an average of 0.6 percentage points a year since 2004/05 (from 12.2% to 14.9% of GDP in 2008/09).

2.63 The growth in domestic revenues has been faster than the growth in expenditures, leading to a corresponding growth in the revenue–expenditure ratios over the past five years. Domestic revenues covered 55% of total expenditures in 2004/05, but now can pay for 62%. As a consequence, GoT’s level of dependence on foreign funding has declined.

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<sup>48</sup> DP working group brief on BEST, 18.8.08

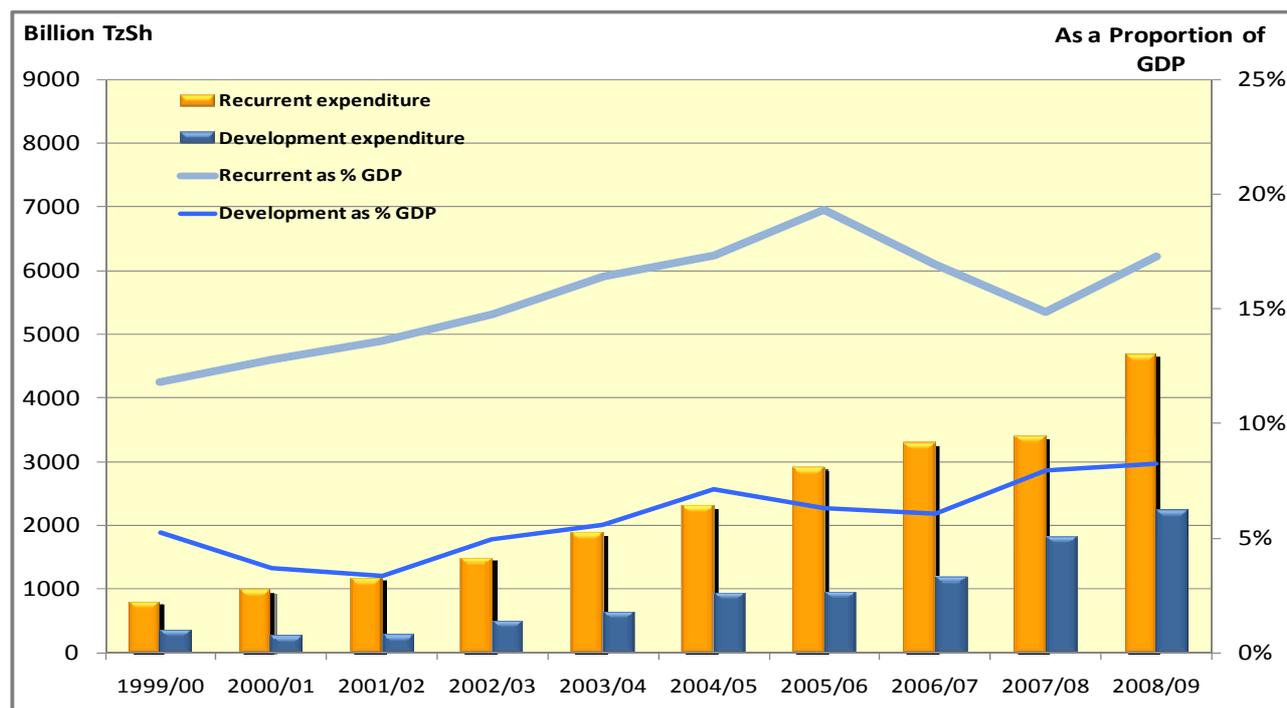
<sup>49</sup> TNBC’s Annual Report 2006-7 (the most recent available on its website) does not mention BEST

**Figure 2. Five-year comparison of revenues by type (as a proportion of GDP)**

Source: Authors Calculation from World Bank (1999/00–2006/07) and IMF (2007/08–2008/09)

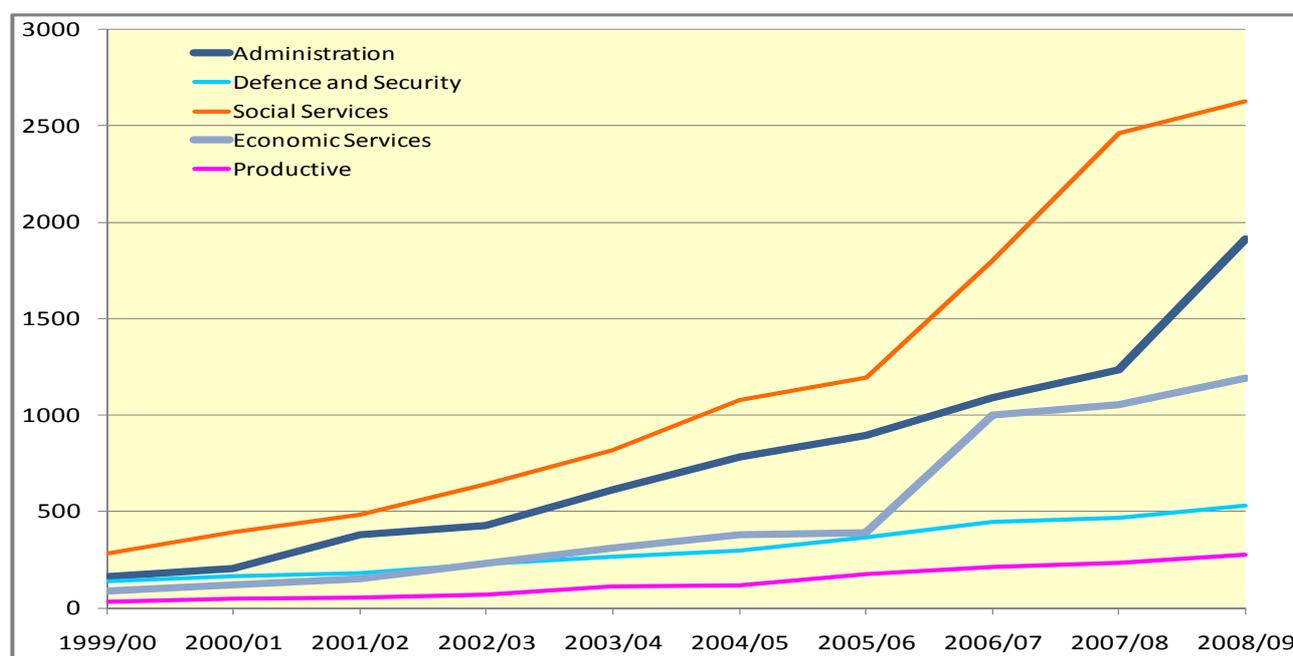
2.64 Figure 3 disaggregates expenditures by recurrent and development budget spending and that recurrent costs make up the majority of spending. However, development expenditures have been growing faster than recurrent over the past five years, increasing from an average of 25% (1999/00–2003/04) to 30% of total expenditures, (2004/0 – 2008/09). This shift towards greater development budget spending is fully consistent with the growth and poverty reduction objectives of MKUKUTA (but it should be borne in mind that development budget spending is not synonymous with investments spending, as it includes a significant proportion of recurrent costs).

Figure 3. Recurrent and development expenditure (1999/00-2008/09)



Source: Authors calculation from World Bank (1999/00–2006/07) and IMF (2007/08–2008/09).

Figure 4. Discretionary expenditures by sector (billion TzSh)



Source: Authors calculation from World Bank (1999/00 – 2006/07) and PEFAR 2009 (2007/08 – 2008/09).

2.65 The overall pattern of allocation by spending is shown in figure 4. This excludes allocations for debt servicing and other (relatively minor) areas of constitutionally pre-assigned spending, in order to show those expenditure allocations where the government has discretion over allocation. As noted above, public spending overall has more than doubled in the past five years and the dramatic

impact of this scale change is shown in the graph. Social services take the largest share and have risen sharply since 1999/00, although in relative terms their share of spending has been constant in the past five years (increasing from 40% to 41% of discretionary spending). In relative terms, it is economic services which have received the most significant increases in the last five years, whilst the defence and security sector has declined sharply (table 1).

**Table 1. Discretionary expenditures by sector (as proportion of total)**

Sector	Average 1999/00 – 2003/04*			Average 2004/05 – 2008/09		
	Recurrent	Development	Total	Recurrent	Development	Total
Administration	26.0%	26.7%	<b>26.3%</b>	28.5%	25.3%	<b>27.0%</b>
Defence and Security	19.6%	0.6%	<b>15.7%</b>	14.8%	0.8%	<b>9.9%</b>
Social Services	41.3%	35.0%	<b>40.0%</b>	43.5%	36.3%	<b>41.0%</b>
Economic Services	9.3%	29.4%	<b>13.3%</b>	8.5%	32.7%	<b>17.4%</b>
Productive	3.9%	8.3%	<b>4.7%</b>	4.6%	4.8%	<b>4.7%</b>

Source: Authors calculation from World Bank (1990/00–2006/07) and PEFAR 2009 (2007/08–2008/09)

Notes: \* = Actual Expenditure outturn for all years apart from, budget for 2006/07

2.66 Within the Tanzania Budget, ‘priority sectors’ are classified as agriculture, education, health, roads and water. These priority expenditures have grown significantly faster than non-priority spending over the past five years. Moreover, ‘pro-poor expenditures’ as classified in MKUKUTA have increased from 27% of all expenditures in 2004/05 to 46% in 2008/09.

2.67 In short, although further investigation on the equity, efficiency and effectiveness of public expenditure is needed, the broad pattern of resource allocations over the past five years has been fully consistent both with the requirements of sustainable macroeconomic management and with the objectives of MKUKUTA:

- Public spending has more than doubled in nominal terms over the past five years, but domestic revenues have grown faster, reducing the relative dependence on foreign aid.
- There has been an increase in the share of development spending, up from 25 % to 30 % of total spending.
- The already high relative share in public spending of the social sectors has been protected, rising from 40% to 41 %.
- There has been a sharp increase in allocations to economic services, 13.3 % to 17.4 %.
- Allocations to priority sectors and to pro-poor expenditures have also risen significantly.

### **Box 3 Summary of Evaluation Findings with respect to Development Results**

There have been substantial development results in Tanzania over the last five years. Growth has exceeded 7%, aside from 2009 (5%), though with little impact on income poverty; some human development indicators have performed well especially in education and health, though quality and equity remain concerns and decentralisation and some public sector reforms are progressing. There is strong evidence of the critical contribution of budget support through the major increases in public expenditure and investment and through the monitoring of reforms through policy dialogue.

#### **Turning to the specific evaluation issues that have been addressed in this chapter:**

##### **1. Despite 6-8% economic growth over the past years, income poverty trends in Tanzania appear to be largely stagnant**

The evaluation concurs with the view that income poverty trends have stagnated, though more analysis is required to give an accurate picture. The most plausible reasons are that growth is largely accounted for by public sector consumption and is in areas that only employ a small proportion of the workforce. It has thus, had little direct effect on incomes (para. 2.4 and box 2). Aid generally, and budget support in particular, have impacted on the public expenditure increases and have thus contributed to the non-income poverty results (paras. 2.15-30).

##### **3. Aid architecture and its role in providing incentives to the Government of Tanzania**

DP support has been critical to encouraging reform. DFID plays a key role, particularly as lead of the DP groups on PFM (para. 2.36-9) and Private Sector Development & Trade (paras. 2.57-60), addressing weaknesses in the dialogue process and broadening the focus of DP discourse respectively. Irish Aid has been amongst those supporting decentralisation and local government reform (2.40-49), and its move away from ABPs has been critical to the process (para. 2.50-56).

##### **4. Are there constraints on the Government of Tanzania to deliver and manage large aid flows?**

Public expenditures doubled over the period of the evaluation (para 2.61) due to domestic revenue and external assistance, notably BS (2.62), with domestic revenues growing faster, thus reducing aid dependency (2.63). The social sector's share of expenditure has remained constant (40%), with economic expenditure increasing sharply and defence and security decreasing sharply (para. 2.65). Expenditures on the 'priority sectors' – agriculture, education, health, roads and water have grown significantly faster than non-priority spending, and 'pro-poor expenditures', as classified in MKUKUTA, have increased from 27% of all expenditures to 46% (para. 2.66).

The evaluation concludes that there is substantial evidence that the GoT has managed significant increases in foreign aid and BS whilst actually increasing domestic revenues at a faster rate. Resource allocations over the past five years have been fully consistent with the requirements of sustainable macroeconomic management and the objectives of MKUKUTA, though further investigation on the equity, efficiency and effectiveness of public expenditure is needed (para 2.67).

##### **5. Scrutiny and accountability to civil society**

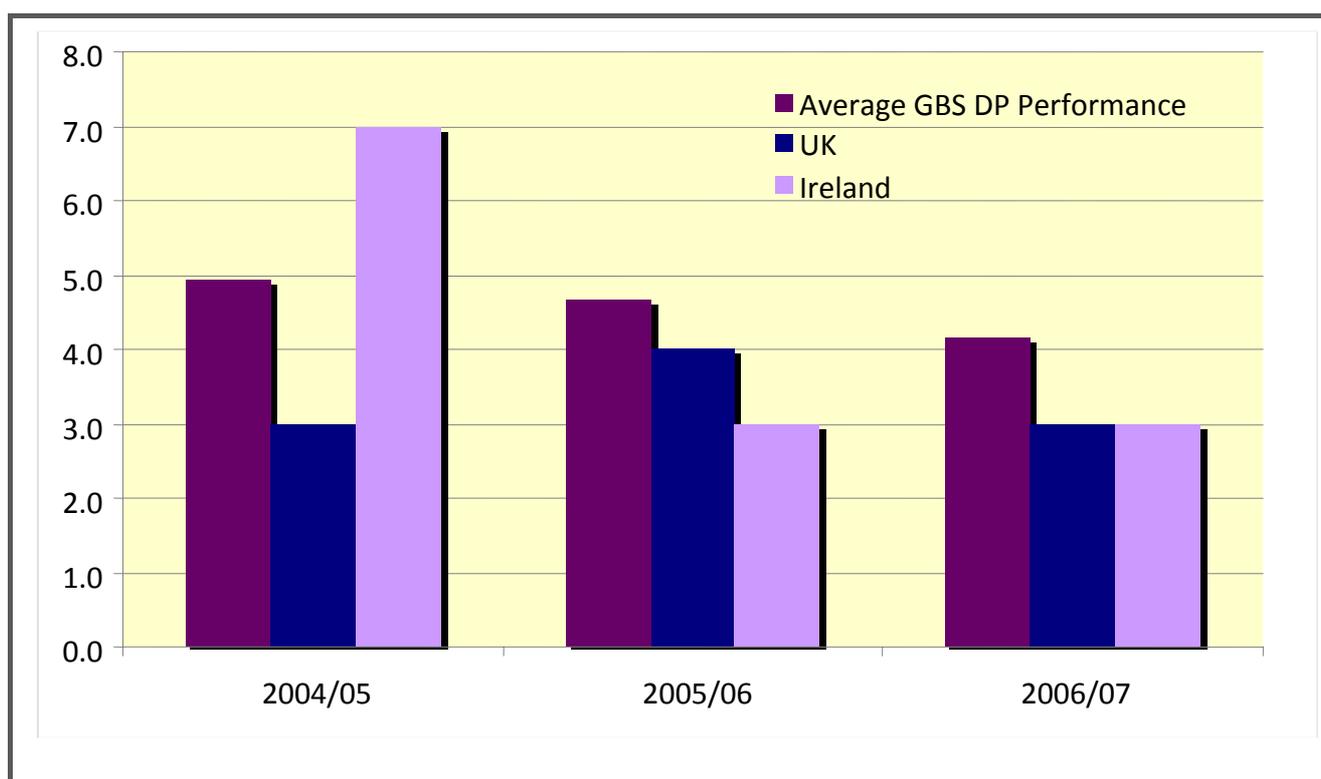
Corruption is a constraint (2.10-14) and is perceived as a major problem. However, lack of knowledge and understanding of budget processes and decision making have limited scrutiny and accountability to civil society and also to parliamentarians and local councillors (para. 2.40).

### 3. Budget Support

3.1 This chapter gives our evaluation of **the strategic and process aspects of BS** addressing **all the related issues and questions from the evaluation matrix** and ToRs. The contributions by Irish Aid and DFID to GBS, or poverty reduction budget support (PRBS) as it is known in Tanzania, were the most important single operations within each of their respective portfolios. For Irish Aid, PRBS disbursements comprised 37.8% of aggregate disbursements from 2005 to 2009, with some 40% in Sector Basket Funds; and for DFID, PRBS was 77.3% of the aggregate portfolio. Both were among the 9 original members of the PRBS donor group in 2001, and both have contributed actively to the evolution of the management framework for BS. Our interviews with GoT stakeholders and with other DPs strongly confirmed the view of Irish Aid and DFID as committed and highly influential PRBS partners.

3.2 Evidence of this commitment is provided by the Performance Assessment Framework (PAF), which for three years tracked the performance of the 14 PRBS partners against three criteria: i) predictability in the timing of disbursements; ii) predictability in the level of disbursements relative to commitments; and iii) the degree of ‘front-loading’ of disbursements within the financial year. The average DP performance score improved – falling from 4.9 to 4.1. The UK was consistently better than the average with a value of 3 or 4, while Ireland improved from a worse than average score of 7 in 2004/05, to better than average 3 in 2005/06 and 2006/07 (figure 5).

**Figure 5. PRBS partner performance**



Source: GBS Annual Review 2005 and GBS 2007 Annual Review Report

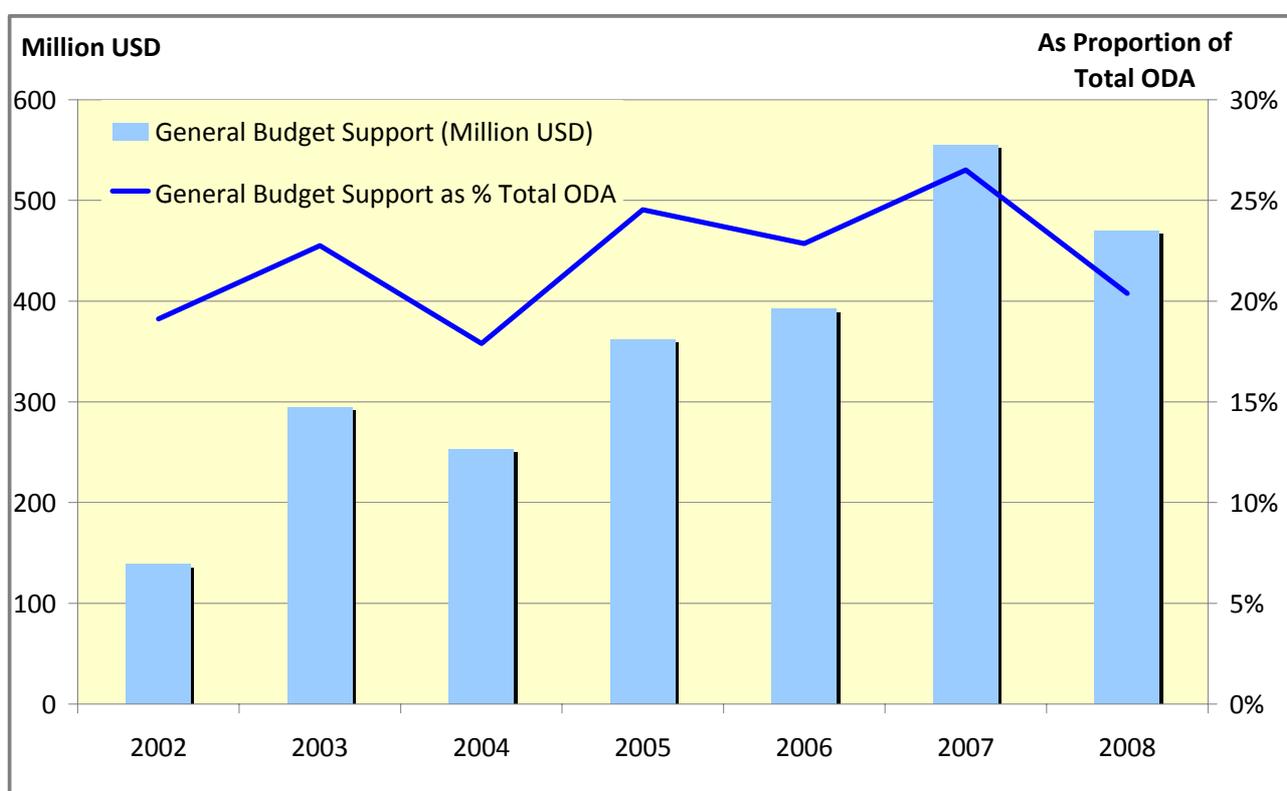
Note: The lower the score attributed, the better the performance

3.3 What can we say about the impact of these PRBS arrangements, to which Irish Aid and DFID have contributed so significantly over the evaluation period? Beyond some judgements about the relative efficiency of their operations, it is impossible to attribute specific effects to the Irish Aid

and DFID PRBS operations. The PRBS has been managed as a multi-donor framework since 2001 and its effects can only be judged in their entirety.

3.4 According to the Organisation for Economic Cooperation and Development (OECD) Development Assistance Committee (DAC) data, the overall level of PRBS disbursements doubled between 2004 and 2008, peaking at over \$500 million in 2007 before declining slightly. This data, presented in figure 6, suggests that over the period, PRBS disbursements represented approximately 25% of total official development assistance (ODA). Government data suggest that these are under-estimates and record that PRBS disbursements peaked at 44 % of total ODA in 2007/08. However, the grouping of GBS with common basket funds (CBF) in government data and the acknowledged under-recording of project disbursements make it difficult to construct reliable time series data from this source.

**Figure 6. OECD DAC data on general budget support (2002-2008)**

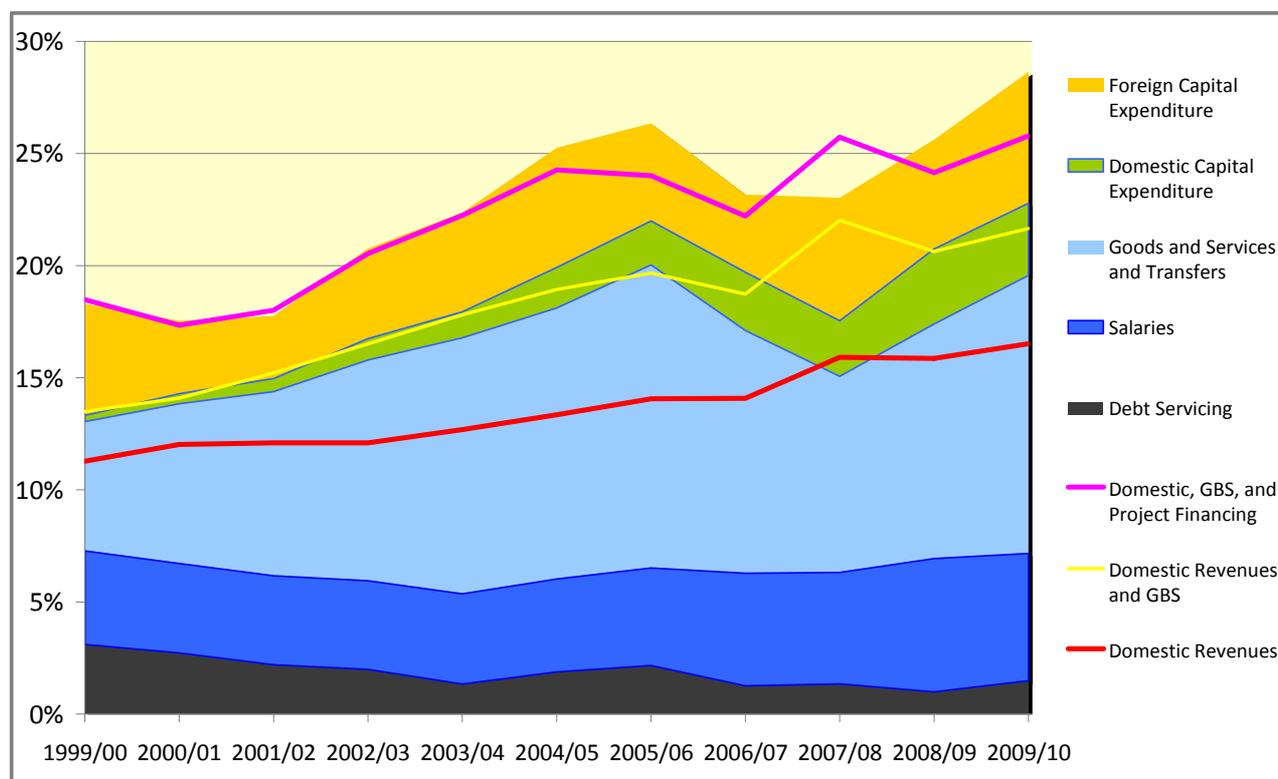


Source: OECD DAC

3.5 In terms of public spending, since 2002/03 BS has been equivalent to approximately 20% per year, declining to 18% in the last two years, as growth of domestic revenues has accelerated. Figure 7 provides a graphic illustration of the impact of these additional resources placed at the discretion of the government. Only domestic revenues, debt servicing and salaries could have been fully paid each year, plus a proportion of other recurrent costs. With the additional budget support funds, it was possible to finance all other recurrent spending and to achieve a major expansion of domestic capital expenditure. Foreign project funding has permitted further expansion of capital expenditure.

3.6 It is clear then that BS has been of great importance in extending government provision of services and expanding investments, notably in road infrastructure and social sector facilities. It is also clear, from the broad pattern of sector allocations described in Chapter 2, Table 1 that this incremental funding has been dedicated primarily to priority sectors and especially to social services and economic services, the priorities identified within MKUKUTA.

**Figure 7. Financing of public expenditures by budget support, domestic revenues and project funding**



Source: World Bank (1999/00–2006/07) and IMF (2007/08–2009/10)

Note: Figures are expressed as percentages of GDP

3.7 Two key questions are whether the expanded levels of expenditure have led to improvements in the coverage and quality of services, with commensurate improvements in outcome indicators; and whether the relative efficiency of spending has changed with the expanded funding. Available data on access provides evidence of fast expansion in the coverage of government services, with significant positive impacts in the education, health and infrastructure sectors (table 2).

**Table 2. Key outcome and impact indicators 2000 – 2008**

Key Education, Health & Infrastructure indicators	2000	2006	2008
Primary School Enrolment (net, %)	59%		97%
Secondary School Enrolment (net, %)		10.3%	27.8%
Under Five Mortality (per 1,000)	136	112	91
Infant Mortality (per 1,000)	85	68	58
Access to improved water source (% of population)	56%		60%
Road Network (km)		27,603 Km	33,012 Km
Road network in good condition (%)		42.2%	43.9%

Source: Minister of Finance's Budget Speech, Dodoma, June 2010 (drawn from annual MKUKUTA reports)

3.8 The indicators of expanded coverage are especially impressive in the education and health sectors. Since 2000, annual public spending on education has increased fourfold; there are now 4

million more children in primary school and 1.2 million more in secondary school. The number of teachers has increased by 40% and the number of schools by a third. In the same period, annual spending on health has more than quadrupled; under-5 mortality rates have fallen by almost 40%, and nearly 90% of children are vaccinated against diphtheria, whooping cough and tetanus. These are all important achievements that have contributed towards the achievements of the MDGs, as noted in chapter 2, and towards greater poverty reduction in the future.

3.9 Improved access and coverage of public services are necessary conditions for progress to the MDGs but they are not sufficient, and there remain significant concerns over the quality and equity of public spending. In particular, there are major concerns over the relative levels of allocations to the non-salary recurrent expenditure items most closely associated with quality in service delivery (e.g. school materials, mosquito netting) and over the sharp disparities between and within districts in the allocation of resources (see chapter 2 for a fuller discussion of these questions). The fact that maternal mortality rates remain high is likely to be a consequence of these inefficiencies and inequities in expenditure allocations.

3.10 How far can these shortcomings be attributed to failures of the BS process? There are two types of hypothetical links to be considered. The first concerns the potential perverse effects of fast increases in budgetary allocations, funded through BS. The second relates to the apparent weakness of the positive policy and institutional effects, which one might expect to be associated with BS. Concerning the former, we noted in chapter 2, para 2.61 that there is no evidence of any slow-down in domestic revenue collection efforts. However, to what extent is it possible to identify a tendency towards increased profligacy in public spending and a reduced concern for efficiency, effectiveness and equity? Here, the key point is to identify new tendencies which have come into play with BS that might conceivably be attributed to the perverse incentives it might generate.

3.11 Equity in social sector allocations has been a long-running concern highlighted in the social sector review (1995) and in public expenditure reviews in the health and education sectors in the late 1990s. It cannot therefore be attributed to the perverse effects of BS. The issue has been given more attention in the PRBS dialogue of recent years and has been the subject of new temporary process actions (TPAs) included in the PRBS PAF from 2008 onwards. These TPAs have not been fulfilled, which may perhaps be a reflection of poorly designed or poorly managed dialogue and conditionality processes or simply a reflection of the intractability of this policy problem.

3.12 However, there are at least two more recent developments in resource allocation processes, which might be attributable to the perverse effects of high levels of BS:

- The first relates to the sharp increase in the share of higher education in the government education budget<sup>50</sup>. Driven by a rapid growing student loan scheme, the share of sector funding allocated for tertiary education has risen from 15.7% in 2004/05 to 32.9% in 2008/09. Given the very high public subsidies implicit in these allocations and the continuing concerns over inadequate allocations of non-salary recurrent expenses in primary and secondary education, this neither appears consistent with the MKUKUTA nor economically justifiable.
- The second concerns the steady expansion of the volume of workshop and other allowances in the budget, which have no obvious links to increased outputs or outcomes or other measures of staff productivity.

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<sup>50</sup> DPG Secretariat (2010) *Synthesis of Achievements of the MKUKUTA Implementation*, March 2010. See also DFID (2009)

3.13 The joint evaluation of budget support to Tanzania (April, 2005)<sup>51</sup> identified the absence of an effective ‘budget challenge function’ as a significant weakness:

“...the quality of policy and resource allocation decisions was undermined by two critical weaknesses ... the absence of a strong guiding framework in the form of a clear national development strategy, to which there was a firm political commitment, and the lack of a strong budget challenge function.”

3.14 The 2005 Evaluation made specific recommendations for the strengthening of the budget challenge function but there is no evidence that these were taken up either by the government or DPs. More generally, while the 2005 evaluation was strongly positive on the effects of increased funding through BS, it was cautious about the extent to which wider policy and institutional effects should be anticipated. In its conclusions, it presented the following five key messages as “wider lessons of the Tanzania evaluation of GBS”<sup>52</sup>:

- Domestic political considerations have a dominant influence on reform and development processes.
- Increased discretionary resources would appear to be the main contribution of GBS.
- GBS can contribute to reduced transaction costs.
- Reinforced internal accountability through GBS is not automatic.
- The link to poverty reduction is indirect and necessarily long-term.

3.15 Looking at these conclusions, their cautionary tone is striking and somewhat at odds with the more extravagant claims in support of BS which have been presented in subsequent years<sup>53</sup>. It also raises a question over the appropriateness of the expectations for BS that currently seem to be held by many DPs in Tanzania, including some staff within the DFID and Irish Aid. Certainly, at the BS workshop held in February 2010, many of the participating DPs expressed the view that BS had failed to have the positive policy and institutional effects that had been expected. We examine below how far this is the case and to what extent it is attributable to unrealistic expectations or to poor choices in the design and management of BS.

## Why Budget Support in Tanzania?

3.16 There were five principal factors which led to Tanzania becoming one of the first countries to shift to a large-scale, coordinated BS arrangement through the establishment of the PRBS in 2001<sup>54</sup>:

- The **Helleiner Report** of 1995<sup>55</sup> and subsequent externally monitored changes to the aid relationship transformed the aid architecture of Tanzania, opening up the possibility

<sup>51</sup> Daima Associates & Overseas Development Institute (ODI), 2005, p149

<sup>52</sup> Ibid, p.145

<sup>53</sup> The UK National Audit Office was strongly critical of the claims initially made in favour of budget support in DFID policy statements and demanded a tightening up of the appraisal and monitoring processes for budget support, which DFID has implemented. NAO, 2007

<sup>54</sup> Daima & Associates & ODI (2005), pp.35-39 and 40-44.

<sup>55</sup> G. Helleiner et al (1995), *The Report of the Group of Independent Advisers on Development Cooperation Issues between Tanzania and its Aid Donors*, which came to be known as the ‘Helleiner Report’, after its lead author Professor Gerry Helleiner

for BS. GoT's relations with its DPs had reached a nadir by mid-1995, as a result of serious slippages in macroeconomic management due to discretionary tax exemptions and also as a result of a perceived increase in corruption levels. The Helleiner Report acknowledged these problems and was strongly critical of GoT. However, it also considered the ways in which DP behaviour had contributed to this situation, by undermining ownership, by lacking transparency and predictability and by pursuing aid modalities which burdened the limited administrative capacities of GoT. The report was well received and created a positive environment for reforms, culminating in the Tanzania assistance strategy, PRBS and, later, the joint assistance strategy for Tanzania (JAST).

- **The Multilateral Debt Fund (MDF)** represented the first joint effort to provide external financing directly to the budget. From 1999 to 2001 five DPs provided support to the MDF trust fund in order to assist GoT to service its external debt, without cutting ongoing programmes or services. The MDF provided interim debt relief whilst Tanzania endeavoured to fulfil the requirements to obtain heavily indebted poor countries (HIPC) relief, thus freeing up equivalent resources, which were utilised through the budget – partly to retire domestic debt and partly to finance ongoing programmes and projects. The fact that these resources were ‘fungible’ became evident to the DPs providing them, who came to question the utility of the additional controls (and transaction costs) involved in using a trust fund.
- Throughout this period and in the lead-up to reaching the HIPC completion point in late 2001, Tanzania was able to establish **a track record for sound macroeconomic management**. From a situation in the mid-1990s of stagnating growth, double-digit inflation and unsustainable levels of foreign and domestic borrowing, GDP growth was averaging just under 6% p.a. over 1999–2001, inflation was below 5% and borrowing had been reduced to comfortably sustainable levels.
- Tanzania prepared its **first formal poverty reduction strategy**<sup>56</sup> (**the interim PRSP**) in September 2000. Regardless of its relative merits and shortcomings, this represented a national development policy focused on poverty reduction. Without it, the PRBS would not have been possible in its adopted form.
- Finally, the **steady strengthening of the capabilities of the Ministry of Finance** over the late 1990s and the initiation of substantive reforms to public finance management were crucial in creating the confidence for budget support.

3.17 Perhaps, the most striking point about these five ‘building blocks’ for PRBS which had been put in place by 2001 is that none of them arose out of chance events, all reflected deliberate decisions by GoT to strengthen its core capabilities and to re-establish positive relations with its DPs. These decisions in turn prompted positive responses by the DPs, leading to a ‘virtuous cycle’, to which the advent of BS directly contributed.

3.18 The 2005 evaluation of GBS to Tanzania judged that the key elements of this ‘virtuous cycle’ had essentially persisted up to the time of the evaluation. But it also pointed to a lack of depth in the institution building process:

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<sup>56</sup> Prior to the PRS, there had been initiatives to bring poverty eradication into national policy, notably the National Poverty Eradication Strategy (1998), the National Declaration for Poverty Eradication (1998) and the Development Vision 2025. Hence, it would be a fallacy to suggest that poverty eradication only became a serious policy issue after the publication of the PRS. The NPES and the associated National Declaration arguably enjoyed stronger political support. However, they were presented as a set of higher level goals and not as a framework for short or medium term prioritization, and crucially, they did not follow the format for the PRSP prescribed by the Bretton Woods Institutions.

“At the same time, there remained weaknesses in MoF capacity.... a particular weakness is the limited capacity for scrutiny of the resource allocation choices of spending ministries – a weakness we refer to as the lack of an effective ‘budget challenge’”.

“...The experience of Tanzania suggests that a strong MoF leadership is probably a pre-requisite to initiate budget support successfully but not enough in itself to ensure it is efficient and effective. ...this must depend on a continuous deepening of capability.” (ibid, p.39)

3.19 The evaluation also pointed to some real gains from the introduction of BS, but emphasised the need for institutional and structural changes to take place in order to be more confident of positive effects at the outcome and impact levels:

“...Notwithstanding the increased rates of GDP growth achieved in recent years, commensurate reductions in poverty have not been achieved. This is predominantly because the structure of growth is skewed towards urban rather than rural areas, towards mining and services rather than agriculture and towards the richer rather than the poorer. If significant policy and institutional changes are not introduced by the Tanzanian Government, then this situation will continue. ....

We see some evidence of the sorts of changes required beginning to be put into place. In particular, there have been important changes to improve the business environment and to improve the administration of justice. Macroeconomic fundamentals are in place and improvements are being made within the financial sector.....

However, there are other outcome areas, where GBS is not successfully facilitating such changes. On the policy side, the constraints on agriculture sector growth remain to be properly addressed. On the service delivery side, while access has improved, the poor still predominantly fail to use government services and in large part this is due to shortfalls in efficiency and in quality. ...at the output level: the efficiency of public expenditure remains low, intra-government incentives ... remain weak and the democratic pressure that might drive improvements is substantially absent.” (Ibid, p.142)

3.20 Thus, the 2005 evaluation essentially concluded that GBS was the right instrument in 2001 – in terms of its relevance to the institutional and policy context – but that its continuing relevance would depend upon achieving more substantial changes to the framework of government decision making, notably to policy making, budget formulation and scrutiny. In the next section we consider how far the design of budget support in 2005, at the outset of the period covered by this CPE took on board the need for these changes and whether it did it in the most efficient and effective way.

## Evolution of Budget Support since 2005

3.21 The overall conceptual and management framework for PRBS went through a re-design in 2005 shortly after publication of the joint evaluation. The PRBS and PRSC Partnership Framework Memoranda (PAFs) were fully merged and the Poverty Reduction Support Loan (PRSL) of the African Development Bank was incorporated, bringing to 14 the number of DPs who were signatories to the new PAF. The PAF was redesigned by a joint government-DP team, in which DFID participated together with the World Bank and the European Union (EU).

3.22 The intention was to find a way of implementing the recommendations of the joint evaluation to restructure the disbursement decision process so as to avoid the ‘inter-weaving’ of dialogue and conditionality. These recommendations drew on the findings from the joint evaluation and earlier assessments of structural adjustment operations concerning the limited impact of policy conditionality. Three linked monitoring systems were proposed:

- An annual assessment of compliance by GoT and DPs with ‘due process’ conditions for budget support, against which decisions on continued disbursement would be based.
- An annual assessment of key outcome indicators, as an input into decisions over the scale of budget support over the medium-term (i.e. over the scale of new GBS operations).
- A regular dialogue process led by GoT as a mechanism for target setting and monitoring of the national reform and development strategy, to which DPs would be invited to contribute but which would not have links to disbursement decisions.

3.23 It did not prove possible to implement this framework. Regular annual reporting of outcomes was retained and linked directly to the frameworks being established for the newly published MKUKUTA. However, the notion of ‘due process’ conditions was replaced by the concept of ‘underlying processes’, which were broader in scope, more loosely defined and less linked to budgetary outcomes and processes<sup>57</sup>. This watering down of the due process conditions into underlying processes meant that they did not provide a sufficiently robust basis for decisions on annual disbursement for many DPs. It is probably the case that most PRBS partners were never fully convinced of the arguments for moving away from policy conditionality and that they were thus grateful for the additional disbursement conditionality which TPAs came to represent.

3.24 TPAs were initially defined as a matrix of short-term actions against which the implementation of government policy could be measured. It was originally stated that they would be replaced with the government’s own MKUKUTA matrix once this was in place but this never occurred, partly because the MKUKUTA matrix remained focused on outcomes and impacts rather than on short-term policy actions and outputs and partly because the TPAs came to represent, for many of the PRBS DPs, the most effective way of applying conditions to disbursements. There was therefore a strong desire to retain control over how they would be defined, which led to the adoption of an annual negotiation process between the government and the PRBS DPs, rather than the use of GoT established policy actions and targets.

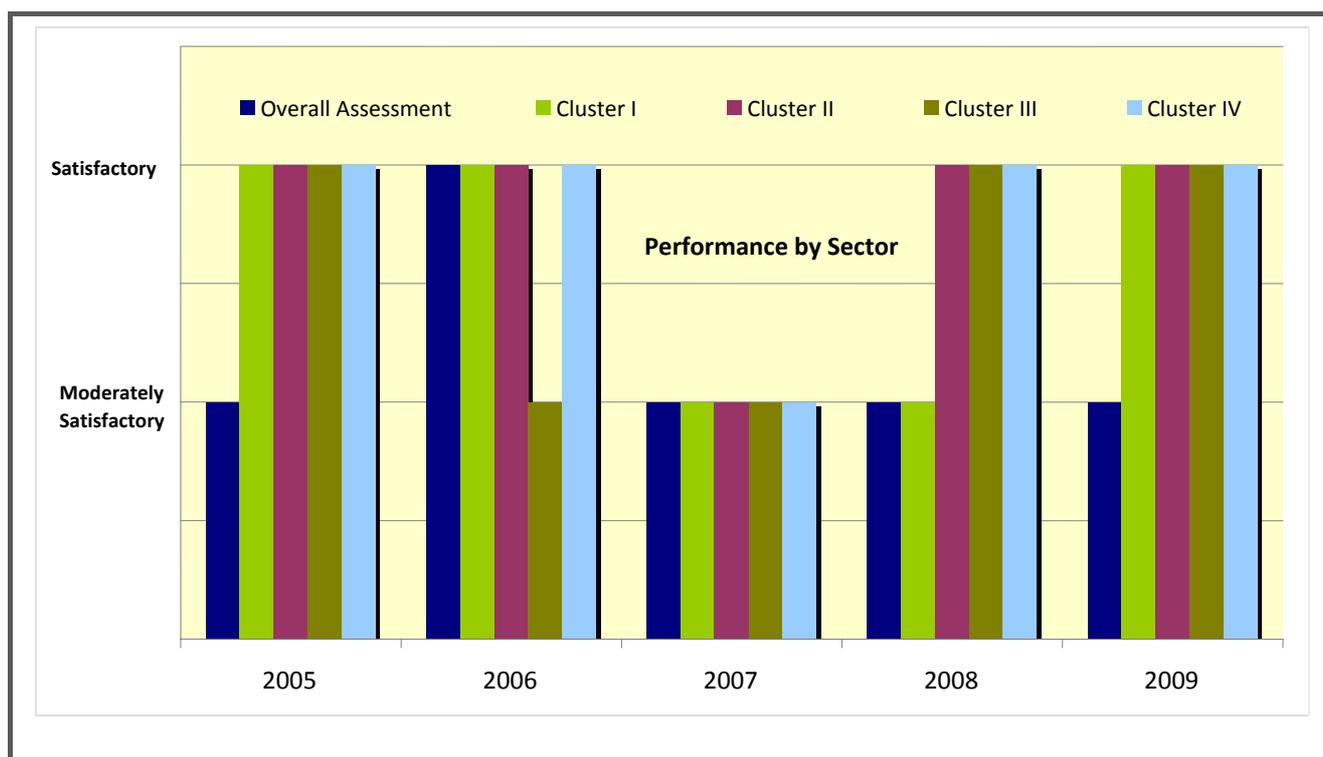
3.25 A detailed description and assessment of the evolution of the PRBS PAF over 2005 to 2009 is presented in annex 5. Following the framework of MKUKUTA, the new PAF was organised into four clusters: *Cluster I: Growth and Reduction of Income Poverty; Cluster II: Quality of Life and Social Well-Being; Cluster III: Governance and Accountability; and Cluster IV: Public Financial Management and Macroeconomic Stability*. Conditions related to underlying processes, TPAs and outcome indicators provided an assessment both on a cluster by cluster basis and in aggregate.

3.26 Figure 8 gives the broad conclusions of each Annual Review of the PAF for the overall performance and the cluster performance from 2005 to 2009. Surprisingly given the dissatisfaction expressed by many PRBS DPs over the progress of policy and institutional reforms, over the five years the result has always been positive, with the best performance given as ‘satisfactory’. The least positive review was in 2007 with all clusters being judged as ‘moderately satisfactory’. Despite the majority of individual clusters having a ‘satisfactory’ rating in any one year the overall assessment is less positive with overall performance only being rated as ‘satisfactory’ in 2006.

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<sup>57</sup> The six questions originally proposed as the basis for assessing compliance with “due process” were: (i) Are policy and spending decisions guided by a clear poverty reduction strategy? (ii) Do effective mechanisms exist to direct resources to the achievement of the strategy? (iii) Does the PFM system ensure that expenditures follow budgets, and that reasonable value for money is achieved? (iv) Are results measured openly and transparently, and compared to objectives? (v) Do review mechanisms exist to refine strategy in the light of results? (vi) Are governance and management systems annually assessed and strengthened?

Figure 8. Performance against the PAF targets



Source: PRBS Annual Reviews 2005-2009

3.27 Table 3 presents a more detailed breakdown of the assessment. There has been an upward trend in the number of indicators within each of the three methods of assessment from 2006 to 2008, with a reduction in 2009 (2005 is a year of change from the old PAF to the current PAF and so is not entirely comparable).

3.28 A number of observations may be made from this analysis:

- Overall performance against the assessment criteria has declined over the five years, in particular for outcome indicators and TPAs. However, a substantial majority of indicators has received positive ratings in each year.
- Performance against the sector reviews and basic macroeconomic indicators has been the most successful with an average satisfaction rate of 89%, though the sector reviews are more subjective which can result in higher scores.
- More outcome indicators have been assessed as 'off-track' in the past two years but over the four-year period, their satisfaction rating has been relatively high at 78%.
- Overall, TPAs are the worst performers with an average successful achievement of 56%.

**Table 3. Number and ratings of PAF assessment criteria by type 2005–2009**

Type of Indicator	2005	2006	2007	2008	2009	Average 2006 – 2009	Increase in Indicators 2006 – 2009
<b>Underlying Process</b>	10	<b>19</b>	<b>20</b>	<b>22</b>	<b>20</b>		5%
# Positive	10	15	20	18	19		
As % Total	100%	79%	100%	82%	95%	89%	
<b>Temporary Process Action</b>	29	<b>12</b>	<b>21</b>	<b>30</b>	<b>24</b>		100%
#Positive	29	6	12	19	13		
As % Total	100%	50%	57%	63%	54%	56%	
<b>Outcome Indicators</b>	6	<b>16</b>	<b>23</b>	<b>26</b>	<b>33</b>		106%
#Positive	6	15	23	14	21		
As % Total	100%	94%	100%	54%	64%	78%	
<b>TOTAL</b>	45	<b>47</b>	<b>64</b>	<b>78</b>	<b>77</b>		64%
#Positive	45	36	55	51	53		
<b>As % Total</b>	<b>100%</b>	<b>77%</b>	<b>86%</b>	<b>65%</b>	<b>69%</b>	<b>74%</b>	

Source: Authors' Analysis from PRBS Annual Review Reports 2005–2009 (See annex 5)

3.29 Overall the scoring of the PAF indicators is relatively positive. There are, however, important aspects of the performance record which these raw numbers do not capture:

- Several areas of poor performance relate to policy questions which are accorded greater importance in the policy debate because of their direct relationship to service delivery, poverty reduction and growth, notably the slowness in implementation of PFM reforms, the continued inability to redress the imbalances in the allocation of financial and human resources to disadvantaged districts, the slow implementation of anti-corruption measures and the slow progress in improving the business environment. In each of these areas, the performance record has been poor over a number of years.
- Attempts to draw attention to accelerating progress in these areas, either by linking disbursement decisions on performance tranches directly to these areas or by the inclusion of specific messages in aide memoires/annual review reports, have failed to have a discernible effect on performance, generating frustration on the part of DPs.
- In other respects too, the quality of dialogue has been declining: there is virtually unanimous agreement that the transactions costs of the PRBS dialogue have risen<sup>58</sup> and that the quality of information exchange has declined over the period, with quarterly Budget Execution Reports now being web-posted much later than previously and other reports being more difficult to access.

3.30 How is this performance pattern to be interpreted? We consider two specific questions:

- i) Is there clear evidence of a relative decline in the ability or willingness of government to implement reforms in the four core areas identified above?

<sup>58</sup> We say virtually unanimously because not all stakeholders were interviewed but there were no dissenting opinions amongst those interviewed. Furthermore, the Annex analysing performance against the PAF presents some simple proxy indicators for transaction costs, in particular the number of PAF indicators, the length of the annual review report and the time taken to publish the Annual Review report. All of these have increased over 2006 to 2009

- ii) How appropriate has been the strategic response of the PRBS partners?

### The Ability and Willingness of Government to Implement Reforms

3.31 The evidence of a decline in the ability or willingness of GoT to implement reforms<sup>59</sup> is mixed. There is relatively good evidence to suggest that the Kikwete government has placed a lower priority on these reforms than the Mkapa government did. Firstly, the most obvious priorities of GoT, as expressed in political speeches and statements are different, namely the *Kilimo Kwanza* policy and the expansion of public secondary and tertiary education. Secondly, the relatively close interaction between senior civil servants and the President, considered a feature of the Mkapa government, is less prevalent with the current President who gives higher priority to regional and pan-African issues and to *Chama cha Mapinduzi* (CCM) party business than did President Mkapa. However, we found no convincing evidence of political opposition to reforms in these areas.

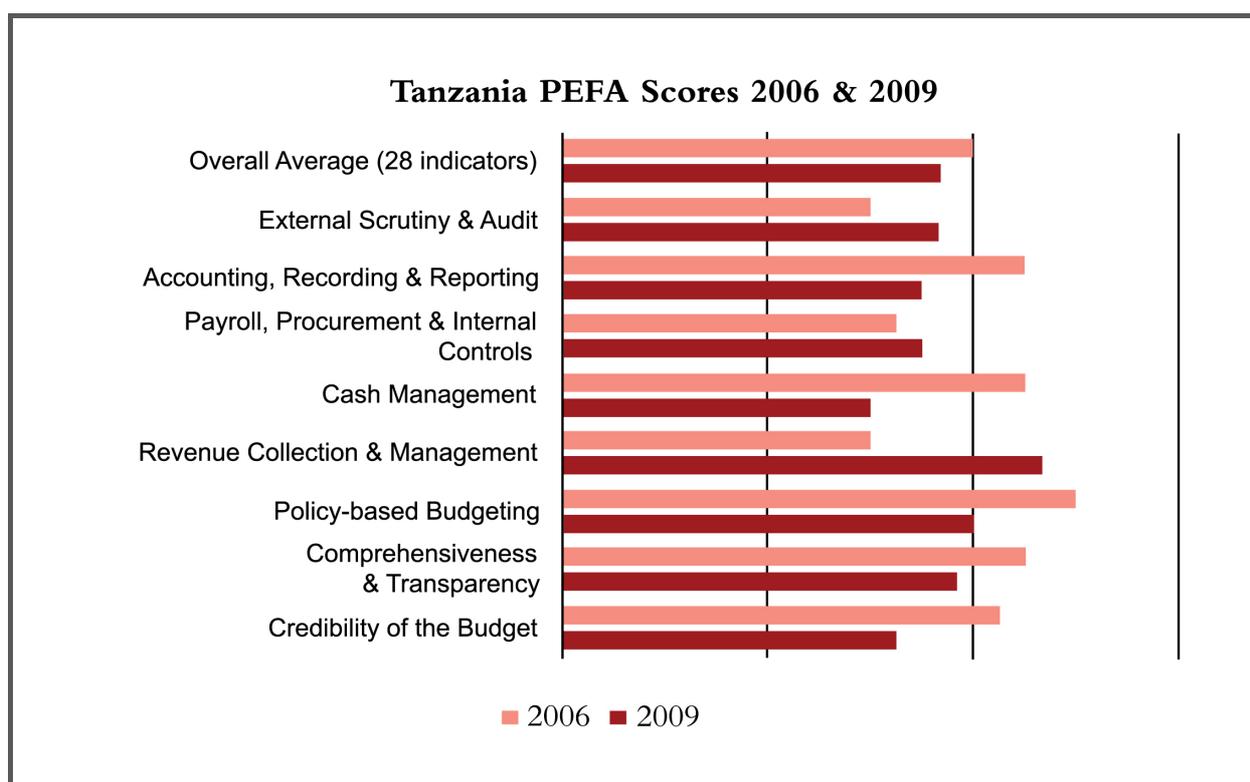
3.32 In terms of the institutional, managerial and technical ability to implement these reforms, there is neither evidence of positive change nor evidence of negative change. As we noted above, the Joint Evaluation of GBS of 2005 highlighted underlying weaknesses in capacity and there are other sector specific reports which point to capacity limitations as a constant feature of the institutional landscape. A number of stakeholders – including senior government officials – expressed the view that the apparent difference in reform performance between the pre and post 2005 periods can be explained simply by the fact that the reform agenda has become institutionally more complex in moving from reform design and legal changes to actual implementation. It is also the case that, as the PRBS dialogue has matured, more complex reform items have been placed on the agenda – such as the need to redress imbalances in resource allocations to disadvantaged districts, which, as noted above, has been a long-running concern within the social sectors.

### Public Finance Management

3.33 PFM reform is a core area of attention within the PRBS dialogue. For several PRBS partners, including DFID and Irish Aid, the achievement of a positive direction of change in the PFM situation is an eligibility condition for GBS (Irish Aid guidelines on GBS require “a robust and improving level of fiduciary assurance”). The fact that progress in the implementation of PFM reforms (as measured by indicators of TPAs and underlying processes) appears to have stalled over the last three years is therefore an issue of some concern for the continuation of BS. Table 4 gives a comparison of the results of the 2006 and 2009 Public Expenditure and Financial Accountability (PEFA) Assessments of the Tanzanian PFM system<sup>60</sup>.

<sup>59</sup> We refer specifically to reforms in the areas of PFM, resource allocations to disadvantaged districts, anti-corruption measures and improving the business environment, which have been highlighted as the areas of greatest concern by the PRBS partners. However, our conclusions are probably valid for the full range of public sector reforms

<sup>60</sup> Indicators are grouped as follows: Credibility of the budget – PI 1-4; Comprehensiveness & Transparency – PI 5-10; Policy-based budgeting PI 11&12; Revenue collection & management PI 13-15; Cash management PI 16 & 17; Payroll, procurement & internal controls PI 18-21; Accounting, recording and reporting PI 22-25; External scrutiny and Audit PI 26-28. Indicators of Donor Practices have been excluded. The graphical presentation is derived by assigning a numerical value (from 1 to 7) to each possible score in the PEFA methodology (D, D+, C, C+, B, B+, A) and then averaging across each area of assessment

**Table 4. Summary of PEFA indicators 2006 and 2009 Tanzania**

3.34 The table appears to show a decline or flattening out of PEFA indicators across the period. However, caution should be taken in reading too much into these figures, as the findings of the 2006 report have been questioned, firstly because it did not go through a peer review process by the PEFA secretariat and secondly because the 2009 PEFA identified three indicators, relating respectively to accounting, recording and reporting, to cash management and to policy-based budgeting, where the score attributed was considered improbably high. Furthermore, the 2009 PEFA report was actually commenced in 2007 and some stakeholders raised concerns about how comprehensively it had been updated to capture the full range of systems improvements achieved up to the end of 2009. Moreover, while the comparison does point to significant declines in some areas, it also points to improvements in revenue collection and management, in procurement systems and in legislative scrutiny of the Budget and the Annual Audit Report.

3.35 Nevertheless, the 2009 PEFA assessment clearly points to a slowing down in the process of reform implementation within the core areas of budgeting, cash management, and accounting and reporting. It also points to a decline in the overall credibility of the budget (as measured by a comparison of actual expenditures/revenues with initially improved budgets, and by the level of payment arrears). These are genuine concerns. Can we attribute them to a declining interest in reform? There is no conclusive evidence of this, and the slippage in reform progress can plausibly be explained simply by reference to capacity constraints and the increasing complexity of reforms.

3.36 In summary, a reduced level of presidential attention to the reform agenda does appear to have been a relevant factor in recent years. Beyond this, poor reform performance can be explained by underlying capacity constraints, by the increasing complexity of reforms and by the failure to establish an appropriate dialogue process to address these problems constructively.

## The Appropriateness of the Response of the PRBS Partners

3.37 Has the strategic response of the PRBS partners been appropriate? We judge that there is quite strong evidence that it has not. Fundamentally, the response has focussed on trying to raise the stakes for ‘non-performance’. Three types of actions have been taken. Firstly, PRBS disbursement conditions, especially the TPAs, have been defined in increasingly more precise and measurable ways so as to ensure more clear-cut judgements on progress. Secondly, disbursements of current programmes have been made more conditional – DFID introduced a performance tranche in 2007/08, other bilateral PRBS donors also introduced performance tranches and/or started to reduce disbursements through the application of clauses relating to respect for ‘underlying principles’ (notably with regard to corruption). Thirdly, the availability and size of future GBS operations started to be linked more explicitly to progress in these reform areas.

3.38 Did these actions serve to accelerate reform progress? The above analysis of performance against the TPAs and disbursement indicators suggests not. Performance has declined over time rather than improved. Secondly, the decline in the quality of dialogue seems likely to be at least partly a consequence of the increased levels of conditionality. Where performance targets become interpreted as disbursement conditions, there is an obvious interest on the government side to ‘keep the bar low’ so as to fulfil targets and secure disbursements, whereas the incentive on the DP side is to raise the bar so as to increase ‘policy leverage’. This can only lead to protracted and conflictive negotiations (hence higher transaction costs) and, during implementation, to secrecy rather than openness in discussing performance problems and looking for shared solutions. Clearly, there are other factors which have a bearing on the quality of dialogue – notably the numbers of stakeholders involved and the bureaucracy that this creates in the management of dialogue. The inclusion of cluster level discussions as a middle layer between sectoral reviews and discussions within the PRBS apex group also appears to have raised transaction costs, without bringing any apparent new insights or policy linkages. Nevertheless, some government stakeholders pointed to a worsening trend (since the pre-2005 period) of conflictive and occasionally rude behaviour on the part of individuals amongst the PRBS partners (although not DFID or Irish Aid). It is a difficult to see this as anything other than an unfortunate by-product of the emphasis on ‘policy leverage’ and conditionality.

3.39 What might have been done differently? Before addressing the points of difference, we would stress that we consider that the strategy pursued by DFID and Irish Aid over the last two years to scale down the relative importance accorded to BS in their future portfolios is appropriate. BS is delivering higher public spending in broadly the right areas, for relatively low transactions costs (relative to alternative modalities) and consequent improvements in the scale and scope for public services are being achieved. Yet the expansion of public spending is meeting diminishing returns, as allocative and operational efficiency declines. Until these efficiency problems can be resolved, it does not seem appropriate to raise public spending much beyond its current level of 25.5% of GDP. If domestic revenues continue to grow fast, then BS must decline in relative terms. We would encourage DFID and Irish Aid to move towards a more explicit policy in this respect.

3.40 In terms of the management of dialogue on BS, we consider that policy needs to change in three important respects:

- Firstly, there is a need for more modesty over what it is reasonable to expect to be achieved through public spending and, by implication, through BS. Governments all over the world struggle to spend money efficiently, effectively and equitably and Tanzania, with the institutional and human resource obstacles it faces, should not be expected to consistently achieve fast gains over a wide range of areas. The obstacles to good public spending are multiple and complex: this complexity needs to be better understood and respected.

- Secondly, the increasing emphasis on ‘policy leverage’ and the use of policy conditionality, which has been a feature of the period since 2007, looks misplaced. Not only is it not generating results, it is also undermining the quality of dialogue. Where government is struggling to address its policy problems, withdrawing budget funding will not help. What is needed instead is better, more multi-layered, more subtle dialogue. The PRBS dialogue structures need to be revitalised so that they provide a forum for exchange of views. Simultaneously, the scope for using good technical assistance should be explored more carefully. In addition, greater attention is needed to policy research and dissemination and not just to the GoT but also in academic circles, the press and the wider community.
- Finally, within the structure of PRBS dialogue there is a need for a narrower focus with more careful and consistent attention being given to the budget and to questions of equity and allocative efficiency. For this to work, a pre-requirement is that information on the budget, on spending and on results, should be shared by GoT on a timely basis. Requirements for information should be clearly spelt out and should be enforced, if necessary by withholding BS disbursements. This is because information exchange has to be a base eligibility or ‘due process’ condition for the operation of BS.

3.41 This latter point illustrates powerfully that conditionality-free policy dialogue does not mean conditionality-free BS. BS – in common with all aid modalities – is provided under specific conditions related to methods of disbursement and methods of reporting, and specific eligibility conditions relating to the ability of the recipient country to use the resources appropriately. These conditions are the basic guarantee that resources will be utilised for the intended purpose and it is very important that they should be properly monitored.

3.42 The purpose of BS is to enhance public spending through the budget in support of poverty reduction, whilst protecting macroeconomic discipline and enhancing the quality of PFM systems. GBS has been used for this purpose in Tanzania and has broadly achieved its objectives. It has not contributed as much to poverty reduction and to enhanced PFM as either the GoT or the PRBS DPs would have liked. More policy research is needed to understand exactly why. If GoT does not make available on a timely basis the information needed to review expenditure outcomes or results, then the basic BS contract is being broken. If GoT fails to introduce an agreed pay reform or to improve the business environment, it is deeply regrettable but not a breach of contract. It is this rebalancing of thinking which is needed in order to enhance the effectiveness of GBS.

## **Role of GBS, SBS and non-BS Interventions**

3.43 In addition to the recommendations above relating to future policy on the design and management of BS, there is a need to rethink the relative balance of GBS, SBS and non-budget support interventions. A significant part of the problem with the PRBS dialogue structures as they have developed since 2006 is that they became too monolithic. Because virtually all dialogue revolved around large-scale meetings with a variety of stakeholders, there was little scope for informality, spontaneity and innovation. Simultaneously, the focus on policy conditionality shaped dialogue increasingly around negotiation, rather than simple exchanges of views. With complex policy problems, dialogue needs to be multifaceted and multi-layered giving as many opportunities as possible for new ideas to be tabled, shared and pushed through into implementation (see Box 4).

#### **Box 4 How Might Policy Dialogue become more Subtle and more Multi-Layered?**

At present, policy dialogue linked to the PRBS is characterised by four key features:

- Dialogue almost always takes the form of bilateral negotiation – with the PRBS DPs pressing the Government directly for faster reform or different policy choices and the Government usually resisting.
- Dialogue takes place almost exclusively with senior civil servants.
- Dialogue only takes place within the formal structures.
- “Policy dialogue” usually implies the threat of the application of a conditionality or some sort of present or future sanction.

Making dialogue subtle and multi-layered is essentially about changing these four features. More parties need to be brought into the process. Information on policy outcomes and policy concerns should be made available by the PRBS DPs to a wider range of actors – parliament, civil society, the private sector, etc. There could be less reticence to engage these parties in issues of policy concern. Instead of directly challenging the executive on a policy issue, it could on occasions be more useful to approach a potential ally – such as a Parliamentary Committee, or the Auditor General, or the Chamber of Commerce or a relevant NGO – and encourage them to take-up the specific issue in question. Some other issues may be first put into the public domain – through the public release and presentation of reports – and only later put on the table for discussion with government, once public debate had taken place.

Interactions with government could also be at different levels – through diplomatic/political contacts, through discussions at sectoral as well as central levels and, if possible, through informal chats with more junior government staff.

Many more informal contacts outside of the formal framework of dialogue are needed, even if at the outset Tanzanian interlocutors may discourage this.

Finally, and perhaps most importantly, conditions need to be restricted to those areas truly necessary for the PRBS relationship to work (eligibility conditions). Instead of conditions, DPs need to learn to bring to the table policy ideas, relevant case studies, the ability to organise and create coalitions – in short a much more subtle yet tangible contribution to policy dialogue.

3.44 By the same token a degree of variety in aid modalities is called for. As the JAST itself stresses, projects can be good vehicles for technical assistance, for innovatory pilot activities, for large-scale infrastructure, and for working with the private sector or civil society. The balance across modalities, which Irish Aid has generally been able to maintain across the portfolio, and which DFID has more recently re-established, seems inherently desirable as a way of ensuring that problems on the ground can be attacked from a variety of angles. This implies keeping a balance between public sector and non-public sector interventions and across modalities with regard to the public sector interventions<sup>61</sup>. Within the public sector, we certainly do not advocate a return to the years of multiple projects working in parallel to government systems. As far as possible, national procedures should be used and harmonised joint funding arrangements should be adopted wherever appropriate but sometimes small-scale, independently managed projects for technical assistance or for innovatory pilot activities can be justified and we believe that both Irish Aid and DFID may have inadvertently ignored opportunities for initiatives of this kind.

<sup>61</sup> We take it as a given that support to NGOs or the private sector has to take the form of projects or common basket funds. The choice of modality is thus less of an issue

3.45 To take one specific example, the problem of improving staff allocation and retention to disadvantaged districts could perhaps be more successfully addressed through a project, focused on a selection of the most disadvantaged districts, rather than through centrally based negotiation and target setting. Such a project – combining for example, long-term district-based technical assistance, with specific studies and modest capital resources for house construction, transport loans etc. – might be better able to identify the root causes of the problems and to pilot different types of local level solutions. Certainly, the combination of such a project with a carefully structured and informed central level dialogue (drawing on the information generated) seems likely to stand a greater chance of making headway on this complex institutional issue than the current approach.

3.46 As we have noted above, expansion of public spending (including through GBS and SBS) appears to be meeting diminishing marginal returns, and we judge that a relative decline in aggregate levels of development aid funding for the public sector would now be appropriate, until there are clear signs at political and technical levels that issues of allocational and technical efficiency are being better addressed. Over the short to medium-term, this implies that more resources need to be devoted by GoT and its DPs to the analysis of value for money, equity and efficiency in public expenditure and to the promotion of debate on these issues. Irish Aid and DFID are well-placed to expand their contributions to analytical and advocacy work of this kind. It also implies for the DPs as a whole either an aggregate decline in the relative share of aid as a proportion of GDP or a shift from public sector to private sector, civil society and NGO activities. With its current portfolio, this need not imply any significant shifts for Irish Aid, aside from a strengthening of the focus on the private sector. For DFID, it suggests that the increased private sector support which has been a feature of the portfolio recently should be expanded. For both it implies further attention to civil society interventions especially those supporting voice and accountability as has been the case with DFID. The message for all agencies is for a more systematic process for planning country allocations and for taking cognizance of the funding commitments of DPs as a whole.

3.47 What is the appropriate balance between SBS and GBS, or between SBS and other types of funding for sectoral initiatives? For public service delivery to work, effective structures are needed at both sector and central levels and it is therefore important for policy dialogue to continue at both levels<sup>62</sup>. Tanzania has well established sector working groups structures which cover the spectrum of sectors which are primarily funded through GBS (Education), through SBS (LGCDG), through CBF – (health and agriculture) and through projects (infrastructure and roads). Is there any evidence that specific modalities are associated with better dialogue and, more importantly, with better policy and spending decisions? We have not had the time or resources to undertake the sort of systematic analysis which might give a definitive answer to this question but between Irish Aid and DFID there is a variety of experience which does allow us to reach some judgements on elements of best practise. We turn to this question below.

## **Sector Level Experience – The Health Basket and ASDP Basket**

3.48 The phrase ‘sector support’ has come to mean any type of aid funding which is directed at achieving the overall goals of a sector – in terms of policy outcomes as well as the development of capabilities and management systems – rather than the narrower goals of a specific project. Sector support is always provided within settings where there exist formal shared mechanisms for donor

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<sup>62</sup> We see less reason for attempting to promote cluster level dialogue, and indeed a number of stakeholders suggested to us that the introduction of cluster level dialogue in the GBS arrangements had reduced the degree of importance and attention given to sector dialogue, with no value added, yet a significant escalation in transaction costs. Our discussions were not sufficiently extensive to provide the basis for firm conclusions but certainly we would recommend some re-examination of the utility of the cluster as a forum for dialogue. This need not mean losing the cluster concept altogether. Data generated at the sector review level could be organised into clusters by the authors of Annual Review Reports, without the need for actual cluster level discussions.

coordination and for programming and monitoring the use of government and external resources towards the achievement of clearly stated sector objectives. Within this common framework, individual agencies may choose to provide funding through individual projects, through common basket funds or through SBS. CBFs are funds provided by a variety of agencies through a single shared bank account (or set of accounts), using a set of commonly agreed procedures. In general, attempts are made to define these procedures so that they maximise the use of national procedures but they always require some point of control when the CBF partners formally approve an annual work programme (based often on analysis of the execution of the previous work programme, including often the review of audit information) and agree to the transfer of the resources necessary for its execution. SBS, by contrast, does not include this point of control because decisions on the content of the programme are taken through the normal budget process. Annual transfers are thus made directly to the Treasury Account, on the basis of a broader assessment of spending, outputs and outcomes within the sector<sup>63</sup>.

3.49 Irish Aid has been a major partner in the health CBF and the ASDP CBF since they began in 2001 and 2006 respectively chairing the health sector working group in 2007/08 and currently chairing the agriculture sector group. In 2009/2010 DPs contributed a total of USD65.7 million to the health CBF, of which Ireland contributed USD10.6 million and for ASDP the total DP commitment for 2009/10 was USD72.31 million of which Irish Aid committed USD6.0 million. The Irish Aid experience is therefore significant in assessing the relative contribution of CBF modalities to sector dialogue and overall sector outcomes.

3.50 The health CBF provided an entry point for influencing the performance of the health sector at central *and* local level. The dialogue and conditions associated with the basket created demands on the ministry leading to gradual improvements in audit follow-up and procurement. They have also facilitated the movement of the ministry from being an implementer of services to one which sets policy, manages, monitors and supervises service provision. However, the dialogue on procurement plans and audit reports has been time consuming and has tended to dominate the dialogue at the expense of substantive discussion on service delivery and linking expenditure to results<sup>64</sup>. Moreover, dialogue did not produce a comprehensive overview of health sector expenditures over time and leverage through the basket was not sufficient to move forward critical issues in the reform process, such as the issue of the distribution of human resources between advantaged and disadvantaged districts.

3.51 Nevertheless, the health CBF has played a role in targeting under-funded services, like those for reproductive and child health services<sup>65</sup> and in providing support to lower levels of government<sup>66</sup>. An earmarked share of the basket fund goes directly to LGAs and has proved a reliable source of funding for them; in 2007/08 LGAs had receiving 92% of their entitlement via the Exchequer by the end of the third quarter<sup>67</sup>. The joint evaluation of the health sector concluded that the health

<sup>63</sup>: See Williamson, T. and Dom, C. 2010 for a comprehensive discussion of these definitional issues

<sup>64</sup> Smith, G. (2009) *Sector Budget Support in Practice: Desk Study Health Sector in Tanzania*. 20 Oct 2009. ODI/Mokoro, p. 30. highlights specifically: (i) the absence of a clear picture of what SBS has been spent on; (ii) the lack of a comprehensive overview of sector expenditures; and (iii) the paucity of information on service delivery

<sup>65</sup> Comprehensive Council Health Plans (CCHPs) have allocated 6.8% of the total budget for reproductive and child health services, see Ministry of Health and Social Welfare & President's Office Regional Administration And Local Government (2009) *Summary Of The Comprehensive Council Health Plans 2009/2010 And Regional Health Management Teams Plans And Reports*

<sup>66</sup> For example see Smith, G. 2009

<sup>67</sup> Irish Aid (2009) *Basket Fund Structure & Financial Performance*, Policy Note 5 (08/09)

basket (together with block grants) was instrumental for the devolution of responsibilities for health facilities and health planning to LGAs.

“The Health CBF has played a particularly important role in strengthening district level health services. In 2005, when the health basket was increased significantly, it led to a notable 28% increase in health finances to councils. The biggest advantage of this aid modality is the predictability. The planning of the use of basket funds has been largely in the hands of the councils and they know precisely how much funding is coming.”<sup>68</sup>

3.52 Despite these obvious achievements, it is difficult to attribute sector outcomes to the health basket. This has partly to do with shortcomings with regard to data availability and monitoring in the health sector<sup>69</sup>. Another main difficulty is that any impact in the health sector is blurred by the number of DPs and projects. An increasing share of external funding to the health sector is actually provided through programme or project support outside the basket modality, with global health initiatives emerging as prominent players since 2004<sup>70</sup>.

## **Sector Dialogue**

3.53 Is SBS or a CBF necessary for sector dialogue to work well? Within the context of GBS, there is no reason in principle why dialogue at the sector level should need to be supported by separate SBS or CBF arrangements. In Tanzania, half of the partners to the education sector provide only unearmarked GBS funding and the quality of dialogue does not appear to be hampered. Indeed there seems to be broad agreement that dialogue improved in the period after the closure of the PEDP basket fund, whose management and reporting arrangements had been a continuous source of controversy. On the other hand, DP and GoT officials at the sector level frequently argue that sector dialogue works better where there are earmarked arrangements for external funding. It is difficult to judge if these arguments are objective or simply self-serving. For GoT officials, any sort of guarantee or protection of sector funding is coveted, while for DP officials working at the sector level there is an inclination to side with sector colleagues and to be suspicious of the MoF and other central agencies. What does the evidence tell us?

3.54 In 2004 ‘the development partner group’ (DPG) was formalised and subsequently sector, thematic and cluster working groups were established. Over the evaluation period, DFID and Irish Aid has been active within a number of these groups, including taking the chair at sector level in health, education, agriculture, water, and private sector and trade. Structures for dialogue in the education sector evolved as a result of transition to GBS and SBS modalities while in the health sector, basket funding and parallel projects remained influential. In agriculture a smaller group of DPs are involved in the sector with one major instrument in addition to GBS, the ASDP, taking a Sector Wide Approach (SWAp) for the first time in the sector. The water sector has a larger range of projects with a number of non-GBS supporting DPs involved as well as INGOs although the primary non-GBS instrument is the World Bank Water and Sanitation Programme.

3.55 The health sector presents an example of a mature dialogue model, structured around pooled funding (SWAp/basket fund). Since the initiation of the SWAp in 2000, a series of fairly formal structures for dialogue have been set up, including: the SWAp Committee, the Basket Financing Committee (BFC) and the overall DPG health group.

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<sup>68</sup> Joint External Evaluation of the Health Sector in Tanzania- 1999-2006, Evaluation Summary, Nov. 2007

<sup>69</sup> Smith, G. 2009, p30

<sup>70</sup> Boex, J. (2008) *Challenges to the Effective Financing of the Health Service*, Funded by Canadian CIDA

3.56 In contrast, the education sector moved away from pooled funding in 2006, when the Primary Education Development Programme (PEDP) came to an end and most DPs switched to other funding modalities. Out of the ten partners who originally supported PEDP, five now provide funding to the sector through GBS only (including Irish Aid and DFID) and two DPs are providing SBS (European Commission, CIDA). GoT has encouraged a sector wide dialogue and made structural adjustments to facilitate this.

3.57 Though planning for the ASDP commenced in 1999 the programme only commenced in 2006 and so the agriculture DPG is the youngest of the three that are utilising the SWAp model. However as ASDP is the main non-GBS modality the dialogue is focused and programme specific.

3.58 The water sector is unusual in having the largest number of individual projects (207 implemented by a range of government agencies under the auspices of the Ministry of Water and Irrigation) with a range of GBS and non-GBS DPs and INGOs involved. A SWAp approach has been initiated under the Water Sector Development Programme with GBS and non-GBS DPs involved in the dialogue structure. However the World Bank is said to dominate discussion and the focus is on coordination between projects with differing procurement and operational modalities.

3.59 With the move to SWAps in health, education, water, and agriculture these sectors increasingly used the Annual Sector Reviews as a mechanism to review and strengthen overall sector performance. The JAST saw sector reviews as critical for the effective integration of aid into the policy formulation, planning and budget systems. They were expected to become a major mechanism for strengthening accountability and for moving the reform agenda forward. The Public Expenditure Review (PER) process was seen as an excellent forum for public debate on budget issues and highlighted the issue that the overall PFM performance has stagnated. A 2006 review still noted the weak participation of sector agencies in the GBS review, which made it difficult to assess the underlying processes. Health was one of the first sectors to link with the GBS review<sup>71</sup> followed by education.

3.60 The Annual Sector Reviews are now directly linked to the Annual Review of the PRBS PAF. The basic format and agenda of the reviews is heavily determined by the PAF requirements, to provide an update on agreed indicators, milestones and TPAs, which will then determine the rating on the overall sector performance. Although progress has been made with the overall monitoring of sector results, there is still a strong focus on process and dialogue issues when reviewing the sector performance. There are concerns with the way process targets have been phrased and used which may explain why progress appears to have been less visible than expected. On the other hand, the increasing use of outcome indicators together with the improved availability of data has generally made it possible to track both the achievements and failures within the sector.

3.61 TPAs, underlying process and outcome indicators are aggregated up from the sector dialogue to the overall PAF level. The intention with outcome indicators is to provide additional leverage to address blockages identified within individual sectors. However this has contributed to the increasing number of indicators, and with more sectors involved may also be contributing to the number of indicators that are off-track. The Annual Reviews themselves are seen as underlying processes and this maintains the integrity and quality of the dialogue structure. TPAs do seem to have made a contribution at sector level, for example the ToR for the Public Expenditure Tracking Study (PETS) for primary and secondary education took two years to be agreed; however, once the PETS report became a TPA, it proceeded quickly and has now been finalised.

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<sup>71</sup> Richard Gerster, Ruta G. Mutakyahwa Annual. Review 2006 of General Budget Support in Tanzania: Learning Assessment. Dar Es Salaam

3.62 Information plays as critical a role at sector level as it does with the PRBS dialogue. In the health sector for example a large number of sector indicators are monitored (43 in 2009; 33 in 2008) to measure progress on health system performance, service delivery and health outcomes. Most health data are collected through periodic surveys and therefore not reported on an annual base. A major constraint is that there is no functioning Health Management Information System yet which makes it difficult to track intermediate outcomes on health system performance and service delivery. The sentinel surveys implemented by the Ifakara Health Institute are meant to fill the gap, but have met difficulties in accessing data within the health system, thus adding to the frustration of DPs. The lack of data limits the ability to discuss performance – an excess of indicators suggests a tendency to micro-manage. At times sector level dialogue seems pulled between the two extremes.

3.63 Whilst the links to the PAF ensure the relationship between the dialogue at sector and the PRBS level and give some degree of reinforcement, the value added by the sector dialogue, as noted above, increases the opportunities for new ideas and different ways of engaging. Despite the progress made in establishing functioning mechanisms for joint review and informed decision making, sector dialogue still struggles with many process issues and the evidence of innovation and a richer and deeper dialogue at sector level is mixed.

3.64 Coordination and consensus building is critical, especially amongst the DPs. All four sectors examined are still searching for ways to align the various agendas of DPs into a single voice and streamline interaction with GoT. The reduced number of active DPs in education is a sign of progress in the spirit of the JAST; it also facilitates a lean dialogue structure within the education sector which is welcomed by GoT. Coordination between the three bilateral DPs providing budget support and the multilaterals using other mechanisms still presents a challenge and GoT indicated that it sees scope for improvement in this respect. The agriculture sector also benefits from a smaller number of active DPs though here concerns over the design and delivery of ASDP appears to hamper consensus building. The health sector still had 16 active DPs in 2009 though the largest donors (US, Global Fund) are not part of the basket. The ministry has recently taken steps to restrain the number participating to those who directly contribute to the SWAp/basket (11 DPs). Ironically the water sector with the largest number of active DPs seems to have an effective level of coordination and has managed to include those supporting a wide range of projects.

3.65 Participation, and thus coordination and consensus, are not limited to DPs and GoT. Civil society representatives play an active role in most DPG working groups. Again evidence is mixed but there are signs of ‘dialogue fatigue’ amongst some civil society actors who feel they have invested a lot of time and energy but find that policy discourse does not achieve the impact they are seeking. Role confusion between NGOs who are service providers and civil society actors who express consumer/citizen voice also seems a factor. Whilst civil society expertise and voice is valuable there needs to be a deeper understanding about the purpose of the policy dialogue and the need for downward accountability where policy is implemented not just where policy is discussed.

3.66 To conclude we return to the question posed in para 3.53 as to whether SBS or a CBF is necessary for sector dialogue to work well? The evidence suggests the answer is no. Overall the sector level dialogue has strengthened, though it has not been without its tensions, and this is irrespective of the presence of SBS or CBFs. Where basket funds are in place (health, agriculture) the dialogue is productive whether or not there is attribution of sector outcomes to the basket fund. This suggests the benefit is to the sector as a whole and the overall dialogue process. It may be no coincidence that Irish Aid has played a leading role in both these groups combining strong sectoral support with equally strong GBS engagement and so a holistic approach is being taken.

3.67 However the coverage of non-BS funding within sector dialogue has additional benefits. In the water sector, as well as in health and education, the movement towards a comprehensive sector wide view has extended ownership and support of sector policy to include DPs who are not involved in GBS processes and thus strengthened overall coordination. The ‘trick’ seems to be to keep the dialogue inclusive, whilst allowing scope for the innovation and multifaceted dialogue that, as suggested earlier, would strengthen and deepen the GBS processes.

3.68 To summarise good sector dialogue, successful systems development and improvements in outcomes can be achieved so long as certain pre-requisites are in place:

- a manageable number of stakeholders should be involved to ensure open, participative discussion that can focus on substantive issues.
- the dialogue is informed by a reasonable (and reliable) flow of management information so that participants can understand the details of service delivery and be engaged in both strategic and day-to-day operational issues.
- the dialogue is grounded in national policy and processes that will be sustained beyond external funding and should not focus on aid-specific systems and processes.
- the dialogue focuses on a narrow set of achievable objectives, for which there is national ownership – corporately and at sector level.
- as with the GBS dialogue, conditionality should be limited to those areas linked to fiduciary requirements, such as the submission of plans, expenditure and audit reports.

## Box 5 Summary of Evaluation Findings on Budget Support

General Budget Support doubled between 2004 and 2008, peaking at over \$500 million in 2007, representing approximately 25% of total ODA. GBS has contributed 18-20% of total public spending over the evaluation period which together with domestic revenues has more than doubled. This has contributed to a dramatic expansion in the scale of service provision in education, health, infrastructure (roads) and agriculture, with particularly impressive expanded services in education and health (paras. 3.1-15).

Improved access and coverage of public services are necessary but not sufficient for progress at outcome level and achievement of the MDGs. There are concerns over the quality and equity of service delivery. Inequities in social sector allocations to the most disadvantaged districts persist, despite the prominence given in the policy dialogue (para 3.9).

Whilst progress in the reform agenda has been disappointing, especially for PFM reform and the implementation of anti-corruption measures, there are underlying capacity constraints and, after initial successes, reforms are becoming more complex. It is domestic political considerations that ultimately drive reform and attempts to catalyse responses through the dialogue mechanisms have been ineffective and have weakened the quality of the dialogue (paras 3.31-36).

The policy dialogue has become too rigid. The dialogue should be more modest and realistic, taking a nuanced and sophisticated approach, with rigour around the eligibility conditions for BS – timely information and effective monitoring – matched with creativity in the mutual development of shared understanding and solutions to the challenges faced by GoT. A wide repertoire of engagement that includes informal, unstructured approaches and wider alliance building could give space for progress to be restored in what is generally a successful BS environment (paras 3.37-42 and box 4).

BS continues to be effective – delivering higher public spending in the right areas for relatively low transactions costs (relative to alternative modalities) and consequent improvements in the scale and scope for public service. Yet there are diminishing returns, as equity and efficiency in service delivery do not match the improvements. Until these problems are resolved, it does not seem appropriate to raise public spending and a relative reduction in the scale of BS seems appropriate (para 3.39).

### Turning to the specific evaluation issues that have been addressed in this chapter:

#### 2. The balance between budget support and non-budget support interventions

A balance of modalities, within the principles of alignment and harmonisation, enables innovation and flexibility that can enrich BS. Irish Aid has been successful in adopting this diversity across their portfolio, and DFID has more recently re-established a similar approach (paras 3.43-7).

The evaluation found that sector programmes had provided complementary opportunities to focus more specifically at sector level, targeting the issues of equity, efficiency and quality (3.47-50).

Experience is sector specific depending on the range of instruments, actors and the capacity of GoT to lead. Choices also depend on the comparative advantage in terms of experience, expertise and relationships that a particular DP brings. Attribution is difficult but Irish Aid's experience in health agriculture provides useful lessons (paras 3.48-52).

#### 3. Aid architecture and its role in providing incentives to the Government of Tanzania

There is evidence of the dialogue structures becoming too complex with reduced space for discussion and ideas exchange due to the negotiation around an increasing number of indicators (paras. 3.21-30).

The evaluation advocates measures to revitalise policy dialogue and re-establish confidence, around a narrower agenda focused more closely on the budget and on service delivery issues (para 3.40-2).

Pursuing policy dialogue at sector level can enhance the depth and quality of the discourse and has the potential to extend sector wide policy engagement more comprehensively, engaging non-BS DPs and non-state actors (paras. 3.53-68).

## 4. Beyond the State

4.1 In addition to state action, development depends on non-state (private sector and civil society) engagement. Economic growth depends on the contribution of businesses, farmers and individual entrepreneurs as well as state interventions (chapter 2). Similarly domestic accountability (to elected officials, service users, citizens and communities) is an important factor in driving reform and improving the quality, equity and efficiency of public services (chapter 3). Here we review the role and contribution of civil society and the private sector to development, evaluate the support provided by DFID and Irish Aid and discuss the role of politics and the political economy. Specifically the **results, strategies and processes of non-state engagement** are addressed.

### Private Sector Development: including agriculture

4.2 Tanzania's private sector is heterogeneous, comprising both existing and potential new investors, whose interests may or may not coincide. It includes some of the world's largest multinationals (with operations in Tanzania in finance, mining, brewing and plantation agriculture); a small number of listed Tanzanian Public Limited Companies (PLCs); a much larger number of locally owned private limited companies, operating across the middle and upper reaches of every sector; countless informal retail and service businesses, small and micro; and finally the small family farms, where we expect to find the greatest incidence of income poverty.

4.3 The last category, family farmers, make up the greatest number of players in the private sector and the programmes of Irish Aid and DFID include components targeted at them, though with different approaches and emphases. In addition, both programmes contribute, through GBS, to GoT's support to and regulation of the private sector, including farmers. Nevertheless the economy has many important sectors, not all related to farming value chains. Indeed Tanzania is at a transition, moving from an overwhelmingly agrarian society towards a more diversified economy (para 2.8), and this suggests new approaches to all aspects of the private sector are required.

4.4 Historically GoT has been sceptical of the role of the private sector but in 2005 MKUKUTA set a greater focus on growth strategies for poverty reduction. While continuing to regard investment in the social sectors as crucial, MKUKUTA incorporated a stronger emphasis on the private sector, agriculture and trade, including the 10% target for growth in the agriculture sector and the *Kilimo Kwanza* initiative (2009) with its focus on agriculture and the peasant farmer. *Kilimo Kwanza* is strong in support of farmers as small businesses, but the assertion of the role of state against free markets suggests ambivalence to the role of the private sector. More generally GoT support for the private sector has been weak (paras 2.57-60), though the removal of regional trade restrictions and indications from some interviewees suggested a changing mood.

4.5 Much of the investment in reform and innovation during the evaluation period has been left to DPs. Irish Aid has built on its longstanding commitment to agriculture and rural development with a focus on public sector investment in agricultural reform and services direct to village and individual farmer level and DFID has followed a broad, sector neutral, reform agenda which should benefit telecoms, gold mines and small farmers alike.

4.6 There is little consensus in the literature on what the policy balance for agriculture and reform of the sector might be<sup>72</sup>. The major investment vehicle is the ASDP, the first attempt at a SWAp in the sector. Its origins go back to 1999 and a long planning phase before it became effective in 2006. Its framework embraces the MDGs, long-term Tanzania Development Vision 2025, and

<sup>72</sup> IGC country page on <http://www.internationalgrowthcentre.org>

MKUKUTA targets. Irish Aid was closely involved in the conceptualisation and design of ASDP and continues this involvement as chair of the DPG Agriculture Working Group.

4.7 Recognising the failures of past initiatives ASDP was carefully designed to avoid capture by civil servants, with the following design features.

- Assuring that at least 65% of investment funds end up at village/individual farm level.
- Only 10% of total budget on district level services and capacity building, limiting waste.
- Completely integrated with Decentralisation Policy and PFM, producing a sustainable modality capable of outlasting the programme itself.
- Release of 50% of grants to districts dependent on independent quality assessment of District Agricultural Development Plans (DADP).
- Central pot for irrigation, research and Public/Private Partnerships.

4.8 Much of the early years were taken up with setting up the system, particularly the production of DADPs. Early plans suffered from egalitarian pressure from LGA councillors to ensure that every ward/village received at least a little from the investment grant. As a result, investments were not significant with disproportionate emphasis on capacity building. “SDP budget spend under the Agriculture Investment Grant; the Capacity Building Grant; the Agriculture Extension Block Grant, suggest that investment in capacity building continues to account for more than half the budget, four years into the programme’s implementation”<sup>73</sup>.

4.9 Nearly 60% of total ASDP expenditure in 2009/10 (USD91,492,204<sup>74</sup>) was allocated to DADPs, admirably close to the 65% target. However much weight is still being given to extension and capacity building as to the physical outputs. Other ASDP reports reviewed tend to concentrate on outputs and give less emphasis to outcomes and higher level results, particularly economic impact. This may be influenced by the fact that the monitoring system is still not in place. Directives aimed to improve performance in these respects have been issued and DADPs for the 2010/11 financial year are supposed to concentrate resources on fewer, economically viable investments. About 75% of the 133 DADPs 2 are understood to have passed the assessment.

4.10 The ASDP reports do not engage with the question of the agriculture’s sector growth shortfall compared to the MKUKUTA target. Whilst the shortfall is not attributable to ASDP alone; the lack of any discussion confirms the view that ASDP sees its role limited to traditional functions. Attempts are being made to move beyond this position and a recent paper<sup>75</sup> describes a re-emphasis concentrating public sector support on broader agricultural sector activity.

“... *Kilimo Kwanza* includes major expenditure items such as scaling up of the agriculture budget equal to or greater than 10% of the total budget for all MDAs to be oriented to implement *Kilimo Kwanza*, encouraging DPs to finance *Kilimo Kwanza* for example through ASDP basket funding, increase development budget to irrigate 700,000 hectares, increase government expenditure on research and development equal to 1% of GDP and fast track establishment of Tanzania Agricultural Development Bank with capitalization of USD500 million and mobilising the private sector to finance *Kilimo Kwanza*.”

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<sup>73</sup> Back to Office Report, Development Specialist, Hunger Unit, Irish Aid, following 4th Joint Implementation Review of ASDP

<sup>74</sup> ASDP 4<sup>th</sup> Quarter Financial Report for 2009/10

<sup>75</sup> Accelerating pro-poor growth in the context of *Kilimo Kwanza*. Joint paper between the Government of the United Republic of Tanzania and Development Partners, DSM, 22nd November 2009

4.11 The calculation of the 10% target is complex, as it spreads over the budgets of six or more ministries<sup>76</sup>. The paper quoted estimates that the sum for 2009/10 was equivalent to 6.9%<sup>77</sup> of the total budget, and interviews confirm that the share for 2010/11 is set to increase to more than 7% but is still short of 10%. The paper concludes:

“...the DPs... are...requested to increase budgetary support to finance *Kilimo Kwanza*, and also sensitise the private sector in respective countries and worldwide to seize the extensive investment opportunities in the implementation of *Kilimo Kwanza*”.

4.12 The first part of this plea would have more force if it were backed by evidence as to what kind of investment can achieve real transformation in farming incomes. The second part may be an admission that the traditional reliance on achieving growth by supporting smallholder agriculture through the local government extension service is simply not enough. This is the most original feature of *Kilimo Kwanza*. Ever since the nationalisation of private commercial agriculture that followed the Arusha Declaration in 1967, government agricultural policy has largely ignored the private sector<sup>78</sup>. Private sector investment languished for a generation, though particular sub-sectors (export horticulture, tobacco and sugar estates), have seen a revival since the 1990s.

4.13 There is a brighter picture of private sector investment in the spread of specialist retail businesses selling agricultural inputs to smallholder farmers. This is a demand-driven development, supported by the Alliance for a Green Revolution in Africa (AGRA)<sup>79</sup>. Irish Aid and DFID are reinforcing this success through support to a parallel initiative, Farm Input Promotions Africa (FIPS). It is at this micro-level that transformation of smallholder agriculture must be delivered.

4.14 ASDP affirms the importance of the private sector in spreading access to technology, linking with the LGA extension service, and the FIPS project should contribute directly to this:

“The private sector component of the ASDP could also absorb the lessons learned from output in supporting the agro-dealers at the village level. On the basis of implementation experience Irish Aid will develop evidence based proposals for developing and implementing national agricultural extension packages supporting small-scale input supply networks through the ASDP.”<sup>80</sup>

As far as we know, these proposals are still under consideration but joining up the lessons of different initiatives that are linked in this way is surely the best guide for the future.

4.15 In addition to ASDP Irish Aid supports projects aimed at farm inputs seeds and fertilisers through FIPS, cocoa production through TechnoServe, and through CARE International a pastoralist programme. In the evaluator’s view these are not strong enough to complement the larger and more strategic investment in ASDP. However given the slow pace of sector reform a wide portfolio is appropriate and lessons from these interventions are fed into the policy dialogue.

<sup>76</sup> Ministry of Agriculture, Food Security and Cooperatives (MoAFSC), plus: MoLD (Livestock Development); MoITM; MoW; PMO; PMO-RALG; plus the regional votes (70–95) and includes rural roads (MoI)

<sup>77</sup> TzSh 656 billion, of TzSh 9,510 billion

<sup>78</sup> In spite of the fact that significant parts of it survived nationalisation e.g. the large tea estates; privately-owned coffee farms around Mount Meru were also left alone while those on the slopes of Kilimanjaro were taken into public ownership

<sup>79</sup> AGRA is the creation of and is supported by the Bill and Melinda Gates and Rockefeller Foundations

<sup>80</sup> Extracted from Irish Aid-FIPS MoU

## **Tanzania's Private Sector Reform Agenda**

4.16 Conceptually DFID has taken a sector neutral approach, focusing on reform of GoT's enabling and regulatory role through BEST (paras. 2.57-60); wider policy change through its GBS investment and holding the chair of the DPG private sector and trade working group; and projects with distinctive features, notably the Financial Sector Deepening Trust (FSDT) and, at the end of the evaluation period, agro-processing through the Cluster Competitiveness Programme, and the national component of the TradeMark East Africa programme. Most recently DFID has moved to establish challenge funds for agribusiness and climate change.

### **Financial Sector Deepening Trust**

4.17 Though supported through pooled funding<sup>81</sup>, FSDT is not a 'basket fund' in the usual sense. It is an autonomous trust, where DPs exercise arms' length oversight of the activities of trustees (a Tanzanian law firm). This innovative modality is generally held to be both a more appropriate model for engaging with the private sector than through a government agency and to have been a success<sup>82</sup>, though success has been skewed to the micro-level.

4.18 One of FSDT's chief successes has been to map or demonstrate the degree to which most Tanzanians are excluded from financial services. Two surveys<sup>83</sup> showed that those excluded from access to financial services increased from 53.7% (2007) to 56.0% (2009). This result, though marginal, means a definite increase in absolute numbers of people excluded, due to population growth, and this reflects the lack of progress in income poverty reduction discussed in chapter 2, para 2.2.

4.19 On the other hand, those with access to formal financial services increased from 9.1% to 12.4% in the same period, reflecting the abnormal growth in the financial sector identified by the International Growth Centre. Access to semi-formal services (of the type most heavily supported by FSDT at the micro-level) increased markedly, but only from 2.1% (2007) to 4.3% (2009).

4.20 Clearly the economic powers that govern change in the financial sector are far greater than the interventions of a programme worth \$30 million. Whilst it has had comparatively little influence on the wider expansion of the banking sector, FSDT has made a significant contribution through improving access to semi-formal financial services for around half a million people.

4.21 In overall terms FSDT's success has to be judged on a qualitative summation of individual interventions. Though, for FSDT, many of these *can* be judged quantitatively (change in total assets of supported institutions, improvement in asset quality, financial self-sufficiency etc.), the whole cannot be. It includes 'failures' at the policy level like that of FSDT's inability (through no fault of its own and in spite of urgent and cogent representations) to dissuade GoT from pursuing the formation of a state-owned Tanzania Agricultural Development Bank, one without an infrastructure to reach farmers and one with precedents of widespread corruption and waste.

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<sup>81</sup> Original settlers of the Trust were CIDA, Sida, Netherlands Foreign Ministry and DFID. GoT (through the World Bank-supported Private Sector Competitiveness Project) and Danida joined later

<sup>82</sup> Oxford Policy Management (2009) *Evaluation of Danish Support for Financial Services in Tanzania*

<sup>83</sup> FinScope National Survey on Access to and Demand For Financial Services in Tanzania, conducted in 2007 and 2009

4.22 Sector level indicators are well beyond the influence of a particular programme yet they tend to be set as indicators at the Goal and Purpose levels. This was the case for FSDT and it is also true of ASDP, with its aim: “to raise agricultural growth from 5% in 2002/03 to 10% in 2010”<sup>84</sup>.

### **TradeMark East Africa**

4.23 DFID began work in 2008/9 on the Tanzania component of the TradeMark East Africa programme, which became effective in early 2010. The focus is on the harmonisation that will be needed to deliver a functional East African Common Market for the EAC. The intention is to link with the four sister country programmes through a regional hub, located in Nairobi (not Arusha, in Tanzania, though this is the formal headquarters of the EAC). The first step was taken on July 1<sup>st</sup> 2010 when trade barriers were removed. Though largely outside the evaluation period this is a significant intervention as it supports wider trade liberalisation which has been resisted in the past.

### **Conclusions on Agriculture and Private Sector Investment**

4.24 Neither *Kilimo Kwanza* nor ASDP have yet provided the impetus for agricultural reform nor have they moved substantially away from traditional patterns of support to smallholder farmers. After a lengthy gestation period ASDP completes its first five years with little to show beyond state led interventions. DPs cannot engage directly with small farmers, in their capacity as individual private sector actors and ASDP is therefore the most appropriate intervention but it needs to strengthen its focus at outcome level and deepen its engagement at policy level. Given Irish Aid’s experience and credibility they can play a crucial role in this process.

4.25 The example of FIPS support to private sector stockists suggests that investment in private sector service intermediaries could be more productive, e.g. agribusiness companies serving farmers, irrespective of scale, on both the input and output sides. Strategic targeting is essential focusing for example on businesses that engage with, and enhance the incomes of, large numbers of small farmers rather than those that benefit a small number of shareholders and employees. The evaluation would encourage more substantive investment in such instruments to promote private sector investment in the sector (subject to viability and additionality tests).

4.26 As with agriculture, private sector and trade investments during the evaluation period have had limited impact. Resistance to reform by GoT across agriculture, private sector and trade seems more to do with the lack of political leadership than with substantive blocks. The EAC common market shows that when the lead is given change can happen. However, uncertainty over the direction and shape of private sector development and the weakness of all non-state actors makes it difficult for DPs to find catalytic entry points. DFID has begun to diversify its private sector interventions. The evaluation recommends consideration of more substantive and creative direct investments as part of a multifaceted approach.

4.27 The experience with both business environment reform and agricultural reform suggest to the evaluation team that more substantial engagement with, and investment in, non-state agency would be a more productive approach rather than linking private sector change exclusively to public sector interventions supported through GBS. Both DFID and Irish Aid have experience to build on and the expertise to drive more imaginative approaches.

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<sup>84</sup> ASDP Joint Implementation Review: Aide Memoire 031209 Final Report Dec 2009

## **Civil Society**

4.28 Civil society covers a wide spectrum of organisations, characterised by being distinct from the state, the family and the market – though in practice the boundaries are often complex and blurred. It includes NGOs, professional associations, trade unions, self-help groups, social movements, business associations, academia, the media, faith based organisations and many others. Whilst maintaining many of the characteristics of a neo-patrimonial state<sup>85</sup>, the Mkapa years saw the inception of many reforms which, if implemented in full, would have constituted a major re-orientation of the state and enhancing the legal-rational basis of government. Whilst the subsequent record is mixed considerable progress has been achieved nevertheless the neo-patrimonial features remain as does the dominance of the single party system. The models and structures of civil society organisation need to be seen within this context. Social movements are unusual outside party political forms and many social welfare initiatives are grounded in earlier religious understandings and trade union and private sector organisation is relatively new.

4.29 DPs' attention and support has focussed primarily on a limited range of organisations within civil society – principally NGOs, CBOs and the media, all of which have grown numerically and in terms of coverage during the evaluation period. Both DFID and Irish Aid channel significant funds through the Foundation for Civil Society, which provides small and medium sized grants, as well as 'start-up' funding, to support groups through the legal registration process. Both also support the Media Fund and provide some funding through dedicated basket funds – Irish Aid supporting pastoralism through the fund managed by CARE, and DFID issues of governance and accountability through the AcT programme managed by KPMG. In addition, both also have funding relationships with individual NGOs related to particular elements of their broader programme approach. A full description and assessment of DFID and Irish Aid's support to civil society and NGOs is given in annex 6.

4.30 However, significant elements of civil society remain, or have become, less connected from DP approaches. There is awareness for example of the potential importance of membership and faith based organisations – highlighted, for example, in DFID's 2007 Accountability Strategy, but as yet only initial attempts to engage with them strategically. This is despite the fact, for example, that members of Christian Social Services Commission run 90 hospitals across the country, some of them in remote and under-served areas<sup>86</sup>, implying that they might have useful insights to contribute to policy discussions. Similarly many of the longer established secondary schools are run by faith based organisations. Trade Unions, particularly the Teachers Trade Union, have shown little sustained interest in engagement with government alongside NGOs, through MKUKUTA related policy processes, arguably because they have their own access to the decision making processes.

4.31 Since the first PRS, DPs have focused attention on NGO participation in national policy processes, encouraging NGOs to see 'the process as the space', and sometimes using their relationship with government to insist on space for NGO participation. Over the past five years this 'place at the table' has become firmly established, with even the apex bodies representing the private sector acknowledging that they are usually invited to meetings. Conversely, however, there is a frustration on the part of some DPs that civil society organisations (CSOs) are not taking advantage of the space made available to them – that they do not provide a sufficient challenge to government, or do not attend meetings where space has been availed to them. This is frequently attributed to issues of capacity.

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<sup>85</sup> Cammack et al (2007) cited in Booth et al (2008) *Good Governance, Aid Modalities and Poverty Reduction*, Report to ABIA

<sup>86</sup> Christian Social Services Commission website: <http://www.cssc.or.tz/modules/documents/index>, accessed 28<sup>th</sup> June 2010

4.32 The understanding of leaders of some NGOs and NGO networks is different. Some of them take the view that the policy discussions around Annual Reviews are not where key decisions are made anyway; bureaucrats make these largely behind closed doors, during the course of budget implementation. Others make use of more informal contacts with GoT. Others again, say that the key issue is not a place at the table, but rather comprehensive information provided in a timely way so that CSOs can contribute a properly thought-out response based on their programme work, research and members' views. Some of these NGOs express surprise that some DPs are relatively relaxed about the lack of timely information provided about the use of their own tax-payers' money. Over the evaluation period, a number of civil society activists, who were initially enthusiastically involved in national level policy engagement, have shifted their focus to a more grassroots based 'citizen engagement'. Examples include the 'Friends of Education' whom *Hakielimu* provides with information and tools with which to exert accountability from service providers.

4.33 Underlying these diverging viewpoints is a lack of conceptual clarity about the function of policy dialogue processes, their relationship with domestic accountability and the separation of powers within the state. There are a range of different DP viewpoints about the role of civil society – as a general social good in a free society, as beneficiaries of development, as informants on what works and what doesn't, and as the articulation of domestic demand for reform. These are potentially complementary (see para 9 of annex 6 for a fuller discussion).

4.34 What is required is clarity about whether the 'dialogue processes' and 'working groups' are about information sharing, scrutinising the usefulness of past decisions, building 'buy-in' for future decisions, or actually making decisions. This has significant bearing on who participates, their representativeness and mandate, their own accountability, and ultimately on the value of any recommendations or outcomes from the various meetings. Accountability can be compromised in the eyes of government when the NGOs are demonstrably dependant on DP funding. It is particularly important in any process that brings in citizen voice that this voice is representative and accountable to citizens. Under current dialogue arrangements this is not the case. Until the purpose of the meetings and participation in them is clarified, there is likely to be an ongoing frustration because of the mismatch of expectations and the blurring of roles.

### **DFID and Irish Aid's Support to Civil Society**

4.35 The use of intermediary institutional arrangements (Foundation for Civil Society and AcT) maximises both DFID and Irish Aids resources and is in the view of the evaluators a particularly effective way of channelling support to civil society. There are issues over the long-term sustainability of the Foundation and over the future of AcT as a commercially managed fund and the challenge here may be to attract additional support from a range of sources. Compared to the early part of the evaluation period, more and a greater variety of civil society organisations are being supported and the focus seems appropriate.

4.36 However the use of intermediaries does reduce the learning and deeper understanding. Those organisations that function mainly in Dar es Salaam and participate in policy discourse with DPs are not representative of civil society at large. Opportunities to learn through district level engagement and from those elements of civil society that do not normally relate to DP processes can deepen an appreciation of the nature of civil society and its potential. Preoccupation with participation in formal policy processes, though important to reinforce the value for GoT to hear alternative voices, can limit the development of a fully nuanced appreciation of the processes of participation that can complement DFID and Irish Aid's wider role.

## Politics and Political Economy

4.37 Central to the achievement of development results is the changing politics and political economy of Tanzania. Understanding this is not straightforward, especially separating long-term trends from the ephemera of politics and reporting of current affairs. However, focussing on technical components of development and reform, with an insufficient understanding of their political underpinnings, risks not understanding the real drivers and obstacles to change and falling back on the easy answers of lack of technical capacity on the one hand, or lack of political will on the other – when in fact changes and developments are taking place.

4.38 Part of the problem of taking a comprehensive view of the political economy is the division of the development trajectory into five-year slots, starting with the first PRS, then the first MKUKUTA, coinciding as they did with new presidential terms, as if each new document signals a significant change. In fact, initiatives such as ASDP and *Kilimo Kwanza* were, as we have noted, a long time in the preparation, and a policy launched in one five-year period can be the fruit of long-term preparation during the previous one.

4.39 Two related characteristics stand out during the evaluation period. The first is that almost every stakeholder has become more assertive and outspoken – not necessarily to be correlated with actual influence. Oversight committees in parliament have been chaired by opposition MPs who demonstrated a stronger capacity to challenge particularly budget proposals, and the parliamentary investigation which led to the exposure of the Richmond scandal, ‘naming and shaming’ those involved in a fraudulent power production deal. The media have played an equally strong role in publicising corruption scandals, though arguably their information is more often based on ‘leaks’ from those in power than on investigative journalism. The executive arm of government showed its power in resisting pay reform within the civil service, arguably slowing down the pace of some core reforms. Linked closely with the ruling CCM party, commitments to provide a secondary school in every ward and a clinic in every village demonstrate the power of politics over technical planning by line ministries. The number of NGOs continues to grow, together with an increasing focus on citizen engagement, as the means to bring about desired change.

4.40 Linked with this assertion of power by a range of key stakeholders is the sense, expressed by several respondents during the evaluation, of a lack of clear development direction for Tanzania. Although there is a clearly articulated Vision 2025, clarity about setting priorities and sequencing of steps along the way towards it are less clear. The expectation of President Kikwete, coming into power in 2005 with a landslide victory, was that he would carry on the liberalising reforms of the Mkapu era, but this has not become apparent. Rather, *Kilimo Kwanza*, the main new initiative of President Kikwete’s first term, is a very broad instrument for mobilisation around agricultural development with ‘something for everyone’ from small holder farmers to large agribusiness.

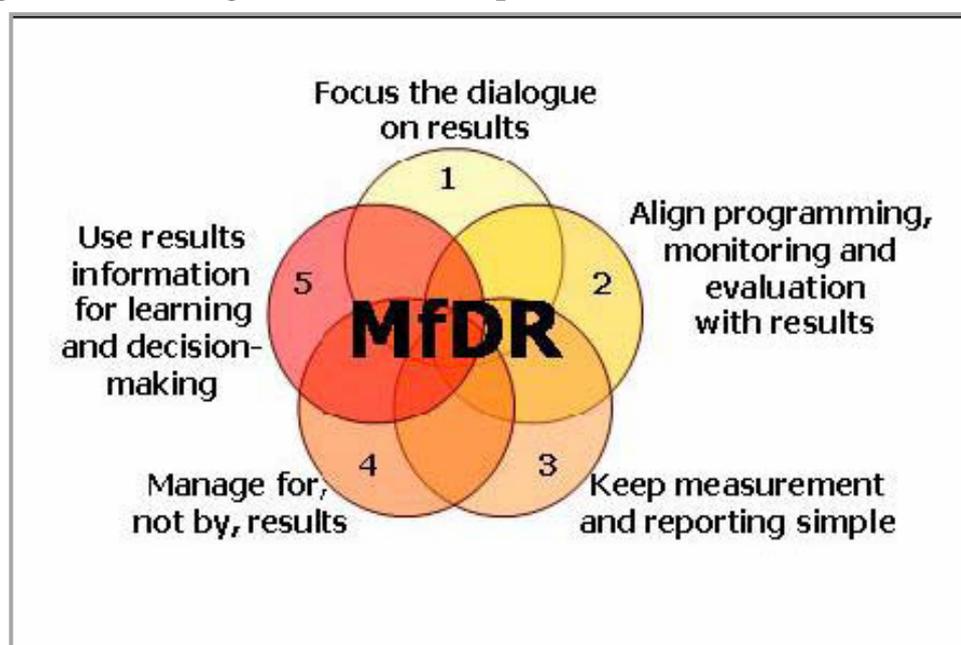
4.41 Connecting these two characteristics is the emerging sense that looking for a single, monolithic ‘political will’ beneath the broad umbrella of Vision 2025 and the MKUKUTA documents is unrealistic. Rather, a number of interest groups and individuals are jockeying for power and influence, largely ‘beneath the radar’ of formal dialogue structures. This is not new – for example, the fact that line ministries benefiting from projects were sometimes hostile to reforms which strengthened the power of central ministries over their spending patterns and plans was recognised in the PERs of the late 1990s. The pattern continues today with the provision of funding from multiple different sources (global funds and millennium challenge for example) despite government’s stated preference for BS.

4.42 What seems to have happened more recently is, instead of a nuanced understanding of the changing dynamics, there is a tendency to assert the need for ‘political will’, apparently present earlier in the decade; and in its absence to press for TPAs which it is hoped will achieve the same effect. In fact, as has been reiterated in many of the evaluation interviews and discussions, the result contributes to a stalling of progress.

4.43 The implications of this for DPs include the following:

- understanding the dynamics of change and the emerging roles of different players – not simply in terms of reformers, but what a particular interlocutor can contribute in a particular post at a particular time.
- having a comprehensive overview of change across different sectors, levels of government and reform programmes, without falling into the trap of assuming that in terms of reform ‘all good things come at once’ (Booth et al, 2005), but rather to stress the need to step back and understand the whole of government rather than only a small part of it in forensic detail.
- being prepared for long-term engagement, continuing to offer support to those areas of work where positive change is happening (whether within a formal reform programme or outside it), and not to get tied into micro-management of progress where there is apparently little room for manoeuvre.
- returning to the principles of managing for development results with its focus on dialogue and understanding the larger picture of overall direction and longer term gain (see Figure 9).

**Figure 9. Management for Development Results**



Source: MfDR SourceBook.

## Box 6 Summary of Evaluation Findings with respect to Non-State Agency

Within the context of neo-patrimonialism and state dominance the space for non-state actors has been limited in Tanzania. Whilst cultural anxieties remain regarding the processes of organising, be they private businesses, farmers groups or civil society organisations, agency is increasing beyond the state and contributing to democratic governance and economic growth. However, these processes require a deeper understanding of politics, the political economy, and the place and nature of civil society (para 4.37-43 and annex 6).

Attempting to identify a single 'political will' beneath the umbrella of Vision 2025 and the MKUKUTA is unrealistic. Rather, a number of interest groups and individuals are jockeying for power and influence, largely 'beneath the radar' of formal dialogue structures (para 4.41).

The experience with both business environment reform and agricultural reform suggest to the evaluation team that more substantial engagement with, and investment in, non-state agency would be a more productive approach, rather than linking private sector change exclusively to public sector interventions supported through GBS. Both DFID and Irish Aid have experience to build on and the expertise to drive more imaginative approaches (para. 4.27).

DFID and Irish Aid have an established track record of support for civil society and a positive reputation. The current use of intermediary institutional arrangements is leading to innovation, and efficient and effective use of resources. However, knowledge and understanding requires a greater depth of engagement. Both DPs can build on their experience and networks to deepen learning and complement their wider roles (4.35-36).

### Turning to the specific evaluation issues that have been addressed, at least in part, in this chapter:

#### 1. Despite 6-8% economic growth over the past years, income poverty trends in Tanzania appear to be largely stagnant

During the evaluation period agricultural sector growth has remained far short of the MKUKUTA target of 10% with ASDP and Kilimo Kwanza failing to make significant impact. The traditional reliance on achieving growth by supporting smallholder agriculture through the local government extension service is simply not enough (para. 4.11-13).

Tanzania's development strategy (MKUKUTA) needs to take a more positive and enabling role towards agriculture and the private sector, not limiting its support to traditional public sector functions and supporting more substantive change at the national and regional level (para. 4.25).

Private sector and trade investments have also had limited impact. Resistance to reform by GoT across agriculture, private sector and trade seems a function of political leadership rather than substantive blocks. Uncertainty over the direction and shape of private sector development and the weakness of all non-state actors makes it difficult for DPs to find catalytic entry points (paras. 4.26).

#### 3. Aid architecture and its role in providing incentives to the Government of Tanzania

Over emphasising civil society participation in formal policy processes, though important to reinforce the value of alternative voices, can limit the development of a fully nuanced appreciation of the processes of participation, especially at local levels (para. 4.36).

#### 5. Scrutiny and accountability to civil society

All stakeholders (e.g. the media, NGOs, civil society, private sector entrepreneurs) are becoming more assertive, aware and vocal – though this is not synonymous with influence. Accountability requires information, understanding, platforms for articulation and processes and procedures that ensure decision makers listen and respond (para. 4.39).

## 5. DFID and Irish Aid Strategies and their Delivery

5.1 The DFID and Irish Aid strategies informed their programmes. Both agencies have a history of engagement with Tanzania which pre-dates this evaluation. The evaluation has found a coherent relationship between the current development results, the role played by BS, the level and consistency of GBS and SBS support, together with the non-BS interventions, particularly those focused on the private sector and civil society. Here we summarise the findings with respect to the relevance of these strategies including the approach to **cross-cutting issues**. The efficiency of the two programmes evaluated and institutional questions posed in the ToRs are addressed, notably those related to the issues of **internal capacity within the country offices**, the **vertical/central demands and initiatives** from headquarters and the relationship between **headquarters funding and the country programmes**; together with the **perceptions of Irish Aid and DFID as DPs**.

### Nature and Relevance of Strategies

5.2 DFID's overall strategic approach since 1997 has been framed by the UK government's strong commitment to supporting poverty reduction through an increasing international development budget. The strategy is spelt out in four White Papers<sup>87</sup>, the first three of which preceded the CAP and clearly informed its perspective. The 1997 White Paper affirmed the commitment to poverty reduction through partnerships with government. This commitment, together with the focus on globalisation in the 2000 White Paper, informed the strong commitment to budget support taken in Tanzania. This resolve was reinforced prior to the 2007 CAP by the third (2006) White Paper and DFID's endorsement of the Paris Declaration.

5.3 For Irish Aid the key corporate strategy document is the Government of Ireland's first ever White Paper on Irish Aid published in 2006<sup>88</sup>. The commitment to reaching the target of 0.7% of GDP as overseas aid and strong endorsement of the principles of alignment and harmonisation lie at the core of this policy, setting a clear direction for a growing and more effective approach to development support. The White Paper highlights Ireland's commitment to poverty reduction, through reducing vulnerability and increasing opportunity. For Irish Aid in Tanzania this heralded a move away from area based engagement towards a stronger focus on policy dialogue and engagement at national level.

5.4 DFID and Irish Aid's country strategies were finalised in 2007, based on the joint analysis undertaken during the JAST process. Their aim was to develop their specific programmes founded on the JAST principles and within the agreed division of labour. The time up to 2007 was a period of transition from traditional programme support to a new aid architecture, featuring a strong focus on BS and more coordinated work among DPs. The 2005–2007 period was dominated by efforts to reduce transaction costs for GoT and strengthen country ownership. Both country strategies were prepared at a time when confidence in the GoT agenda was strongest.

5.5 DFID has provided GBS since 2000, but under the new CAP it aimed to increase the share delivered through GBS to 80%. Irish Aid took a more cautious approach to BS, aiming at 40% only. Irish Aid's view on BS was that it will provide them with a place at the macro table, but that

<sup>87</sup> DFID (1997) *Eliminating World Poverty: a Challenge for the 21st Century*, DFID (2000) *Eliminating World Poverty: Making Globalisation Work for the Poor*, DFID (2006) *Eliminating World Poverty: making governance work for the poor*, White Paper on International Development, and DFID (2009b) *Eliminating World Poverty: Building our Common Future*, all UK Government White Papers on International Development, published by HMSO/The Stationary Office: Norwich and London

<sup>88</sup> Irish Aid (2006a), *White Paper on Irish Aid*, Dublin: Department of Foreign Affairs

complementary sector level support, via health, agriculture and local government baskets, would be important to deliver results at local levels. The CSP was therefore meant to establish an optimum mix of aid modalities.

5.6 The support of country led development has been at the heart of the assistance provided by DFID and Irish Aid. Both strategies were aligned with the MKUKUTA, DFID's CAP, more broadly, focussing on wider policy objectives, while Irish Aid has developed its portfolio based on the MKUKUTA clusters which are (i) growth of the economy and reduction of income poverty; (ii) improvement of quality of life and social well-being, and (iii) governance and accountability.

5.7 Irish Aid's livelihoods and growth programme was aligned to the MKUKUTA Cluster One. Irish Aid is one of the few bilateral donors in Tanzania who are active in the agricultural sector and the 2007 CSP envisaged a substantial increase of funding for the ASDP. Irish Aid supported social development under MKUKUTA Cluster Two. By 2007 it had phased out non-GBS support of the education sector and focussed on the health sector where it supported the Health Basket Fund. Under Cluster Three Irish Aid supported the LGRP. In addition Irish Aid supported civil society organisations working on accountability issues and service delivery throughout all clusters.

5.8 DFID's CAP focused on: (i) growth; (ii) GoT alignment of policy planning and resource allocation through MKUKUTA and PRBS; (iii) demand side accountability. Access to services was included with a particular focus on education and water, but not prioritised for investment beyond the PRBS. The CAP was structured around six mid-term changes supporting progress towards the MDGs. DFID has maintained a strong focus on broad-based and sustainable growth and governance (accountability) throughout the evaluation period. DFID's programme support on economic growth and private sector development included BEST and the FSDT. Support on governance included the public service reform through Public Sector Reform Programme 1 (PSRPI), and PRAP; the PFMRP; LGRP; and the Deepening Democracy in Tanzania Programme (DDTP). In addition DFID supported civil society directly and through pooled funding mechanisms and has given key support to the National Bureau of Statistics.

5.9 Policy dialogue and working with the government on policy planning and resource allocation were highlighted in the strategies and became a major part of DFID and Irish Aid's work over the evaluation period. DFID's CAP argued that in order to remain engaged in a wider range of sectors, including health, education, HIV/AIDS and water, DFID needed to maintain sufficient capacity on the ground. In addition, the CAP continued DFID's strong emphasis on gender, governance and environmental issues. Irish Aid's policy engagement focused on its priority sectors – agriculture and health, again with cross-cutting interests in gender and governance. However the CSP gave less priority to the policy role.

5.10 By 2009 DPs felt that their strategies, which were developed in 2007, were not sufficiently focussed and were overly reliant on government and reform progress. The DFID Business Plan (2009) presented a critical reflection of developments and challenges which resulted in a strategic refocusing on key priorities and areas where it has established some influence through working with other partners. At the same time, new issues, such as climate change, entered onto the agenda; the business plan called for a stronger focus on quality of services, accountability and results. Irish Aid conducted a Mid-Term Review (MTR) in 2008 which concluded that dialogue is not sufficient and that more emphasis needs to be placed on results on the ground. The MTR resulted in a strategic refocusing of the programme, with greater emphasis on marginal groups in agriculture, maternal health and gender based violence.

## **Assessment of Strategies and Implementation**

5.11 The implementation of both the Irish Aid and DFID programmes has followed the direction set in their respective strategies. Actual expenditures and the GBS and non-GBS allocations by sector are given in tables 14-17 of annex 7. The evaluators undertook a detailed analysis of the breakdown of programme spend by sector, aid modality and MKUKUTA cluster which confirms that the priorities in the CSP and CAP were delivered. In particular the alignment with MKUKUTA and the sector emphases were maintained.

5.12 Overall allocations and disbursements were consistent and predictable. DFID's growing budget plans were met. Irish Aid, however, had to reduce its commitment in 2009 and again in 2010 due to the impact of the economic crisis. In general, the transparency and responsiveness of both agencies was seen as a positive feature by GoT interviewees.

5.13 With respect to GBS both DFID and Irish Aid continued their commitment as leading PRBS supporters. Financially, DFID's GBS exceeded the 80% target in 2007/08 and has since declined, maintaining an average of 77.3% over the evaluation period. With its more balanced portfolio, Irish Aid's GBS allocation averaged 37.8%, slightly below the target. However nearly half the portfolio (49.6%) was spent through basket and pooled funding mechanisms in health, governance and agriculture sectors. Most of these basket funds were channelled through GoT systems and in agriculture and health comprised systems very similar to SBS arrangements. Thus Irish Aid's total commitment to these modalities (GBS and basket funding modalities in health and agriculture) was similar to DFID's at around 75% of the total portfolio (see para.3.1).

5.14 These high allocations to GBS restricted the scope for non-BS and non-state investment. Whilst for DFID, private sector investment has been the fastest growing element of expenditure recently, and both DFID and Irish Aid make significant allocation to civil society, the effective 80/20 split between BS and supporting activities is, in the view of the evaluation, no longer appropriate. As discussed in chapter 3, a more balanced portfolio with a reduced commitment to BS would now be more responsive to the BS requirements and give fiscal space for increases in new modes of support to the private sector and agriculture.

5.15 Whilst the evaluation findings confirm the fact that, for the level of expenditure transaction, costs are low, in terms of the policy dialogue, the human resource demands for a leading DP are considerable. DFID has been chairing the DPG working groups on education, governance, private sector and trade, and most recently has taken responsibility for PFM. DFID did not (explicitly) withdraw from sectors or themes over the evaluation period, but it became less active in agriculture and health where its support was limited to GBS and it relied on trusted partners such as Irish Aid to represent it in other respects. DFID has also been taking a leading role in the overall GBS dialogue. For Irish Aid, with a smaller programme and staffing, the demands have been more unexpected. Chairing the DPG working groups on health and agriculture, and also playing a lead role in gender, whilst an indicator of the positive perceptions of GoT and other DPs increased the profile and time demands.

5.16 Overall the evaluation found a surprising consistency and thoughtful attention paid by both DFID and Irish Aid to their strategies and the subsequent implementation. Even when changes emerged, they have been tested against the earlier direction and amendments developed accordingly. The result has been the maintenance of a coherent commitment to the spirit of the strategies and, in particular, the emphasis on alignment with Tanzania's development policy (MKUKUTA) with primary support through PRBS. Even as relationships with GoT became less constructive and alternative approaches were considered by DFID and the balance between modalities questioned by Irish Aid, a clear, reflective and considered approach has been taken.

5.17 Whilst space for innovation and programme development beyond the BS emphasis has been limited, resources, particularly human resources, have been found to address identified priorities. For Irish Aid, the prime example is their championing of the One UN process. The application of diplomatic and development skills in this process demonstrates the flexibility possible with the small integrated team within the Embassy. Here, a strong policy and technical lead has resonated with other DPs and ensured effective progress. For DFID, the more recent expansion of private sector opportunities and the newer focus on climate change are also examples where adviser expertise has contributed, not only to DFID initiatives, but across the DP and GoT community.

### **Cross-cutting Aspects**

5.18 The so called cross-cutting issues are often squeezed out in BS dialogue processes. Whilst governance is clearly at the centre in GBS discourse, it is not always emphasised enough at sector level where aspects of decentralisation, and local and democratic accountability do not seem to be emphasised. Gender has had to find its place, and environment and the climate change agenda have struggled to find space. The challenge has been achieving a balance between adding additional groups and ensuring effective mainstreaming of issues with limited capacity and expertise.

### **Governance**

5.19 Governance has a MKUKUTA cluster focus of its own and, with particular concerns around PSR, PFM and corruption, has moved centre stage recently. However, at sector level there was evidence to suggest that, as a cross-cutting issue, governance was less evident. For example, confusion in the education sector around aspects of the decentralisation of primary education to LGAs, poor linkages between projects in the water sector and confusion over the range of ways of encouraging domestic accountability. Together, the impression was gained that in some sectors at least, sector expertise was not always complemented with understandings of decentralisation, local government functions, modes of accountability and other aspects of governance.

### **Gender**

5.20 The transition to new aid architecture presented a major challenge for DPs. Integration of gender equality concerns into government policies, strategies and budget, and monitoring of gender equality results became critical. DPs have recognised that challenge during the MKUKUTA process and used the Gender Macro Policy Group to integrate gender into the MKUKUTA.

5.21 DFID and Irish Aid's country strategies both paid attention to gender. For DFID the main strategy was to support civil society advocates and to introduce monitoring of gender specific indicators. Irish Aid's focus was on addressing gender with the JAST principles. This provided the framework to contribute to strengthening the gender component in the JAST and formalise the DPG gender group (April 2007). Irish Aid has also been engaged in a highly visible way on gender based violence and is widely regarded as a 'gender champion' within the DP community.

5.22 It was not until 2009, when DFID adopted its first Gender Action Plan (following the Gender Audit in 2008), and Irish Aid revised its strategic objectives to strengthen focus on gender equality concerns (following the MTR in 2009), that gender featured strongly on the country programme agenda. Both Irish Aid and DFID took an active role in commissioning gender reviews in agriculture and financial sectors which created some momentum. A major shortcoming of this approach is that it requires substantial gender expertise and capacities to support the work of sector specialists; DFID and Irish Aid both have full time gender advisors/social development specialists, but most other DPs do not; capacity building for GoT does not seem to have been given priority.

## **Environment and climate change**

5.23 At the beginning of the evaluation period DFID seconded a specialist to the PRS Unit within government, initially to address environment within MKUKUTA and subsequently to work on a broader cross-cutting agenda. This work seemed highly effective at the time and yielded productive outputs within the PRS documentation and beyond. However, as with other secondments, the secondee's function in DFID was not replaced so that GoT's gain was DFID's loss.

5.24 Following this secondment there was a gap in expertise available to both DFID and GoT that appears to have only been filled with the recent interest in climate change and a posting of a relevant adviser. The present challenge is how one expert from a single DP can contribute a cross-cutting perspective to a number of ministries and DPG working groups.

5.25 Thus a lead role, both technical and strategic, is again being taken by DFID with, as in the case of gender, limited capacity amongst other DPs and the challenge of identifying appropriate entry points. The question of maintaining technical continuity, especially when expectations are high, is an organisational issue. The challenge, in terms of cross-cutting contributions in a largely BS environment, is what more can be achieved from effective division of labour arrangements.

## **Perceptions of DFID and Irish Aid**

5.26 The strategic and implementation strengths of both DFID and Irish Aid were reflected in the views of GoT informants and through the perception survey and interviews with DPs with an overall high regard for both agencies, their programmes and the contributions they make. In no small part, this is because of the role they have both played in the dialogue process both at GBS and sector levels. Some specific comments – “Even when you don't agree with DFID/Irish Aid you always listen to them”, and “The technical contribution of DFID/Irish Aid is excellent” – demonstrate this. However high expectations increase demand, this in turn raises the profile and pushes expectations even higher. This stretches resources (especially for Irish Aid as the smaller of the two) and can lead to over exposure for both.

5.27 DFID has been seen as a significant lead influence in the GBS process from the outset. Both DFID and Irish Aid are perceived by their peers as being stronger advocates of BS than the DP group as a whole. Being in the vanguard is a challenge and a risk. Irish Aid is seen as being more overtly MKUKUTA aligned and continuing a strong country led focus. DFID are valued for their technical grasp of the process mechanism and their focus on outcomes (and other indicators). In terms of the Paris Principles, DFID is seen as advocating more on harmonisation and managing for results whereas Irish Aid is an advocate for country alignment and leadership. Both clearly see the need for strong Tanzanian ownership. There was a wide spectrum of views and none of these perceptions should be seen as implying a dichotomy of approach. However some of the nuances behind these perceptions do suggest that when particular views or opinions are expressed by one or other partner they are given significant weight.

## **Country Office Staffing and Organisation**

5.28 The structure and establishment of the two country offices is quite different. Figures 9 and 10 in annex 7 show the current establishment and structure of both. DFID has some 33 staff and the Irish Embassy 21. However, as the Embassy combines the diplomatic and development functions a more accurate comparison is 33 to 17. The total Irish Aid expenditure over the period was approximately 22% of DFID's expenditure but, as we have seen, Irish Aid had more project and SBS programmes to manage whereas 77% of DFID's expenditure was PRBS. Taking this into account

and allowing for the wider sector coverage required by DFID the office sizes are of similar proportions given the context and capacity.

5.29 However the balance of skills and responsibilities differs. DFID has a higher proportion of UK appointed staff (40%) with Irish Aid only having three fulltime development staff, (approximately 16% and allowing for diplomatic staff time devoted to development activity about 20%). Within Irish Aid, most advisor posts are filled by staff appointed in Tanzania while only a third of DFID advisors are appointed in Tanzania. In both teams, most of the administrative and support functions are undertaken by staff appointed in Tanzania. One other difference is that DFID has posts seconded to multilaterals – currently the Africa Development Bank and the World Bank.

5.30 There are also differences in changes in establishment during the evaluation period as shown in tables 5 and 6. DFID had an effective reduction of 25% in its staffing from 2007 whereas Irish Aid has seen an increase, small in real terms, the equivalent of about 20%. Ironically the reductions in DFID, intended as a response to the transaction cost savings of GBS, took effect when difficulties with BS were emerging, and when other strategies were being considered. Thus, at the very time that DFID required additional staff time to explore new opportunities the reductions began to take effect. As a consequence, whilst both offices expressed concerns over human resource pressures, these were greater for DFID.

**Table 5. DFID Tanzania staffing 2005-2010**

<b>Financial Year</b>	<b>2005/0 6</b>	<b>2006/0 7</b>	<b>2007/0 8</b>	<b>2008/0 9</b>	<b>2009/1 0</b>
UK Civil Service	15.8	11.8	8.8	11.5	13.5
Staff Appointed in Tanzania	28	29(1 <sup>+</sup> )	20(1 <sup>+</sup> )	20.4	19.4
<b>Total</b>	<b>43.8</b>	<b>41.8</b>	<b>29.8</b>	<b>31.9</b>	<b>32.9</b>

<sup>+</sup> Staff appointed in Tanzania on posting to another country programme

**Table 6. Irish Aid staffing 2005-2010**

<b>Calendar year</b>	<b>2005</b>	<b>2006</b>	<b>2007</b>	<b>2008</b>	<b>2009</b>	<b>2010*</b>
Diplomatic	5	5	5	4	4	5
Staff Appointed in Tanzania	12.5	13.5	13	14	14.5	16
<b>Total</b>	<b>17.5</b>	<b>18.5</b>	<b>18</b>	<b>18</b>	<b>18.5</b>	<b>21</b>

\* Half year only

5.31 The evaluation found that managing a complex dialogue framework requires sufficient technical skill as well as political process expertise and the capacity to pursue the ‘managing for development results’ agenda. Once the staff complement falls below a critical level there is a risk of losing the space and skill range to support the dialogue and also explore alternative strategic entry points. Some staff reported difficulty adjusting to a programme with an established BS structure. Project design and management skills are less relevant and the process skills of negotiation, developing appropriate monitoring systems and working more closely and at higher levels with government, UN and other multilateral agencies to maximise the comparative advantages of different institutions are required. Smaller, more experienced teams that can draw on the skill and expertise of colleagues and consultant inputs can benefit from the transaction cost savings. Irish Aid seems appropriately structured and has linked diplomatic and development functions, which it uses

effectively. However as it has such a small team, gaps can cause critical weaknesses. For example the absence of an economist and the vacant post for a second development specialist both limited scope. DFID has faced significant staffing reductions that put at risk its capacity to continue to deliver as strongly as it does. The expectation of technical coverage and reporting, and the demands of the leading role in the dialogue process require both sufficient and experienced staff who are sensitive to the context.

5.32 Evaluators observed opportunities for strengthening synergies across and between the office teams. Governance is a particularly strong example, since it is both a MKUKUTA cluster and a programme area in its own right, as well as being a cross-cutting issue. More could be done to forge stronger links between clusters – for example, the social development implications of work to support civil society. Similarly, advisers working in sector dialogue processes could usefully be sharing perspectives from sector and local government levels to support the development of an office-wide understanding of the broader political economy and drivers of change, and hence develop a nuanced understanding of where there appears to be potential to support positive change.

5.33 Local staff reported themselves as broadly happy with their work – particularly on the professional elements – focussing on opportunities, gaining exposure and collaborative working with other DPs and stakeholders. The staff in DFID were concerned that, with cuts in staff numbers, the workload was too high and that there was insufficient time to be able to concentrate and carry out work in a satisfactory way. Staff in both Irish Aid and DFID expressed concern at the existence of a ceiling on their promotion prospects, and a lack of clarity about human resource structures and systems; that is left too much to the discretion of individual senior staff members.

5.34 Local staff in both Irish Aid and DFID demonstrated examples of where they are delegated decision making authority and represent their organisations and feel respected in that role – but also suggested that they have the capacity to contribute further to a broader understanding of the dynamics within GoT. This requires improved systems within the office for listening and developing a culture of sharing emerging understanding – part of a positive office culture.

5.35 Maintaining professional continuity presents a significant challenge, especially with the turnover of expatriate staff. Those with HR responsibilities in Dublin and London have to ensure that there is time for a proper handover from outgoing to incoming staff, and avoid a situation where a high proportion of expatriate staff leave at the same time. Local staff often provide the continuity and institutional memory at such times, and as indicated above, it is important that the office culture systematically supports this learning. The extended induction period that DFID gives to staff is positive as it recognises that there is a limit to what any new member of staff can take on in their first few weeks in a new post. However, it is important – and repeatedly stressed by government partners – that incoming staff understand the long-term trajectory that their work contributes to. Reading handover notes and reports from the past couple of years is insufficient in this respect and may have contributed to unrealistically high expectations that some incoming DP staff (not necessarily Irish Aid or DFID) had of the pace of Tanzania's reforms early in the evaluation period, followed by an unduly pessimistic revision of opinions from 2007/8 onwards.

5.36 Staff within DFID and Irish Aid both commented positively on times during the evaluation period when the head of development/head of office had an open and consultative approach to management. Having 'an open door' is particularly appreciated, and contributes to a culture of cross-learning within the organisation. Staff in both DFID and Irish Aid expressed the opinion that too much HR and personnel management is left to the discretion of the head of office/development. There would be value in incoming staff in leadership roles working, not only to manage the technical side of their work, but also to understand how their predecessors developed and supported team roles and development both within each agency and across the wide DP group.

## **Headquarters Policy and Programme Relationships**

5.37 The evaluators reviewed the support from civil society that is channelled directly from both headquarters. In addition, though at a lower level, there is central support for research and new initiatives including climate change. Drawing on the skills of UK and Irish international NGOs, and the opportunities presented by regional and global learning and challenge fund type arrangements has benefits, however the linkages between headquarters programmes and the two country programmes are weak and the potential synergies are not being exploited. Information channels between the in-country teams and their HQ colleagues were insufficient. For example, the civil society programmes were not well coordinated and, in some cases, basic information about organisations being supported was unavailable. This absence of sharing extended to contractors; KPMG manage both AcT for DFID Tanzania and the Governance and Transparency Fund for DFID's central Civil Society Department and yet the two KPMG teams are not sharing experience.

5.38 The weaknesses in HQ/country programme interaction seems to extend to wider policy as well. Staff in Tanzania expressed concerns that the difficulties of implementing the BS relationship was not understood by HQ colleagues whilst HQ appreciation of how the application of BS and Paris Principles changed and developed over time was insufficient for them to give advice and support. More mutual lesson learning round the realities of programme management would benefit both sides. Staff in both country teams also commented on the significant increase in reporting to HQ. Clearly the changing domestic political and economic contexts are increasing requirements for information. However the evaluation was concerned to note what appeared to be a somewhat naïve desire for attribution of results, which is inappropriate in a such a BS context. Further, expecting feedback across all sectors in formats to meet domestic requirements conflicts with common monitoring systems, collaborative working, and divisions of labour within Tanzania.

5.39 Given the reduced political commitment to reform and the current strained relationships within the overall GBS dialogue, building on the success of BS in Tanzania and moving to the next stage is particularly challenging for DFID and Irish Aid, especially given the high regard in which they are held and the intellectual lead they are often seen to take. Having to give more attention to HQ demands reduces the space and focus on a country led approach. There is much that can be learned by both agencies from the experience to date in Tanzania. A stronger sense of team working between HQ and in country colleagues and more support in dealing with the challenging task of restoring and deepening relationships with GoT and amongst DPs should be a priority.

## **Box 7 Summary of Evaluation Findings with respect to the DFID and Irish Aid Strategies**

DFID and Irish Aid's strategies have shown a consistency of approach that pre-dates the evaluation period and are grounded in their respective national policy commitments and long-term commitment to Tanzania and partnership with GoT (para 5.2-8).

The strong roles played by both DFID and Irish Aid with respect to the BS process have been significant and are widely acknowledged. However, as change emerged in the BS process the strategies were found to be limited. Irish Aid took the opportunity of its MTR to refocus whilst retaining the underlying direction. DFID has been slower to respond but has recently begun a similar realignment. These strategic developments need to be developed and communicated more positively (para 5.9-10).

DFID and Irish Aid's strategies have been implemented effectively and brought increased resources in support of BS and overall development in Tanzania, responding particularly to the appreciation of the weak links between growth and income poverty (5.17).

Whilst, for the level of expenditure transaction, costs are low, in terms of the policy dialogue, the human resource demands for a leading DP are considerable. Both DFID and Irish Aid play key roles as chairs of working groups and in other aspects of the dialogue process. Such policy engagement requires skill, experience and time, complemented by support from HQ (para 5.15-17).

### **Turning to the specific evaluation issues that have been addressed at least in part in this chapter:**

#### **6. Internal capacity within Irish Aid and DFID country offices**

Irish Aid is appropriately structured and makes effective use of the linked diplomatic and development functions. However, in a small team gaps can cause critical weaknesses. DFID has faced significant staffing reductions that put at risk its capacity to continue to deliver as strongly as it does. The expectation of technical coverage and reporting and the demands of the leading role in the dialogue process require both sufficient and experienced staff who are sensitive to the context (paras. 5.28-31).

The pressures on staff can reinforce traditional sector roles and weaken joint working. Synergies within teams, maximising the contribution of local staff and leadership are areas where improvements and lesson learning could bring greater benefits (para. 5.32-36).

#### **7. Vertical/central demands and initiatives**

Domestic considerations and HQ pressures are detracting time and attention from the country focus required for effective support to BS and the related dialogue. Stronger team working between HQ and in-country colleagues, with more support in dealing with the challenging task of restoring and deepening relationships with GoT, should be a priority (para.5.37-9).

#### **8. Headquarter Funding versus Country Office Engagement**

Linkages are weak with insufficient information flows between the in-country teams and their HQ colleagues for both DFID and Irish Aid. The potential synergies are not being exploited by either agency or, in some cases, their NGO partners and contractors (para. 5.37).

#### **9. How are Irish Aid and DFID perceived as DPs by GoT and within the DP community?**

Both DFID and Irish Aid are perceived by their peers and GoT as stronger advocates of BS than the DP group as a whole. Being in the vanguard is a challenge and a risk (paras 5.26-27).

#### **10. Cross-cutting issues (HIV/AIDS, governance, environment, climate change, gender)**

Cross-cutting issues are often squeezed out in BS dialogue processes. Here, DFID and Irish Aid have played strong roles across a number of sectors, notably gender and environment. The challenge for both, in terms of cross-cutting contributions in this BS environment, is to achieve more effective division of labour (paras. 5.18 & 5.25).

## **6. Main Findings and Lessons**

6.1 This chapter summarises the main findings from the whole evaluation – development results; budget support, from both a policy and process perspective; the role of non-state agency, again from both a policy and process perspective; and the DFID and Irish Aid strategies, their implementation and the financial and human resources factors. Subsequently the lessons learned from the evaluation are presented under the ten evaluation issues, responding to the specific evaluation questions in the ToRs where relevant.

### **Development Results**

6.2 The period covered by this evaluation (2005–2010) has seen Tanzania maintain the progress it achieved in its development results over the previous five years and, in some areas, build significantly on these foundations. Guided for the first time by a fully Tanzanian PRS (MKUKUTA), ambitious targets were set for growth, income poverty and human development.

6.3 Economic growth averaged a 7% increase in GDP per year from 2001–2008 and whilst it dropped in 2009 due to the global recession the MKUKUTA target of 6–8% will be met for the whole period. The evaluation confirmed the view that this growth is not translating into poverty reduction. The frequency and quality of data is improving but the HBS remains the main measure and the 2001 and 2007 results give a reasonable assessment of consumption and hence poverty trends for the first time. More analysis is required but the evidence seems clear. However, growth is focused on public sector consumption and so, to date, has had little effect on incomes.

6.4 The increased public expenditures have resulted in growth in the social sectors and in infrastructure (roads). Human development impact is marked, especially some health and education indicators, notably primary and secondary enrolments as well as infant and under five mortality, though other aspects of service quality still lag behind. Inequities in social sector allocations to the most disadvantaged districts have persisted, despite the increased prominence given to this issue in policy dialogue.

6.5 In general, development results in areas of reform have been disappointing (though progress with decentralisation and some aspects of PSR are more positive). This is especially true of PFM reform, implementation of anti-corruption measures and improvements to the business environment. A reduced level of presidential attention to the reform agenda does appear to have been a relevant factor. Beyond this, the evaluation concludes that poor reform performance can be explained by underlying capacity constraints, by the increasing complexity of reforms and by the failure to establish an appropriate dialogue process to address these problems constructively.

6.6 We conclude that overall there is evidence of continued improvement in development results though at a slower pace, which in some respects is to be expected. There needs to be more emphasis on income related growth, especially for the poor, alongside, but not instead of, the major increases in public sector investment; the next stage of continued support should focus on the shortfall in quality and equity that remains.

### **Budget Support**

6.7 Tanzania has been at the forefront of the global move toward enhancing the effectiveness and efficiency of external assistance. A central element of this was the move toward the use of GBS based around the priorities identified in the 2000 PRS. From its genesis in 2000/01 GBS has moved forward, linked to MKUKUTA since 2005, with some 14 DPs providing PRBS.

6.8 GBS has contributed 18–20% annually of total public spending over the evaluation period, and, together with domestic revenues, it has enabled public spending to more than double over the period 2004 to 2009, supporting the results noted above. Complementary to GBS is the additional support through SBS resulting in a large proportion of direct support through GoT systems. Overall transaction costs have remained manageable and disbursements predictable. Such a significant contribution to spending in these areas could not have been made through other aid modalities. However as noted, the growing complexity of the dialogue process has increased demands on both DP and GoT staff and here the pressures on time and skill is significant (see para 5.15).

6.9 Attempts to incite a stronger GoT reform response, through tighter external monitoring and withholding of performance tranches, have not been successful. Moreover, there are signs that they have had a detrimental effect on the quality of dialogue. This has been exacerbated by the focus given by DPs to corruption, seen by many GoT bureaucrats as a political issue beyond the reach of the development process and therefore unhelpful. Further attempts to use ‘policy leverage’ to compensate for known weaknesses in democratic accountability have been misplaced and have had detrimental effects on the quality of policy dialogue. The net effect has been a loss of mutual trust and reduced space for open discussion and exchange. This runs counter to the evaluators’ understanding of effective dialogue and has hampered progress since 2006.

6.10 BS has been successful in providing increased discretionary funds to high priority areas. It has not generated improved democratic accountability and has had limited impact as an instrument of policy leverage. There remains a continuing and important place for GBS in Tanzania, where substantial improvement in the coverage of public services is necessary to progress towards the MDGs. However, the evaluation supports a relative reduction in the scale of GBS and SBS until the issues of quality, efficiency and equity in public spending are addressed through a revitalised dialogue process.

## **Non-state Agency**

6.11 The space for non-state actors has traditionally been limited and anxieties remain at a cultural level regarding the processes of organising, be they private businesses, farmers groups or civil society organisations. Nevertheless, agency is increasing beyond the state and contributing, albeit slowly, to democratic governance and economic growth.

6.12 Civil society support has been too narrowly targeted on encouraging engagement in the national policy dialogue process and on selective NGOs, many primarily involved in service delivery rather than the promotion of accountability. DFID and Irish Aid has begun to address this weakness but deeper understanding of the variety and range of civil society, the political process and the political economy are required.

6.13 Resistance to reform by GoT across agriculture, private sector and trade seems more to do with the lack of political leadership than with substantive blocks. Uncertainty over the direction and shape of private sector development makes it difficult for DPs to find catalytic entry points. However the experience with both business and agricultural reform suggest to the evaluation team that more substantial direct investment would be a more productive approach rather than linking private sector change exclusively to public sector interventions supported through GBS.

## **DFID and Irish Aid Strategy**

6.14 DFID and Irish Aid’s strategies have shown a consistency of approach that pre-dates the evaluation period and is well grounded in their respective national policy commitments. Both agencies have played key roles in the promotion of new thinking and direction to development;

DFID being instrumental in the early stages of PRBS and continuing to make significant contributions and Irish Aid through its deeper focus at sector level in agriculture and health and its leadership in gender and the One UN process.

6.15 Both strategies have been implemented effectively over the evaluation period, bringing increased resources in support of BS and overall development and maintaining a strong DP consensus through contributions to the overall dialogue process and chairing of particular sector and thematic working groups.

6.16 Overall, human resources are of high quality and have been applied and managed effectively. Specific concerns and improvements related to support from HQ, skills, synergies and team working were raised by the evaluators and are covered under the lessons learned.

## Lessons Learned

6.17 Specific lessons learned from the evaluation are grouped under the 10 evaluation themes:

### 6.17.1 **Despite 6-8% economic growth over the past years, income poverty trends in Tanzania appear to be largely stagnant**

- Growth is largely accounted for by public sector consumption and is in areas that only employ a small proportion of the workforce; thus it has little direct effect on incomes. Aid generally, and budget support in particular, has impacted on the public expenditure increases and has thus contributed significantly to the non-income poverty results.
- During the evaluation period, agricultural sector growth has remained far short of the MUKUKUTA target (10%), with ASDP and *Kilimo Kwanza* failing to make significant impact. The traditional reliance on achieving growth by supporting smallholder agriculture through the local government extension service is not sufficient.
- Tanzania's development strategy needs to take a more positive and enabling role towards agriculture and the private sector, not limiting its support to traditional public sector functions and focusing on substantive change at the national and regional level.
- Private sector and trade investments have also had limited impact. Resistance to reform by GoT across agriculture, private sector and trade seems a function of political leadership rather than substantive blocks. Uncertainty over the direction and shape of private sector development and the weakness of all non-state actors makes it difficult for DPs to find catalytic entry points.
- DFID and Irish Aid investments in agriculture, the private sector and other growth related areas through the public sector have had limited impact. Whilst the case for renewed effort in the investment climate space is acknowledged, the balance should be readjusted.

### 6.17.2 **The balance between budget support and non-budget support**

- Budget Support continues to be effective – it is supporting higher public spending in the right areas, for relatively low transactions costs (compared to alternative modalities), and consequent improvements in the scale and scope of public services.
- SBS and CBF arrangements have provided complementary opportunities to focus more specifically at sector level, targeting the issues of equity, efficiency and quality, though results remain elusive.

- Experience is sector specific depending on the range of instruments, actors and the capacity of GoT to lead. Choices also depend on the comparative advantage in terms of experience, expertise and relationships that a particular DP brings.
- A balance of modalities, within the principles of alignment and harmonisation, enables innovation and flexibility that can enrich BS. Irish Aid has been successful in adopting this diversity across their portfolio and their experience in health and agriculture provides useful sector specific lessons.
- High proportionate commitments to BS limit the scope for direct investment in the private sector and civil society. Even with a strong state partnership there needs to be sufficient space for non-state investment and interventions.

#### **6.17.3 Aid architecture and its role in providing incentives to the Government of Tanzania**

- Consistent and coordinated support through PRBS reinforced GoT leadership and alignment to MKUKUTA, and brought a degree of harmonisation that has extended to non-BS projects and funders.
- DP support has been critical to encouraging reform, though with less success. DFID has played a key role, particularly as lead of the DP groups on PFM and private sector development and trade, addressing weaknesses in the dialogue process and broadening the focus of DP discourse respectively. Irish Aid has been amongst those supporting decentralisation and local government reform, and its move away from ABPs has made a significant contribution to the decentralisation process.
- The GBS policy dialogue approach was overambitious and the emphasis on policy leverage and the use of policy conditionality became counterproductive, weakening the quality of the engagement.
- When GBS dialogue structures become too complex and multi-tiered, with an undue focus on the negotiation around a growing set of indicators, the space for discussion and ideas exchange is reduced. The pressure on the partner government can stretch their resources, understanding and patience as well as increasing DP transaction costs.
- Sector dialogue can enhance the depth and quality of the discourse and has the potential to extend sector wide policy engagement more comprehensively, engaging non-BS DPs and non-state actors.
- Over emphasising civil society participation in formal policy processes, though important to reinforce the value of alternative voices, can limit the development of a fully nuanced appreciation of the processes of participation, especially at local levels.

#### **6.17.4 Are there constraints on the Government of Tanzania to deliver and manage large aid flows?**

- GoT has managed significant increases in aid (notably BS) alongside increases in domestic income. The broad pattern of resource allocations over the past five years has been fully consistent both with the requirements of sustainable macroeconomic management and with the objectives of MKUKUTA.
- The increase in aid flows through GBS has not undermined GoT revenue efforts. Public expenditures doubled over the evaluation period due to domestic revenue and external assistance, notably BS, with domestic revenues growing faster, thus reducing aid dependency.

- The management of the increased income has been applied appropriately. The social sector's share of expenditure has remaining constant (40%), with economic expenditure increasing sharply and defence and security decreasing sharply. Expenditures on the 'priority sectors' – agriculture, education, health, roads and water – have grown significantly faster than non-priority spending, and 'pro-poor expenditures', as classified in MKUKUTA, have increased from 27% of all expenditures to 46%.
- The difficulties are not with the scale of aid flows but with the equitable, efficient and effective delivery of services resulting from the increased public expenditure. Here, further investigation is required to identify the management and operational constraints as well as any residual public expenditure issues.
- Until these efficiency problems can be resolved, it does not seem appropriate to raise public spending much beyond its current level of 25.5% of GDP. If domestic revenues continue to grow fast, then BS must decline in relative terms.

#### **6.17.5 Scrutiny and accountability to civil society**

- There has been an increase in the availability and dissemination of information over the evaluation period – particularly evident in the media. However, knowledge and understanding of budget processes and decision making by central and local government have constrained accountability to civil society and also to parliamentarians and local elected representatives.
- All stakeholders (e.g. the media, NGOs, civil society, private sector entrepreneurs, politicians) are becoming more assertive, aware and vocal – though this is not synonymous with influence. Accountability requires information, understanding, platforms for articulation and processes and procedures that ensure decision makers listen and respond.
- Policy development is a political process and the GBS dialogue a limited arena – civil society has a much larger accountability, consultation and participation function.
- Corruption is a growing constraint and is perceived as a major problem. However, knowledge about the scale, nature and impact of corruption is limited.

#### **6.17.6 Internal capacity within Irish Aid and DFID country offices**

- Relatively small country programmes can make a substantial contribution. Irish Aid is appropriately structured and has made effective use of the linked diplomatic and development functions. However, in a small team key vacancies can be critical.
- The expectation of technical coverage and reporting and the demands of the leading role in the dialogue process require both sufficient and experienced staff, who are sensitive to the context. DFID has faced significant staffing reductions that put at risk its capacity to continue to deliver as strongly as it does.
- The pressures on staff can reinforce traditional sector roles and weaken joint working. Synergies within teams, maximising the contribution of local staff and leadership are all areas where improvements and lesson learning could bring benefits.
- An appropriate balance of skill and experience in teams is necessary for meeting the challenges of a maturing and challenging BS environment.
- Niche, specialist interventions should not be overlooked in BS environments. DFID's support to the NBS and Irish Aid's role with respect to gender are two particular examples noted by the evaluation. Both dependent on specific staff capacity and skill.

#### 6.17.7 **Vertical/central demands and initiatives**

- Domestic political considerations, HQ pressures and reporting are detracting time and attention from the country focus required for effective support to BS and the related dialogue.
- There is a difference between the understanding of BS (as a modality and a management process) and the Paris Declaration principles (of alignment, harmonisation and management for development results) from a HQ perspective and within country offices. Greater sharing, of not only information but also insights and understandings, will deepen the mutual support required for effective delivery.

#### 6.17.8 **Headquarter funding versus country office engagement**

- Funding from HQ (for civil society, trade, climate change, research etc.) can provide innovative opportunities and engagement with new partners. However the potential synergies between the two funding routes are not being exploited by either agency or their partners and contractors.
- Linkages between HQ and country offices are weak for both DFID and Irish Aid with insufficient information flows or shared lesson learning.

#### 6.17.9 **How are Irish Aid and DFID perceived as DPs by the Government of Tanzania and within the wider development partner community?**

- Both DFID and Irish Aid are highly regarded by their peers for their programmes and the contributions they make; they are perceived as being stronger advocates of BS than the DP group as a whole.
- Particular views or opinions are given more attention and can be highly influential on GoT or other DPs when they are expressed by DFID or Irish Aid. Being, or being seen to be, in the vanguard is a challenge and a risk.

#### 6.17.10 **Cross-cutting issues (HIV/AIDS, governance, environment, climate change, gender)**

- Cross-cutting issues are often squeezed out in BS dialogue processes. Here DFID and Irish Aid have played strong roles in a number of cases, notably gender and environment.
- As they are often the sole source of particular cross-cutting expertise the challenge for DFID and Irish Aid, in this BS environment, is to achieve more effective division of labour, and the involvement of other DPs.

## **7. Conclusions and Recommendations**

### **Conclusions**

7.1 The evaluation concludes that GBS continues to be effective in generating positive service delivery outputs and outcomes. Poverty income is a major problem that is better addressed by focusing on income related growth, especially for the poor, and this is not achieved primarily through public expenditure increases. Expectations of direct reform impacts from GBS were misplaced. They require more specific and dedicated attention and depend more on domestic commitment. Dialogue could have been better organised and managed and has encountered structural and process difficulties.

7.2 The strategic emphasis of both DFID and Irish Aid on BS was highly appropriate and remains so. The challenge is to ensure the benefits of GBS contribute to better results – quality and management at implementation level. SBS and other sector level support have complementary benefits but other interventions are also needed. The BS vehicle may be getting a little tired and the engine needs attention but the instrument is still the best option. The counterfactual, a return to a project based and divided DP approach with no opportunity for dialogue around reforms and results would be a major step back.

7.3 The early adopters of BS in Tanzania were over optimistic. This may have been necessary to overcome initial inertia but more realism and lesson learning has emerged. Those at headquarters level who were involved in Tanzania at the outset of BS need to appreciate the changed context so that the current difficulties are understood and overreaction in the face of changing circumstances is avoided. Similarly the present country office management needs to consider changes in style in order to engage more effectively with GoT and lead a renewal of the dialogue relationship. Supporting their in-country team and building better communication and HQ/country office synergies will also be important.

7.4 The context has changed and much has been learned – implementation in a BS environment is challenging and both offices have shown imagination and perseverance. In particular we consider that the strategy pursued by DFID and Irish Aid over the last two years, to scale down the relative importance accorded to BS in their future portfolios, is appropriate. BS is delivering higher public spending in broadly the right areas for relatively low transactions costs (compared to alternative modalities) and consequent improvements in the scale of, and scope for, public services are being achieved. Yet the expansion of public spending is meeting diminishing returns, as allocative and operational efficiency declines.

7.5 The two country strategies have developed over time in appropriate and effective ways, giving DFID and Irish Aid clear direction, and providing the basis for programmes that have delivered well and roles, within the DP community, that have generally been respected and valued by other DPs and GoT. The challenges that arose in 2006, when the initial impetus of the modality and the dialogue opportunities began to wane, followed by the difficulties provoked by particular high profile corruption cases, diverted attention and compounded some of the loss of direction. A more political agenda weakened attention to the development priorities and the technical aspects of managing complex GBS arrangements. A balance of priorities and expectations needs to be restored, as part of a reframed approach that can be the basis of renewed confidence and trust in what has shown itself to be a successful and appropriate approach to development in Tanzania and the arrangements for its support by DPs.

## **Recommendations**

### **For Irish Aid and DFID in Tanzania**

7.6 DFID and Irish Aid should promote a renewal of the dialogue architecture and process, and a rebuilding of the relationship of trust with GoT. Within this, three changes to the future structure of BS should be considered:

- A relative reduction in the scale of General (and Sector) budget support until the issues of quality, efficiency and equity in public spending are systematically addressed.
- Measures to revitalise the policy dialogue and re-establish confidence, around a narrower agenda focused more closely on the GoT budget and on service delivery issues, with a pre-requirement that information on the budget, on spending, and on results should be shared by GoT on a timely basis. Requirements for information should be clearly spelt out and should be enforced, if necessary, by withholding BS disbursements, since information exchange is an eligibility condition for the operation of BS.
- A change in the nature of disbursement arrangements to focus conditionality on eligibility conditions and avoid attempts at policy conditionality.

7.7 PSR is best supported with focused, niche approaches, possibly led by a single development partner who can build a closer relationship, utilising a range of flexible interventions rather than through large standalone programmes. DFID and Irish Aid should propose that all the major reform programmes should be reviewed and more effective means of providing support complementary to GBS discussed with GoT.

7.8 DFID and Irish Aid should explore ways of opening up the space for understanding policy processes and options with GoT, including the use of technical assistance, to promote policy research and dissemination, not just to GoT but also in academic circles, the media and the wider community.

7.9 DFID and Irish Aid should give higher priority to (possibly joint) induction and staff development in Tanzania with a focus on the skills and knowledge required to engage in effective policy dialogue, and a deeper understanding of the dynamics of change and the nature of the political economy in Tanzania.

### **For Irish Aid in Tanzania**

7.10 Irish Aid in Tanzania should maintain the current effective mix of modalities balancing its support for GBS with sector based support and also specific projects in order to build on the role it has established in agriculture, health and the cross-cutting issues of gender and decentralisation.

7.11 Irish Aid in Tanzania should use its extensive expertise, reputation and position in the agriculture sector to strengthen ASDP and explore ways to complement the programme by expanding its support to agricultural development, direct initiatives and investments, and additional research through non-state channels.

7.12 Irish Aid in Tanzania should prioritise its support in the health sector on building stronger synergies amongst DPs and the MoH with a focus on health outcomes and the decentralisation of service delivery.

7.13 Irish Aid should continue to play a lead role in supporting local government reform and decentralisation ensuring that the LGRP is mainstreamed into PMO-RALG; and that the integration of social sector development and recurrent funding into the reformed transfer mechanism to LGAs is undertaken strategically with appropriate linkages to the respective sector programmes.

7.14 Irish Aid should review the recent experience of building effective synergies between the diplomatic and development functions of the Embassy, identifying the strengths and weaknesses so that future practice can be improved and lessons can be shared with other offices.

7.15 Irish Aid in Tanzania should continue to develop its capacity for team working and collaboration as a small multitasked office with regular reviews and skill development for the team as a whole, focusing in particular on cross discipline synergies and the contribution of Tanzanian staff to effective teamwork.

### **For DFID Tanzania**

7.16 DFID Tanzania should continue to prioritise GBS within its portfolio, focusing its support around improvements to the policy engagement with GoT and its support for PFM, with a balanced programme in which there is sufficient space for major increases in strategic support to non-state actors.

7.17 DFID Tanzania should develop a more radical and substantive programme of direct support for private sector development (including agriculture) that provides significant funding to new industries and entrepreneurs, and addresses market access nationally, regionally and globally.

7.18 DFID Tanzania should use its acknowledged expertise and comparative advantage to support GoT to undertake deeper analysis of the dynamics of poverty, including distributional factors and other disparities, in order to address issues of equity in public expenditure and service delivery poverty issue through technical support and commissioning independent studies to inform understanding and debate.

7.19 DFID Tanzania should explore (with other DPs and GoT) the commissioning of work to advance a deeper understanding of the impact of corruption on the economy and the direct and indirect effects on the poor so that interventions aimed at mitigating these effects can be developed.

7.20 DFID Tanzania should review its staffing to take account of emerging programme needs, ensuring a balance of sector and cross-cutting expertise, drawing on both UK and Tanzanian appointed staff and prioritising skill and experience related to working in BS environments.

### **For Irish Aid and DFID Headquarters**

7.21 In their support to offices engaged in providing budget support and in promoting the modality themselves, DFID and Irish Aid HQs should review their own guidance and policy positions in the light of this evaluation:

- reaffirming GBS as a preferred aid modality for providing, harmonised, country led, support to governments to enhance public expenditure in accordance with agreed poverty focused strategies;
- promoting greater modesty over what it is reasonable to expect to be achieved through public spending and, by implication, through BS;

- acknowledging that the policy, institutional, and human resource obstacles to good public spending are multiple and complex: this complexity needs to be better understood and respected; and
- clarifying the place and value of policy leverage and the use of policy conditionality.

7.22 DFID and Irish Aid should promote stronger team working between HQ and in-country colleagues with joint lesson learning and more support in dealing with the challenging task of restoring and deepening relationships with GoT.

7.23 The linkages between all HQ based funding programmes (civil society funding, research, climate change etc.) and country offices should be reviewed and attention given to building effective joint working, information exchange, shared reviews and lesson learning.

## **8. Irish Aid and DFID Management Responses**

### **Irish Aid Management Response**

8.1 Irish Aid welcomes the findings and recommendations of the Joint Programme Evaluation (JPE). The current CSP was found to have been developed appropriately and implemented effectively. It is clearly aligned with MKUKUTA priorities, the goals of our White Paper and the Hunger Taskforce, global priorities such as the Millennium Development Goals, as well the aid effectiveness agenda internationally and in Tanzania. The JPE finds that the Irish Aid programme has shown a consistency of approach that is well grounded in policy, has been implemented efficiently over the evaluation period, and has shown an effective mix of modalities.

8.2 The report recognises that the strategic emphasis of Irish Aid on budget support was highly appropriate and remains so. The report finds that Irish Aid should maintain the current effective mix of modalities, balancing its support for General Budget Support with sector-based support and also specific projects in order to build on the role it has established in agriculture, health and the cross-cutting issues of gender and decentralisation. The findings and recommendations of the JPE will clearly inform the design of the new Country Strategy Paper (CSP).

8.3 The Irish Aid management response to the evaluation recommendations is set out below. A general caveat applies in that the precise objectives and focus of the new CSP 2011-2015 still need to be fully explored and ultimately endorsed by our approval process.

No	Recommendation	Management Response
<b>Recommendations For Irish Aid and DFID in Tanzania</b>		
1	<p>DFID and Irish Aid should promote a renewal of the dialogue architecture and process, and a rebuilding of the relationship of trust. Within this, three changes to the future structure of BS should be considered:</p> <p>A relative reduction in the scale of General (and Sector) Budget Support until the issues of quality, efficiency and equity in public spending are systematically addressed.</p> <p>Measures to revitalise the policy dialogue and re-establish confidence, around a narrower agenda focused more closely on the GoT budget and on service delivery issues, with a pre-requirement that information on the budget, on spending, and on results should be shared by GoT on a timely basis.</p>	<p><b>Broadly Accepted.</b></p> <p>Irish Aid welcomes the broad recommendation to promote a renewal in the dialogue with the Government of Tanzania (GoT). A great deal of time and effort was invested in designing and implementing the new dialogue structure and in agreeing the division of labour. This was a protracted and, at times, contentious process for DPs and GoT and was only formally agreed in 2009. Thus it may be too early to recommend a review or determine impact. Ireland will continue to use its longstanding positive relationship with the Tanzanian government and continue a wide repertoire of engagement (informal, unstructured approaches and wider alliance building) outside the formal structures to contribute to the renewal of the dialogue process as per recommendation nine below. Initial informal top level contacts with the new Tanzanian Government indicate that our willingness to revitalise the dialogue is reciprocated.</p> <p>The JPE found that the strategic emphasis of Irish Aid and DFID on budget support was highly appropriate and remains so, but that some re-balancing of support drawing on Irish Aid’s effective mix of modalities may be desirable. Irish Aid agrees with the recommendation for a rebalancing in the scale of General Budget Support (GBS) to allow more funding to be channelled through other modalities using diversified approaches in order to tackle poverty from different angles. However, issues of quality, efficiency and equity are complex. They will be addressed through appropriate strategies, in collaboration with the GoT, development partners, civil society and the private sector. Despite being discussed within the GBS dialogue for a number of years now, the issues have not been effectively addressed. Therefore, finding more innovative ways to improve service delivery and equity issues is likely to be a key focal area in new CSP. The recommendation needs to be read together with the positive findings in the body of the report on the Health Common Basket Fund particularly around strengthened district level health services.</p> <p>We agree with this recommendation and recognise that the GBS agenda for dialogue is too broad, at times too detailed, and there is scope to tighten the PAF and that budgetary issues and quality of service delivery should be more central. The first steps toward a slimmer more strategic PAF have already been made by GoT and GBS development partners and early signs are encouraging. We will also ensure that the revised MoU will contain an clear, explicit reference to timely availability of budget information. However, for GBS to increase domestic accountability, the information sharing must first be between GoT and the Tanzanian public and not only be between GoT and DPs. We</p>

	<p>Requirements for information should be clearly spelt out and should be enforced, if necessary, by withholding BS disbursements, since information exchange is an eligibility condition for the operation of BS.</p> <p>A change in the nature of disbursement arrangements to focus conditionality on eligibility conditions and avoid attempts at policy conditionality.</p>	<p>agree with this recommendation which is valid beyond the programmes under review. Central is how we define 'eligibility conditions'.</p> <p>Our objectives for GBS are realistic and achievable and remain valid. Continued policy dialogue with GoT is a central to GBS and our current GBS Guidelines in HQ go beyond satisfying mere eligibility conditions/underlying principles. We believe it is important to be able to consider policy implementation when considering general budget support.</p> <p>The recommendation could be shared with the GBS External Evaluation team that will begin early in 2011.</p> <p>Any change to this would require prior approval from HQ (see recommendation 11)</p>
2	<p>PSR is best supported with focused, niche approaches, possibly led by a single development partner who can build a closer relationship, utilising a range of flexible interventions rather than through large standalone programmes. DFID and Irish Aid should propose that all the major reform programmes should be reviewed and more effective means of providing support complementary to GBS discussed with GoT.</p>	<p><b>Not Fully Accepted.</b> The practical consequences of the proposed change are very significant. This recommendation would need to be expanded through further analysis and very careful consideration. We do agree that niche interventions can be useful <i>in parallel</i> to the reform programmes, to address, for example, cross-reform bottlenecks.</p> <p>In relation to the second sentence, we do agree that the reforms would benefit from being reviewed and streamlined to build on lessons learned. However, this would need to be done pragmatically, as and when each reform reaches the point of review. Ireland is not in a position to recommend review of reforms that it is not involved in - e.g. Legal Sector Reform Programme (LSRP).</p> <p>The design phase of Local Government Report Programme II (LGRPII) began in 2006 and LGRP was officially in transition from 2007 to 2009 (in practical terms it remains in transition today). If the programme is radically reviewed it is likely to mean another year or two of dialogue about the process rather than programme implementation and ultimately the capacity of local government authorities will suffer. We believe that a more pragmatic approach is preferable whereby the programme is managed carefully (i.e. scaled up or down) in light of performance, operational and absorption capacity. The Public Financial Management Reform Programme (PFMRP) is currently being reviewed and this presents an opportunity to revisit the scope and set up of the reform to build on lessons learnt. A positive example is that the review is considering different modes of engagement for development partners (e.g. a division of labour) which could result in a single lead DP in a particular area (e.g. audit). This might enable the building of closer relations and a more flexible approach, as recommended above.</p>
3	<p>DFID and Irish Aid should explore ways of opening up the space for understanding</p>	<p><b>Accepted.</b> Irish Aid welcomes the suggestion made in the report to promote policy research, niche interventions and dissemination. This is already underway in a number of sectors including</p>

	policy processes and options with GoT, including the use of technical assistance, to promote policy research and dissemination, not just to GoT but also in academic circles, the media and the wider community.	health, agriculture and governance and is likely to be further strengthened in the new CSP. The recommendation for technical assistance will also be considered in light of the work being done internally at HQ and the demands of the GoT.
4	DFID and Irish Aid should give higher priority to (possibly joint) induction and staff development in Tanzania with a focus on the skills and knowledge required to engage in effective policy dialogue, and a deeper understanding of the dynamics of change and the nature of the political economy in Tanzania.	<b>Accepted.</b> Irish Aid welcomes the recommendation and recognises the importance of on-going staff development in a rapidly changing environment and the need to maximise resources and share learning wherever possible. The team has already started to liaise with DFID on opportunities for joint training as these arise such as the proposal for training on public financial management. Further Political Economy Analysis work is planned for 2011 when the focal areas of the new CSP are identified.
	<b>Recommendations for Irish Aid Tanzania</b>	
5	Irish Aid in Tanzania should maintain the current effective mix of modalities balancing its support for GBS with sector based support and also specific projects in order to build on the role it has established in agriculture, health and the cross-cutting issues of gender and decentralisation.	<b>Accepted.</b> Irish Aid agrees fully with the recommendation to maintain a mix of modalities approach which was found to be effective and efficient, with an increased focus on non-state actors and greater flexibility toward niche interventions. As the report notes sometimes small-scale, independently managed projects for specific support and innovation can be justified. The precise mix of modalities and interventions will be outlined and determined in the approved CSP.
6	Irish Aid in Tanzania should use its extensive expertise, reputation and position in the agriculture sector to strengthen ASDP and explore ways to complement the programme by expanding its support to agricultural development, direct initiatives and investments, and additional research through non-state channels.	<b>Accepted.</b> Irish Aid recognises the need to need to complement initiatives such as the Agriculture Sector Development Programme (ASDP) with direct support through other modalities. Our future support to the sector is subject to the formal approval of the CSP but it is likely that we will continue to support ASDP but with an increasing focus on using complementary supports in line with the recommendation. These could include supporting greater smallholder access to agricultural services (research, extension, farmer empowerment), supporting value chain initiatives, access to farm inputs and markets, improved coordination within the sector (research, extension services, access to credits by smallholder farmers with a focus on women farmers). Furthermore, Irish Aid will broaden its agriculture sector support by aligning food security initiatives with nutrition initiatives such as promoting access, utilisation and preservation of different food types including support to research on food and nutrition by non-state institutions.

7	Irish Aid in Tanzania should prioritise its support in the health sector on building stronger synergies amongst DPs and the MoH with a focus on health outcomes and the decentralisation of service delivery.	<b>Accepted.</b> We agree with this recommendation but as with all proposed areas of future support, continue support to the health sector and focussed sub-sector interventions must first be ratified by HQ approval of the CSP.
8	Irish Aid should continue to play a lead role in supporting local government reform and decentralisation ensuring that the LGRP is mainstreamed into Prime Minister’s Office – Regional Administration and Local Government (PMO-RALG); and that the integration of social sector development and recurrent funding into the reformed transfer mechanism to Local Government Authority (LGAs) in undertaken strategically with appropriate linkages to the respective sector programmes.	<b>Accepted.</b> We agree with this recommendation. Ireland's future support to decentralisation and local government reform has been thoroughly debated in the process of developing the new CSP with consensus as to the critical importance of local governance and the need to further strengthen the capacity of local government to deliver social services. How we can best reconfigure our support to ‘governance’ in order to have maximum impact is currently under intense consideration within the team and will be outlined in the new CSP.
9	Irish Aid should review the recent experience of building effective synergies between the diplomatic and development functions of the Embassy, identifying the strengths and weaknesses so that future practice can be improved lessons can be shared with other offices.	<b>Accepted.</b> Irish Aid recognises the strengths of integrated diplomatic and development functions, and will explore opportunities for broader cross-country lesson sharing.
10	Irish Aid in Tanzania should continue to develop its capacity for team working and collaboration as a small multitasked office with regular reviews and skill development for the team as a whole, focusing in particular on cross discipline synergies and the contribution of Tanzanian staff to effective teamwork.	<b>Accepted.</b> Cross-team collaboration and learning has been reinforced since the CSP Mid Term Review and through the development of the new CSP. Irish Aid will continue to build staff skills and capacity through existing systems and to respond to the need for changed skill sets as per the recommendation. These areas will continue to be a focus in the business planning process, in PMDS and within individual role profiles.

	<b>For Irish Aid and DFID Headquarters</b>	
11	<p>In their support to offices engaged in providing budget support and in promoting the modality themselves, DFID and Irish Aid HQs should review their own guidance and policy positions in the light of this evaluation: reaffirming GBS as a preferred aid modality for providing, harmonised, country led, support to governments to enhance public expenditure in accordance with agreed poverty focused strategies; promoting greater modesty over what it is reasonable to expect to be achieved through public spending and, by implication, through BS; acknowledging that the policy, institutional, and human resource obstacles to good public spending are multiple and complex: this complexity needs to be better understood and respected; and clarifying the place and value of policy leverage and the use of policy conditionality.</p>	<p><b>Accepted.</b> Irish Aid plans to undertake an external review of the GBS guidelines in 2011. The JPE and the recommendations will be shared with those conducting the review and across DFA/Irish Aid. This recommendation will be considered carefully in the context of the revised guidelines.</p>
12	<p>DFID and Irish Aid should promote stronger team working between HQ and in-country colleagues with joint lesson learning and more support in dealing with the challenging task of restoring and deepening relationships with GoT.</p>	<p><b>Accepted.</b> We will explore with field colleagues in 2011 further ways for enhancing joint lesson learning and support visits between IA and DFID with a view to deepening our relationship with the GoT.</p>
13	<p>The linkages between all HQ based funding programmes (civil society funding, research, climate change etc.) and country offices should be reviewed and attention given to building effective joint working, information exchange, shared reviews and lesson learning.</p>	<p><b>Accepted.</b> The development of the new CSP has further enhanced the linkages between all HQ based funding programmes and relevant sections. We will explore concrete ways to build greater synergy, collaboration and information sharing.</p>

## **DFID Management Response**

8.4 DFID welcomes this Country Programme Evaluation as a useful and thorough piece of analysis. The evaluation is positive about DFID's programme in Tanzania over the period under review. It acknowledges that DFID's work has contributed to "continued improvement in development results" (6.6), and that DFID has run "programmes that have delivered well, and roles within the DP community, that have generally been respected and valued"(7.5). We welcome this, along with the recognition that "strategies have been implemented efficiently over the evaluation period" (S25), and that "human resources are of high quality" (S26).

8.5 The report helpfully identifies areas for further reflection as we plan our next phase of support to Tanzania. These include: how to make growth have a greater impact on poverty reduction, how to respond to a slowing pace of reform, the need to move beyond access to services to focus on quality and efficiency, and the best mix of instruments given our understanding of the changing development context in Tanzania.

### **General Budget Support**

8.6 We welcome the analysis of the impact of General Budget Support which concludes that "GBS continues to be effective in generating positive service delivery outputs and outcomes" (7.1) and that "It is inconceivable that such a significant contribution to spending in these areas [education, health, water and sanitation, infrastructure (roads) and agriculture] could have been made through other aid modalities" (S10). We also welcome the confirmation that "GBS has not undermined [Government of Tanzania] revenue efforts. Public expenditures doubled over the evaluation period due to domestic revenue and external assistance, notably BS, with domestic revenues growing faster, thus reducing aid dependency" (2.67, Box 3). All this will be useful evidence as we plan for the future.

8.7 However, we do not agree that the donor response to slowing performance by the Government of Tanzania – i.e. the tightening of disbursement conditions – has been inappropriate (3.37). While we accept that GBS has not fully lived up to expectations as an instrument to accelerate policy reform, we believe that it was right to modify use of the instrument in an attempt to incentivise critical reforms and faster delivery of results, including the introduction of a performance tranche. We accept that the results have been mixed: experience of this, and the evaluators' perspective, will inform plans for future development in the use of GBS.

8.8 Similarly, we do not accept that it is wrong to want to attribute results to GBS (5.38). Knowing what results UK aid is delivering through all aid instruments, including GBS, is important part of accountability to UK taxpayers, and to ensure that our programmes are working hard to deliver results for the poor. We do accept however that attributing results to GBS poses particular challenges.

8.9 The evaluators are rightly concerned that GBS has not been more successful in terms of reducing income poverty in Tanzania. DFID, the Government of Tanzania, and other Development Partners are all engaged in trying to understand why this is, and what we can do differently in the next period, while recognising that limited progress in measures of income poverty are balanced by strong progress in social sectors. DFID is developing new research and analysis to improve the focus and delivery of our programmes and this evaluation will make a significant contribution.

8.10 As part of the Bilateral Aid Review, DFID is currently considering the overall balance and focus of its portfolio in Tanzania, in order to ensure that our programme will deliver maximum results and value for money. This involves considering the use of all available aid instruments. The evidence provided by the CPE has contributed helpfully to this ongoing process. In particular we are

considering carefully the recommendations of the evaluation, for a “relative reduction in the scale of GBS and SBS”, and to “develop a more radical and substantive programme of direct support for private sector development”. Such moves would reinforce steps already taken to rebalance the programme in Tanzania from a high point of a planned 88% GBS in 2008 to the 2010 planned level of 76% and actual disbursement of 69%. The findings of the CPE have also been fed into DFID’s central review and refresh of budget support policy.

8.11 DFID’s Management Response to the evaluation recommendations is set out in the table attached. We wish to thank the evaluation team for their hard work and collaborative approach, and for providing such a useful report. As noted, this report will be a key input as DFID develops an operational plan for Tanzania for the next four years.

Recommendation	Response
<p><b>For Irish Aid and DFID in Tanzania</b></p>	
<p>DFID and Irish Aid should promote a renewal of the dialogue architecture and process, and a rebuilding of the relationship of trust with GoT. Within this, three changes to the future structure of BS should be considered:</p> <ul style="list-style-type: none"> <li>• A relative reduction in the scale of general (and sector) budget support until the issues of quality, efficiency and equity in public spending are systematically addressed.</li> <li>• Measures to revitalise the policy dialogue and re-establish confidence, around a narrower agenda focused more closely on the GoT budget and on service delivery issues, with a pre-requirement that information on the budget, on spending, and on results should be shared by GoT on a timely basis. Requirements for information should be clearly spelt out and should be enforced, if necessary, by withholding BS disbursements, since information exchange is an eligibility condition for the operation of BS.</li> <li>• A change in the nature of disbursement arrangements to focus conditionality on eligibility conditions and avoid attempts at policy conditionality.</li> </ul>	<p><b>Partially Agree</b></p> <ul style="list-style-type: none"> <li>• We <b>agree</b> with this recommendation and, as recognised at S19, have already begun to address it. We have been rebalancing our programme with a greater proportion of non-budget support programming. We will consider the review’s recommendation to reduce General Budget Support (GBS) as we develop our operational plan for Tanzania in the light of the conclusions of the Bilateral Aid Review.</li> <li>• We <b>broadly agree</b> with this recommendation and have started to take it forward. We have been pushing the Government of Tanzania (GoT) to provide more information, and in 2010 the Secretary of State made provision of additional budget information a condition for GBS disbursement. The Government has provided us with more information but we will need to continue to monitor this issue closely to ensure that information continues to be provided on a regular and timely basis. We have also been working to revitalise the process of Public Expenditure Reviews that will provide the basis for a more constructive dialogue with the Government on their budget. We have been working closely with Government and development partners to develop a more strategic and streamlined PAF.</li> <li>• We <b>do not agree</b> that disbursement arrangements should exclude policy conditionality. While UK disbursements are not linked directly to policy conditions, we do take a view on how far and fast the Government is implementing its own reform programmes and agreed policy changes. We believe that making progress in key reforms areas is essential if budget support is to be able to deliver results and give UK taxpayers confidence that it represents good value for money.</li> </ul>

<p>PSR is best supported with focused, niche approaches, possibly led by a single DP who can build a closer relationship, utilising a range of flexible interventions rather than through large standalone programmes. DFID and Irish Aid should propose that all the major reform programmes should be reviewed and more effective means of providing support complementary to GBS discussed with GoT.</p>	<p><b>Partially Agree</b></p> <p>We agree that the reform programmes need ongoing scrutiny and to be kept under review, but now is not the time to launch a review of all major programmes. Much reform of programmes is already underway. The Public Sector Reform (PSR) programme is currently in the final stages of a major restructuring, which will deliver a much more targeted approach. This follows on from a significant re-shaping of the Legal Sector Reform Programme. We agree that donor engagement should be focused. We believe that under Division of Labour arrangements, that it will be important to maintain the engagement of a strategic number of Development Partners (DPs) in each reform process but agree that a stronger lead profile could improve coherence. In the Statistics Reform Programme, it is planned that a single DP will lead the process as recommended. DFID is considering with other DPs how to resource this.</p>
<p>DFID and Irish Aid should explore ways of opening up the space for understanding policy processes and options with GoT, including the use of technical assistance, to promote policy research and dissemination, not just to GoT but also in academic circles, the media and the wider community.</p>	<p><b>Agree</b></p> <p>DFID is supporting the International Growth Centre, who are working closely with the Bank of Tanzania to conduct policy research on growth and poverty. Our support for civil society also enables policy research and dissemination. We will consider as part of our operational planning what more can be done.</p> <p>We are also building our understanding of political economy and the process of change in Tanzania to inform more effective programming in our new operational plan.</p>
<p>DFID and Irish Aid should give higher priority to (possibly joint) induction and staff development in Tanzania with a focus on the skills and knowledge required to engage in effective policy dialogue, and a deeper understanding of the dynamics of change and the nature of the political economy in Tanzania.</p>	<p><b>Partly Agree</b></p> <p>We agree that a comprehensive induction is important and already seek, as part of any induction, to include meetings with other development partner contacts, GoT key interlocutors, private sector, academic and civil society representatives.</p> <p>Joint induction programmes also exist. We recently helped co-ordinate and then chaired a DP-wide induction on governance which was attended by a wide range of DPs (including Irish Aid). The Secretariat of the Development Partner Group runs an annual joint induction for all newcomers to the development community in Tanzania.</p> <p>In terms of sharing longer term development opportunities together this is possible. But such joint events would have to be balanced against other broader DFID corporate training priorities and financial constraints.</p>
<p><b>For DFID Tanzania</b></p>	
<p>DFID Tanzania should continue to prioritise GBS within its portfolio, focusing its support around improvements to the policy engagement with GoT and its support for PFM, with a balanced programme with sufficient space for major increases in strategic support to non-state actors.</p>	<p>DFID is currently, as part of its Bilateral Aid Review, considering the overall balance and focus of its portfolio in Tanzania. This involves considering the use of all available aid instruments. The evidence provided by the CPE has contributed helpfully to this ongoing process. Ministers will take decisions on the use of GBS, following a policy review of GBS across DFID offices. Many donors in Tanzania are engaged in providing support to non-state actors, and it will be important to ensure complementarity and good value from any increase in funding.</p>

<p>DFID Tanzania should develop a more radical and substantive programme of direct support for private sector development (including agriculture) that provides significant funding to new industries and entrepreneurs, and addresses market access nationally, regionally and globally.</p>	<p><b>Fully Agree and Already Actioned</b></p> <p>We agree with these points and we have already taken steps to scale up our sustainable growth project portfolio, as alluded to in the evaluation (4.16 and 4.26).</p> <p>As mentioned in the report (2.59) the poor performance of the Business Environment Strengthening For Tanzania (BEST) programme meant that DFID declined to fund a phase 2 in 2008. But the need for legal and regulatory reforms to reduce the costs of doing business in Tanzania remains and DFID continues to engage at a policy level to push for acceleration of these reforms. Most recently, the Head of DFID in Tanzania gave a presentation on behalf of all donors at the Annual Review of GBS on the reforms needed to the business environment.</p> <p>At the same time, we have rebalanced the portfolio and have over the last 12 months designed and approved over £50m (\$80m) for projects that support the private sector, including financial sector institutions and business associations. Further expansion of the sustainable growth programme portfolio is planned – pending finalisation of our current business planning processes.</p>
<p>DFID Tanzania should use its acknowledged expertise and comparative advantage to support GoT to undertake deeper analysis of the dynamics of poverty, including distributional factors and other disparities, in order to address issues of equity in public expenditure and service delivery poverty issue through technical support and commissioning independent studies to inform understanding and debate.</p>	<p><b>Agree</b></p> <p>This work is ongoing. We have commissioned a number of independent studies on the dynamics of poverty, including an inclusive growth study and some qualitative work by the Overseas Development Institute’s Chronic Poverty Research Centre. We hosted a workshop in August 2010 on the findings, and presentations of key findings were made during the GoT’s Poverty Policy Week event in November 2010. DFID will support the 2012 census and 2011 Household Budget Survey, which when the two data sources are combined, will enable deeper analysis of the distribution of poverty and access to social services.</p>
<p>DFID Tanzania should explore (with other DPs and GoT) the commissioning of work to advance a deeper understanding of the impact of corruption on the economy and the direct and indirect effects on the poor so that interventions aimed at mitigating these effects can be developed.</p>	<p><b>Agree</b></p> <p>We agree that more analytical work on the nature and impact of corruption would be helpful. There is already ongoing work on corruption (such as the Joint External Anti-Corruption Evaluation and by DPs linked to the GBS process) that, together with recent work by civil society, helps strengthen the general body of evidence on corruption. DFID’s ongoing political economy work will also add to this evidence base. Once all this analysis has been finalised we will be in better position to assess what additional work is required in this area.</p>

<p>DFID Tanzania should review its staffing to take account of emerging programme needs, ensuring a balance of sector and cross-cutting expertise, drawing on both UK and Tanzanian appointed staff and prioritising skill and experience related to working in BS environments.</p>	<p><b>Agree</b></p> <p>DFID Tanzania has successfully balanced sector and cross cutting expertise. For example we have increased our capacity on environment and climate change, introducing a cross-cutting post to support sustainable and climate-compatible development.</p> <p>We are already in the process of revising the staffing structure within DFID Tanzania. This will see the establishment of a new team overseeing Millennium Development Goal (MDG) outputs, and an expanded Results and Aid Effectiveness Team to ensure value for money and improved measurement of results across the programme.</p>
<p><b>For Irish Aid and DFID Headquarters</b></p>	
<p>In their support to offices engaged in providing budget support and in promoting the modality themselves, DFID and Irish Aid HQs should review their own guidance and policy positions in the light of this evaluation:</p> <ul style="list-style-type: none"> <li>• reaffirming GBS as a preferred aid modality for providing, harmonised, country led, support to governments to enhance public expenditure in accordance with agreed poverty focused strategies</li> <li>• promoting greater modesty over what it is reasonable to expect to be achieved through public spending and, by implication, through BS</li> <li>• acknowledging that the policy, institutional, and human resource obstacles to good public spending are multiple and complex: this complexity needs to be better understood and respected</li> <li>• clarifying the place and value of policy leverage and the use of policy conditionality.</li> </ul>	<p><b>Partly Agree</b></p> <p>DFID is currently reviewing and refreshing its policy on Budget Support (BS) centrally, and this CPE will provide a useful piece of evidence for that exercise.</p> <ul style="list-style-type: none"> <li>• We <b>do not agree</b> that BS is <u>always</u> the preferred modality. DFID country offices need to test whether GBS or SBS are the most appropriate modalities to achieve the objectives set.</li> <li>• We <b>partly agree</b> that we need to revise our expectations - it is also true that we need to understand much better BS intervention logic and VFM of public expenditure programmes.</li> <li>• We <b>agree</b>. Understanding the obstacles is important; that is why we need to encourage the Government to have a robust reform agenda to address those obstacles and to implement it assiduously.</li> <li>• Policy leverage and conditionality are being addressed as part of the central review of the use of GBS and the issuance of new guidance.</li> </ul>

<p>DFID and Irish Aid should promote stronger team working between HQ and in-country colleagues with joint lesson learning and more support in dealing with the challenging task of restoring and deepening relationships with GoT.</p>	<p><b>Agree</b></p> <p>Assistance from HQ, including occasional and targeted Ministerial visits, will be critical to building a stronger partnership with the Government of Tanzania.</p>
<p>The linkages between all HQ based funding programmes (civil society funding, research, climate change etc.) and country offices should be reviewed and attention given to building effective joint working, information exchange, shared reviews and lesson learning.</p>	<p><b>Agree and Already Actioned</b></p> <p>DFID has already taken a number of steps to improve the linkages between HQ and country offices. Our climate change adviser post is 75% funded by DFID's central Policy and Research Division, in recognition of this. Specific actions have also been taken on civil society and research (see below).</p> <p>Civil Society: We have already taken several steps to improve the links between centrally funded civil society funds and DFID offices overseas. In the last two years we have asked for comments from DFID offices for all Civil Society Challenge Fund (CSCF), Governance and Transparency Fund (GTF) and Programme Partnership Arrangement (PPA) proposals before we agree funding. The DFID T representative on the civil society review visited HQ for two weeks in November 2010 to help assess PPA applications. There was also a visit from Civil Society Department to Tanzania in 2009..</p> <p>Research: DFID has already recognised the need for improved links between its central research programme and the needs of country offices by establishing earlier this year the new Global Outreach Team in Research and Evidence Division. The role of this team is to make research evidence (both from the DFID programme and elsewhere) more readily available to those designing development programmes, and relevant to critical design issues. The team also acts to ensure that future DFID research programmes are informed by the anticipated needs for evidence for future DFID programmes. In facilitating access to evidence, as well as providing support on advice on how best to capture further evidence on the success and impact of programmes, the team is also contributing to lesson learning across DFID.</p>

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## ANNEX 1: TERMS OF REFERENCE

### JOINT DFID/IRISH AID COUNTRY PROGRAMME EVALUATION TANZANIA

#### 1. Introduction

1.1 Both Irish Aid and DFID are required to undertake country evaluations as part of the preparation of new country strategies. Irish Aid headquarters is mandated to conduct country evaluations as part of preparations for the next Country Strategy Paper (CSP). DFID's performance management system is supported by periodic independent evaluations at project, programme, sector and thematic level. Every year, DFID's Evaluation Department (EvD) carries out a number of country or regional programme evaluations (CPEs or RPEs). These evaluations are mandatory for the majority of their country programmes and are designed to feed into country planning decisions.

1.2 The overarching objectives of country programme evaluations are to assess:

- Country strategies and objectives and links to poverty outcomes
- Implementation of the strategy and choices around aid instruments and sectors
- Effectiveness of development partnerships around Paris/Accra principles .

1.3 As signatories to the Paris Declaration, both DFID and Irish Aid are committed to its principles. The recently published DFID Evaluation policy<sup>89</sup> and implementation plan commits DFID to new partnerships for evaluation, with a stronger role for putting developing countries first. The Tanzania Joint Country Evaluation will be an attempt to respond to this commitment which is shared by Irish Aid. It is the specific objective of this country evaluation that it will be undertaken in line with Paris Declaration principles, in alignment with the Government of Tanzania (GoT) review processes, other joint development partner processes and sympathetic to the current context in Tanzania while delivering a report that will help inform the respective country offices of DFID and Irish Aid in 2010 and beyond.

1.4 A joint scoping visit was undertaken by DFID and Irish Aid in October 2009 with the following objectives:

- To ensure staff in the Irish Aid and DFID country office are **fully informed** about the evaluation, its purpose and how it will work
- To **identify additional objectives** for the evaluation and key questions that country staff would want the evaluation to address
- To determine the exact nature of the evaluation and **resolving key methodological/practical issues**
- To ensure that the evaluation team has **access to all relevant contacts and documentation**

1.5 A Final Report, dated 23 October 2009, recommended proceeding to a joint evaluation scheduled for February/March 2009 and set out the approach to be adopted. Its recommendations are reflected in these Terms of Reference.

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<sup>89</sup> Building the Evidence to reduce Poverty, June 2009

## 2. Summary of Irish Aid and DFID's country programmes in Tanzania

### Irish Aid Programme by Cluster<sup>90</sup>

	<b>MKUKUTA</b>			Budget Support
	<b>Cluster 1</b>	<b>Cluster 2</b>	<b>Cluster 3</b>	
<b>Programme area</b>	Rural livelihoods and growth	Social development	Good governance	
<b>Ireland's support to Government</b>	Growing support for the Agriculture Sector Development Programme basket	Increased support the Health sector basket and initiate support to the national HIV Fund	Continued support for Local Government Reform and associated Capital Grants system	Sector Budget/Baskets
<b>Complemented by</b>	Pastoralist civil society and new initiative on private sector rural economic growth	Strategic partnerships with international and national health, HIV and gender NGOs	Continued support for the Foundation for Civil Society, UNDP and a new initiative on media	Individual Grants
<b>Position of influence on working group</b>	Co-chairing group from mid-2008	Chair of the Health Sector Group July 2007 – July 2009	Co-chair of the Local Government Reform Group from 2004–2007	

### DFID Medium-term Changes (MTC)<sup>91</sup>

<p><b>MTC 1:</b> Promoting broad-based and sustained growth</p> <p><b>MTC 2:</b> Helping to make Tanzania's policy, planning and resource allocation better aligned, cohesive and evidence based.</p> <p><b>MTC 3:</b> Increasing the capacity and effectiveness of the Tanzanian Government to provide improved services.</p> <p><b>MTC 4:</b> Enabling all Tanzanians, particularly the poor and vulnerable, to access quality basic services and social protection</p> <p><b>MTC 5:</b> Enabling Tanzanians to claim and exercise their rights as citizens, including through strengthened civil society</p> <p><b>MTC 6:</b> Contributing to a step-change in the efficiency and effectiveness of the international system in Tanzania</p>
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2.1 Considerable complementarity between the Irish Aid and DFID Country Programmes is evident in the two tables above. DFID and Irish Aid both channel about 80% of their country programme through government systems via general or SBS and other joint funding mechanisms. Both have a strong focus on poverty reduction through helping promote growth, good governance, the provision of basic services and accountability to citizens through parliament and civil society. Irish Aid is heavily engaged in the agriculture and health sector while DFID's sectoral focus is on education. Their respective offices in Dar es Salaam keep each other informed of developments in their focal sectors. Both partners provide resources to Tanzania directly but also through programmes managed from their HQs.

<sup>90</sup> Irish Aid CSP Tanzania p 22

<sup>91</sup> DFID Tanzania CAP, p 10.

### 3. Principles to be observed in undertaking the joint evaluation

3.1 Emerging from the Scoping Mission, it was agreed that the following set of principles should guide the joint evaluation.

- **Timed to fit with and if possible add value to, national processes** The joint country evaluation should be timed to complement the MKUKUTA Review and to add value to national processes. Estimations at the time of the Scoping Mission were that the individual MKUKUTA Review studies would be completed by the end of December 2009. It now appears that some key studies such as those on population dynamics, and ODA performance and aid effectiveness, will be delayed.
- **Linking into in-country processes where possible** The Annual BS Review took place in November 2009 and focused primarily on the past year and lessons learned. The Global BS evaluation is seeking to draw deeper lessons on BS as an aid modality and its impact. It is anticipated that Tanzania will be one of the early countries evaluated but the timing is too late to fit with decisions that need to be made by DFID and Irish Aid in-country. This joint country evaluation could potentially provide an intermediate step (e.g. a stock take of the past five years).<sup>92</sup>
- **A document review** It is proposed that the joint country evaluation has an extended period to synthesise the findings from existing studies and evaluations. Some of these are part of the MKUKUTA Review, but others already exist (such as Sector Assessments or Annual Reviews).
- **A two-stage approach** It is proposed that the joint country evaluation follows a two-stage approach whereby the first stage (the extended document review) leads to a set of preliminary findings plus a narrower focus and scope for any country visit (the second stage). It is anticipated that the set of evaluation questions should become more focused and refined by the second stage building on the preliminary findings from the documentation review, with the country visit more focused on filling gaps in the evidence and triangulating findings.
- **Greater focus on Irish Aid/DFID performance** It is anticipated that the MKUKUTA Review (plus other studies) should provide valuable evidence of national performance against expected outcomes, enabling the joint country evaluation to focus more on the performance of the DFID and Irish Aid (in terms of choice of sectors/ modalities, the quality of the dialogue and partnership, and internal capacity).
- **Joint working to reduce transaction costs** According to the DAC database, four development partners are anticipating undertaking country evaluations during 2010 in Tanzania. Irish Aid and DFID remain open to others joining but even if it is only Irish Aid and DFID that formally undertake a joint evaluation in Tanzania, this will reduce the number of meetings and burden placed on GoT and other stakeholders. In addition, a joint evaluation of budget support, led by the Netherlands, is planned during 2010/11. To avoid overlaps and ensure synergy, findings from the budget support component of the CPE should feed into this process, and help identify issues for further follow-up and investigation.

<sup>92</sup> Within the GBS DP Group, some stakeholders have discussed the need for a lesson learning event to look back at the past five years, and discuss changes for the next period (under Mkukuta II). A more substantial stock take or synthesis of the past five years by the study team could usefully feed into this process

#### 4. Purpose of the evaluation

4.1 The purpose of undertaking the joint evaluation is to:

- Learn the lessons of experience so as to inform new DFID and Irish Aid country strategies
- Provide accountability to all stakeholders, Tanzanian, British and Irish that the DFID and Irish Aid programmes in Tanzania were well conceived and have been effectively and efficiently managed
- Learn lessons that can be applied to future joint development partner and country led evaluations.

#### 5. Evaluation object and scope

5.1 Although a number of specific sectors, programmes and projects have been subject to evaluation, neither Ireland nor UK have previously evaluated their country programmes in Tanzania despite having worked there for many years. This evaluation will focus on the country strategies, programmes and projects financed by DFID and Irish Aid over the period 2004–2009. Some major changes occurred during this period. Irish Aid terminated its support to ABPs and cut its direct links with district councils as a result. Was this the right decision and has it managed to establish alternative means of keeping in touch with grass roots realities? For DFID, the office has been rapidly downsized to deliver larger volumes of aid through budget support and the composition of its staff changed to produce a different mix of skills and experience. Were these the right decisions and how have they affected DFID's ability to pursue its objectives? Is the DFID office adequately structured to adapt to changes in DFID emphasis, ministerial priorities or changing circumstances on the ground?

5.2 The Scoping Mission suggested that the evaluation should also seek to add value to the considerable work which is underway in Tanzania around the MKUKUTA Review and other processes. This will require examination of issues broader than the immediate confines of the Irish Aid and DFID strategies and investments.

5.3 The evaluation will draw on existing studies, reports and evaluations to reach conclusions regarding outputs and outcomes of programmes jointly funded with GoT and other development partners and to provide evidence enabling a response to the evaluation questions. Based on the outcome of this extended documentation review, field work will be undertaken to fill gaps in the evidence, to triangulate findings and to drill down to community level so as to better understand the impact of government programmes being co-financed *inter alia* by Irish Aid and DFID.

## 6. Evaluation matrix

6.1 Based on the ten evaluation issues identified by the Scoping Mission and specific evaluation questions raised by Irish Aid and DFID.

Evaluation Criteria	Issues from Scoping Visit	Specific Evaluation Question from DFID/Irish Aid Developed During Inception Visit
<b>Development Strategy</b>		
Relevance Coherence	<p><b>Issue 2:</b> Balance of budget support and non-budget support</p> <p><b>Issue 3:</b> Aid architecture and incentives</p> <p><b>Issue 5:</b> Scrutiny and accountability</p> <p><b>Issue 10:</b> Integration of cross-cutting issues</p>	<ol style="list-style-type: none"> <li>1. Was DFID's and Irish Aid's range of investments and choice of aid instrument appropriate, well aligned to GoT priorities and likely to result in poverty reduction?</li> <li>2. Is budget support still an appropriate instrument to use given any changes in the governance and/or economic circumstances pertaining in Tanzania? Are the different instruments being used by DFID and Irish Aid complementary to one another?</li> <li>3. What was the theory of change behind a budget support plus policy dialogue approach? Is it meeting expectations? What else is needed in the portfolio of support?</li> <li>4. Did the focus on central level, general and SBS improve the effectiveness of DFID and Irish Aids operations? Were other intervention complementary or did they address other issues? What were the trade offs and did they result in net benefit at impact level e.g. Irish Aid's withdrawal from ABPs to focus on wider LGR and fiscal decentralisation; use of project modality in some sectors.</li> <li>5. How effective has DFID/Irish Aid support to Civil Society been? Were the groups chosen to be supported? Has budget support contributed to domestic accountability to Civil Society and parliament?</li> <li>6. Are cross-cutting issues well integrated strategically and operationally?</li> <li>7. Is the current aid architecture with which DFID and Irish Aid engages fit-for-purpose in terms of GoT and Development Partner needs? Have DFID and Irish Aid contributed improvements in architecture?</li> </ol>
<b>Development Results</b>		
Effectiveness Coverage & Impact Sustainability Attribution	<p><b>Issue 1:</b> Despite 6-8% recorded growth income poverty is stagnant – results of aid instrument package and Tanzanian Development Strategy</p>	<ol style="list-style-type: none"> <li>8. Are reforms/ changes supported by programmes likely to be sustained? Has local capacity been built? Has transparency, voice and accountability been improved? What evidence is emerging from International Growth Centre and other studies, explaining this anomaly?</li> <li>9. What is the likely impact on poverty of the range of investments chosen by DFID and Irish Aid (education, health, agriculture, private sector development etc.)?</li> </ol>

		10. What does the failure of rapid economic growth to translate into poverty reduction tell us about Tanzania’s development strategy? Are they doing to right things and are they doing them right
<b>Development Processes</b>		
Efficiency Coordination	<p><b>Issue 4:</b> Constraints on GoT to deliver and manage large aid flows</p> <p><b>Issue 6:</b> Internal capacity in Irish Aid and DFID country offices</p> <p><b>Issue 7:</b> Vertical/Central Demands and Initiatives</p> <p><b>Issue 8:</b> HQ vs Country Office Funding</p> <p><b>Issue 9:</b> Perception of DFID and Irish Aid as development partners</p>	<p>11. How effective have efforts at PFM Reform been? Has government’s capacity to absorb growing aid flows and deliver services improved?</p> <p>12. How have DFID and Irish Aid performed as development partners?</p> <p>13. What are the strengths and weaknesses of the annual review and dialogue processes for budget support? Is it still right (fit-for-purpose)? What lessons can be learned within Tanzania and from other countries?</p> <p>14. Are the human resources available at the Irish Embassy/DFID Country Office sufficient to deliver the country programme requirements and demands from HQ?</p> <p>15. Is funding through country programmes and directly from HQ, coherent? Is funding provided directly by HQ supporting country level priorities and plans</p>

## 7. Methodology

7.1 The purpose of undertaking this Country Programme Evaluation jointly is to reduce transaction costs on our partner government and to attempt to align our CPE better with country processes and with the Paris Declaration principles. However, it also offers an opportunity for cross-agency learning. The evaluation will therefore be undertaken in a spirit of openness between the two agencies and with government. As well as exploiting areas of complementarity in the two country programmes, the evaluation will also explore differences in DFID/Irish Aid approaches and draw lessons for each, not just from their own experience but also from that of the other.

7.2 As recommended by the Scoping Mission, a two-stage approach will be adopted.

7.3 **Document review:** The Scoping Mission recommended an extended documentation review so as to align with and add value to local processes and to avoid duplication. These local processes include the annual GBS review, reviews and evaluation undertaken as part of sector programmes and in particular, the MKUKUTA review under which a large number of studies had been commissioned by the Government of Tanzania. DFID and Irish Aid programming documents, monitoring reports and analytical studies will provide additional sources.

7.4 The purpose of the extended documentation review is to seek to answer the evaluation questions above to the maximum extent possible based on evidence gathered from available evaluation and review reports.

7.5 An **interim report** will then be produced and will present findings and draw such conclusions as are possible based on the evidence gleaned from the documentation review. While this analysis is undertaken primarily for the joint CPE, it is anticipated that the report will be of general interest to all development partners and will provide in effect, a synthesis of the reports being reviewed. For the purpose of completing the joint evaluation, it will also suggest what further work should be undertaken during the field mission to fill gaps and triangulate findings. Evaluation questions and an appropriate methodology for the field visit will also be contained in the interim report.

7.6 **Field work and final report:** This will comprise the second stage of the evaluation, will be undertaken along the lines suggested by the interim report and will result in the production of a first draft report. This should be no more than 50–60 pages, including annexes and executive summary, and should be produced within four weeks of completion of the field work. Editorial guidance for consultants will be issued as part of the revised contract. Consolidated feedback will be provided by DFID and Irish Aid, including quality assurance feedback, within a further four weeks with a view to finalisation by October (see timetable below).

## 8. The evaluation team

8.1 The Scoping Mission identified the expertise requirements in terms of: (i) an economist/specialist; (ii) a sector specialist (health, education, water); (iii) a Public Sector Reform/Governance specialist; (iv) a demand side accountability specialist; and (v) a pro-poor growth specialist, with a focus on agriculture and the private sector. The team should have good evaluation skills and should include at least one locally based consultant as a full team member.

8.2 In discussions with Irish Aid and DFID EvDs and following the inception visit the proposed team composition is:

- i) Team Leader with extensive CPE expertise and joint evaluation experience
- ii) A social sectors/social development specialist (to cover service delivery in health and education and the cross-cutting issues of AIDS and gender
- iii) A budget support specialist with regional experience and BS evaluation expertise
- iv) A Public Sector Reform/Governance/Decentralisation Specialist
- v) A demand side accountability/civil society specialist able to facilitate the political economy/political perspective inputs
- vi) An agriculture/growth specialist with specific agricultural economics and private sector expertise and understanding of the growth/poverty reduction relationship.

## 9. Contractual arrangements

9.1 DFID has, through a competitive tender process, appointed ITAD to carry out its country programme evaluations over the period 2009/10. This framework contract provides the basis on which to appoint an ITAD team to undertake this joint evaluation. The contract will be between ITAD and DFID while Irish Aid will draw up a Memorandum of Understanding enabling it to co-finance the evaluation by transferring its share of the funding to DFID.

9.2 The study manager for technical issues will be Nick Highton ([n-highton@dfid.gov.uk](mailto:n-highton@dfid.gov.uk)). All management matters (including amendments to deliverable dates and schedule of prices) will be dealt with by John Murray ([j-murray@dfid.gov.uk](mailto:j-murray@dfid.gov.uk)). ITAD is expected to undertake internal quality assurance process prior to submission of deliverables to DFID.

9.3 An end of month progress report update of 1/2 page(s) covering: progress to date, any contract relates issues, and confirmation that the contract is still on track to deliver on time will be required.

9.4 The start date for this phase of work will be March 2010 and the concluding date no later than end of October 2010.

## 10. Management arrangement

10.1 The evaluation will be managed jointly by DFID and Ireland EvDs. A management/reference group will be established comprising representatives of DFID and Irish Aid at both HQ and field level. Senior representative of ITAD may on occasion be asked to attend. Meetings will take place at key moments in the evaluation (approval of evaluation methodology, interim report, Final Report etc.) either in London or Dublin with VC links to Dar es Salaam.

10.2 It is anticipated that the management/reference group will coordinate closely with development partners and government in Tanzania.

## 11. Reporting and dissemination

11.1 The consultants will report directly to DFID's Evaluation Department, Business Manager: John Murray ([j-murray@dfid.gov.uk](mailto:j-murray@dfid.gov.uk)) in the first instance with regard to the scope of work and timescales set out in these Terms of Reference. Any changes to these must be agreed in advance, and in writing with EvD's Business Manager. EvD's Business Manager will work with the management/reference group, who will liaise as necessary with the wider partner group.

11.2 The Final Report and summary will be published and distributed, electronically and in hard copy, to a wide ranging internal and external audience in line with DFID and Ireland standard practice and quality standards. The consultants should be prepared to present their findings to development partners in Tanzania and others, as appropriate, before formal publication of the report.

## 12. Deliverables and timetable

12.1 Key deliverables and feedback points are as follows:

- Interim report from documentation review – end April (*ITAD*)
- Response to document review – mid-May (*DFID & Irish Aid*)
- Draft first report – end July (*ITAD*, this should be to a good standard of presentation in terms of drafting and formatting). See guidance note included with contract documentation
- Consolidated comments on draft report including QA – 15 Sept (*DFID & Irish Aid*. NB additional time is allowed on exceptional basis to allow for availability of key staff over summer break)
- Revised report – within 2 weeks of receiving consolidated comments (*ITAD*)

12.2 Publication of the joint evaluation is expected within 4 months after completion of field work.

DFID Evaluation Department and Irish Aid Evaluation Section March 2010

## **ADDENDUM TO TORs: FINDINGS FROM JOINT EVALUATION INCEPTION**

### **1. Requirements**

1.1. The Scoping Mission proposed a focus on budget support with some wider issues captured in 10 evaluation issues. These set out issues on budget support, related demand side, internal capacity, country office vs HQ, and perceptions of Irish Aid and DFID.

1.2. The current ToRs add a more traditional CPE programme portfolio review, and more sector work covering agriculture, health and education. In addition during the inception week we found that the MKUKUTA Review is not producing quality background assessments so we may need to do more not less on understanding the context and assessing development progress overall.

1.3. We also found that both country offices are very keen on the evaluation but have needs which really mean a fuller rather than a more limited piece of work is required; both are looking to 'normal' CPE outputs that would assist their planning. Both are looking to a new planning period and are asking questions about budget support, staff resources and new opportunities.

1.4. We therefore see the requirement being for a joint evaluation that covers both offices needs for a CPE as far as is possible, but presented in a joint way and yielding the benefits of comparison rather than a reduced evaluation with a tighter budget support focus.

1.5. This requirement seems reasonable and sensible given the weakness of MKUKUTA, the level of interest in an evaluation of budget support by both, and the wider programme and management questions.

1.6. Thus whilst there are some economies and transaction cost savings, the need to cover a wider sector spread and detailed work with both development partners' country teams, increases time and team size.

1.7. Finally the assumptions behind the extensive documentation review were that MKUKUTA would provide a solid basis of assessment – it looks like it doesn't, so we will need to source other documents and do more interviews; and that there was enough documented evidence beyond the DFID and Irish Aid documentation. The inception visit challenged the latter assumption. There seems less sector analytic work and also many of the evaluation questions require interviews and primary evidence.

### **2. Team proposal**

2.1. The task requires a team covering the following areas/functions:

- Team Leader with extensive CPE expertise and joint evaluation experience. Paul Thornton
- To lead and coordinate, link with heads of office and respective evaluation depts. Lead on OD questions and perception question including engagement with other development partners and GoT
- A social sectors/social development specialist (to cover service delivery in health and education and the cross-cutting issues of AIDS and gender. Johanna Pennarz
- A budget support specialist with regional experience and BS evaluation expertise. Andrew Lawson (+ Alex Murray)

- A Public Sector Reform/Governance/Decentralisation Specialist. Hans Olsen
- A demand side accountability/civil society specialist Kate Dyer – will also lead on political economy and work with Paul and Johanna on OD and staffing questions
- An agriculture/growth specialist with specific agricultural economics and private sector expertise and understanding of the growth/poverty reduction relationship. Gavin Olney

2.2 If we are unable to find someone capable of doing agriculture, private sector and poverty related aspects of growth we may need to find two people working less time.

2.3 A team of six plus research assistance support seems the least to cover this spread.

### **3. Key features of proposed approach**

3.1 As previously agreed, we are going for ‘Option C’ (see attached option paper). This model actually has four elements:

- A Scoping Mission (already done, and was separately contracted)
- Inception visit and BS workshop (already done)
- Extended documentation review
- Main Visit

3.2 From the inception visit, we think the balance between documentation and main mission may need to be adjusted as less documentation and more interviews are indicated. This is less documentation available and some of the quality isn’t there.

3.3 We proposed some community level work to cover service delivery and agriculture, and we think this can be limited and done as part of the main mission since the main questions are at a higher level. The final decision depends on how to address area based work.

### **4. Specific activities proposed**

4.1. Since the earlier discussion, we have confirmed the value of the following activities and are proposing including them.

1. HQ visit to Irish Aid (more attention to ensure a balanced approach to both management questions)
2. E-survey of development partners and half day session during mission (to address perception question)
3. Together with half day GBS findings session this will give a day with a wider development partner group
4. Focus Group discussion to provide Political economy evidence (facilitated by REPOA and team)
5. 1-2 day workshop with country teams towards end of main mission

## **5. Implications for ToRs and budget**

5.1. The lessons learned during the inception visit suggest the ToRs need to put less weight on MKUKUTA and the GBS evaluation. They also suggest that at least the word 'extensive' needs dropping. We still propose a documentation review leading to a full first report with sharper questions for inquiry during the main mission but the balance of work will require more focus on the main mission.

5.2. The opportunities provided by a day with development partners, three focus group discussions around the political economy/political context and one or more e-surveys will deepen the evidence base. The expectations from the two country offices and their interest in a day+ of discussion of findings within the main mission will lead to a more comprehensive process.

5.3. Whilst there are some savings possible by reducing the emphasis on budget support, community level visits and rebalancing the documentation and mission elements the team size and level of inputs seem necessary to meet the requirements and expectations.

Paul Thornton Team Leader March 2010

## ANNEX 2: EXPANDED EVALUATION MATRIX

Issues from Scoping Visit	Developed Evaluation Question
<b>Development Results</b>	
<p>Issue 1: Despite 6-8% growth income poverty is stagnant – results of aid instrument package and Tanzanian Development Strategy</p>	<ol style="list-style-type: none"> <li>1. Is the current aid architecture with which DFID and Irish Aid engages fit-for-purpose in terms of Government of Tanzania and Development Partner needs? Have DFID and Irish Aid contributed improvements in architecture? Are there indications that changes in aid architecture in recent years have lead to reduced transaction costs and greater development effectiveness? What is the changing composition of spending and is the resulting pattern of spending more or less efficient and effective? What have the changes been in service delivery and how far can they be attributed to the BS investments?</li> <li>2. Are reforms/changes supported by programmes likely to be sustained? Has local capacity been built? Has transparency, voice and accountability been improved? What evidence is emerging from International Growth Centre and other studies, explaining this anomaly?</li> <li>3. What is the likely impact on poverty of the range of investments chosen by DFID and Irish Aid (education, health, agriculture, private sector development etc.)? How effective were different programming approaches in improving impact on the poorest and most marginalised groups? Have Irish Aid/ DFID contributed to these achievements?</li> <li>4. What does the failure of rapid economic growth to translate into poverty reduction tell us about Tanzania’s development strategy? Are they doing the right things and are they doing them right?</li> <li>5. Managing for results: How are the results monitored? Are the MKUKUTA mechanisms owned and accepted by development partners/DFID/Irish Aid?</li> <li>6. Are DFID/Irish Aid’s corporate priorities on poverty reduction, cross-cutting issues and social protection reflected in MKUKUTA and its M&amp;E systems?</li> </ol>
<b>Development Strategy</b>	
<p>Issue 2: Balance of budget support and non-budget support Issue 3: Aid Architecture and incentives Issue 5: Scrutiny and Accountability Issue 10: Integration of cross-cutting issues</p>	<ol style="list-style-type: none"> <li>7. What was the theory of change behind a budget support plus policy dialogue approach? Is it meeting expectations? What else is needed in the portfolio of support (and why)? To what extent did the non-GBS portfolio support the strategy of GBS?</li> <li>8. Is budget support still an appropriate instrument to use given any changes in the governance and/or economic circumstances pertaining in Tanzania? What were the implied theories of change behind the DFID CAP and Irish Aid CSP? Were they coherent/comparable? Have the Theories of Changes been evident in practice? What do the strategies say about BS, non-BS investments and how have the programmes developed strategically? Are the different instruments being used by DFID and Irish Aid complementary to one another? Were other intervention complementary or did they address other issues?</li> <li>9. Did the focus on central level, general and SBS improve the effectiveness of DFID and Irish Aid operations? What were the trade offs and did they result in net benefit at impact level e.g. Irish Aid’s withdrawal from ABPs to focus on wider LGR and fiscal decentralisation; use of project modality in some sectors.</li> </ol>

Issues from Scoping Visit	Developed Evaluation Question
	<p>10. Was DFID's and Irish Aid's range of aid instruments appropriate, well aligned to GoT priorities and likely to result in poverty reduction?</p> <p>11. How effective has DFID/Irish Aid support to civil society been? How were the groups chosen to be supported? Has budget support contributed to domestic accountability to civil society and parliament?</p> <p>12. Are cross-cutting issues well integrated strategically and operationally (into DFID and Irish Aids programmes)?</p>
<b>Development Processes</b>	
<p>Issue 4: Constraints on GoT to deliver and manage large aid flows</p> <p>Issue 6: Internal capacity in Irish Aid and DFID country offices</p> <p>Issue 7: Vertical/Central Demands and Initiatives</p> <p>Issue 8: HQ vs Country Office Funding</p> <p>Issue 9: Perception of DFID and Irish Aid as development partners</p>	<p>13. How effective have efforts at PFM Reform been? Has government's capacity to absorb growing aid flows and deliver services improved?</p> <p>14. How have DFID and Irish Aid performed as development partners?</p> <p>15. What are the strengths and weaknesses of the annual review and dialogue processes for budget support? Is it still right (fit-for-purpose)? What lessons can be learned within Tanzania and from other countries?</p> <p>16. Are the human resources available at the Irish Embassy/DFID Country Office sufficient to deliver the country programme requirements and demands from HQ?</p> <p>17. Is funding through Country Programmes and directly from HQ, coherent? Is funding provided directly by HQ supporting country level priorities and plans?</p>

## ANNEX 3: PEOPLE INTERVIEWED

This list includes all those interviewed during the inception visit and the main visit to Tanzania together with those interviewed by telephone or in Limerick, Dublin and London. The list also indicates the groups participating in focus group discussions and workshops or those the evaluation team met during visits at district level.

### **DFID London**

- Director East and Central Africa
- Ex Director Africa and Director East and Central Africa
- Senior Economic Adviser, Africa Division
- Ex Director Pan Africa Strategy and Programmes

### **Irish Aid Limerick and Dublin**

- Deputy Director General, Irish Aid
- Principle Development Specialist; Evaluation and Audit Section
- Director, Evaluation Unit
- Accountant, Evaluation and Audit Section
- Counsellor, Director, Programme Countries II
- Senior Development Specialist Programme Countries II
- Principle Development Specialist; Civil Society Section
- Senior Development Specialist UN and World Bank
- Principle Development Specialist; Policy, Planning and Effectiveness Unit (PPE)
- Senior Development Specialist PPE
- Senior Development Specialist PPE
- Senior Development Specialist PPE
- Development Specialist, Emergency and Recovery Section

### **British High Commission Tanzania**

- High Commissioner

### **DFID Tanzania**

- Head of Office
- Deputy Head of Office
- Growth Policy Adviser
- Private Sector Development Adviser
- Economic Adviser
- Regional Climate Change Adviser
- Senior Governance Adviser
- Governance Adviser
- Public Sector Adviser
- Poverty Monitoring and Statistics Adviser
- Education and Social Sector Adviser
- Social Policy Adviser (Water and Sanitation lead)
- Gender and One UN
- Human Resources Manager
- Corporate Services Manager

### **Irish Aid Tanzania**

- Ambassador
- Head of Development Cooperation
- Development Specialist
- Chief Advisor, Rural Livelihood and Growth
- Health Adviser
- Governance Advisor
- Audit/PFM
- Gender/HIV AIDS Advisor
- Economist
- Second Secretary
- Consultant One UN

### **Government of Tanzania**

- Permanent Secretary Prime Minister's Office
- Permanent Secretary and Paymaster General, Ministry of Finance and Economic Affairs
- Deputy Permanent Secretary, Ministry of Finance & Economic Affairs
- Deputy Permanent Secretary, Prime Minister's Office, Regional Administration and Local Government
- Deputy Permanent Secretary responsible for Education, Prime Minister's Office, Regional Administration and Local Government
- Deputy Director, Tanzania Revenue Authority
- Deputy Accountant General, Ministry of Finance & Economic Affairs
- Director Planning, Ministry of Finance and Economic Affairs
- Adviser for the Permanent Secretary, Ministry of Finance
- Assistant Commissioner, Budget Division, Ministry of Finance & Economic Affairs
- PS, Ministry of Agriculture, Food Security and Co-operatives (MOAFSC)
- Director of Policy and Planning, MOAFSC
- Programme Coordinator, Private Sector Competitiveness Project, Prime Minister's Office
- Personal assistant to the President (Economic Affairs), Private Office of the President
- Coordinator, Reforms, President's Office State House
- Programme Coordinator, PFMRP
- Permanent Secretary, Ministry of Health
- Permanent Secretary, Ministry of Education and Vocational Training
- Public Relations, Ministry of Education and Vocational Training
- M&E Officer
- Director of Policy and Planning, Ministry of Education and Vocational Training

### **Development partners**

- African Development Bank
- Head of Development Cooperation, CIDA
- PFM Adviser, CIDA
- CIDA
- Team Leader, Democratic Governance
- Policy Analyst, CIDA
- Senior Development Officer, CIDA
- Gender Advisor, CIDA

- Education Advisor, CIDA
- Health Advisor, CIDA
- Health Advisor, CIDA
- PFM Adviser, Embassy of Denmark
- Environment Adviser, Embassy of Denmark
- Head of CU
- Economist EU/Europeaid
- EU
- Embassy of Finland
- Germany
- Resident Representative Tanzania, IMF
- IMF
- Embassy of Japan
- Senior Representative, JICA
- JICA
- Programme Adviser, JICA
- Head of Development, Netherlands Embassy
- Budget Support, Embassy of Norway
- Embassy of Norway
- Counsellor, Head of Development Cooperation, Embassy of Sweden
- LG Governance/PFM SIDA
- Education adviser, SIDA
- Head of Cooperation, Swiss Agency for Development and Cooperation
- Swiss Agency for Development and Cooperation
- Deputy Country Director (Programme) UNDP
- Representative Tanzania, UNIDO
- Lead Health Policy Specialist, World Bank
- Senior Public Sector Management Specialist, World Bank
- Country Director, World Bank
- Senior Operations Officer, World Bank
- Country Officer, AFCE1, World Bank
- World Bank
- WHO
- Governance and PFM Secretariat
- Governance Secretariat
- Program Analyst, Development Partners Group Secretariat, UNDP
- Ex Development Partners Group Secretariat, UNDP

### **Donor-funded projects**

- Programme Director, Coastal Rural Support Programme
- Team Leader, Cluster Competitiveness program
- Programme Director, Tanzania Agricultural Productivity Programme
- Senior Advisor, Research Into Use
- National Coordinator, Tanzania Agricultural Partnership
- Director, Development Advisory Services, KPMG
- Programme Director, Accountability in Tanzania Programme (AcT), KPMG

**Civil society and others**

- Executive Director, Research on Poverty Alleviation, REPOA
- Head, Twaweza
- Director, Ifakara Health Institute
- Executive Director, The Foundation for Civil Society
- Head, Monitoring and Evaluation, The Foundation for Civil Society
- Administration and Finance Officer, The Foundation for Civil Society
- Executive Director, Women's Dignity
- Program Officer, Women's Dignity
- Program Partnership, Women's Dignity
- Research Program Officer, Women's Dignity
- Health Researcher, Women's Dignity
- Country Representative, WaterAid
- WaterAid
- Director, HakiElimu
- Chief Executive Officer, WiA Group
- General Manager, Uhuruone
- Market Manager, Bodi Ya Soko La Kibaigwa Ltd (BSK)

**Focus group discussion participants**

- Executive Director, Agriculture Council of Tanzania
- Executive Director, Association of Tanzania Employers
- Executive Director, Confederation of Tanzania Industries
- Imani Women Development
- Executive Director, Tanzania Chamber of Commerce, Industry and Agriculture
- Executive Director, Tanzania Private Sector Foundation
- Sikika
- HAKIELIMU
- TANGO
- Legal and Human Rights Centre
- Tanzania Gender Networking Programme
- University of Dar es Salaam
- Independent Researcher / ESRF
- Dept. of Economics, University of Dar es Salaam
- MUCCHS
- UDSM – Department of Sociology and Anthropology
- Tanzania Ports Authority
- Forum of African Women Educationalists
- TANCOB
- REPOA
- Kiffa Modern Secondary School
- NSSF
- AMKA Consult

### **District visit to Morogoro**

- Regional Commission, Morogoro
- Agricultural District Project Officer, Morogoro Rural District
- District Treasurer, Morogoro District
- Assistant Admin. Secretary, Economic and Productive Sectors, Regional Commission, Morogoro
- Assistant Administrative Secretary, Regional Commission, Morogoro
- Regional Agricultural Advisor, Regional Commission, Morogoro
- Human Resources Officer, Morogoro Rural District
- District Secondary Education Officer, Morogoro Rural District
- Statistics and Logistics Office, Morogoro Rural District
- Acting District Medical Officer, Morogoro Rural District
- Deputy Head Teacher, Kigurunyembe Primary School, Morogoro
- Deputy Academic Mistress, Kigurunyembe Primary School, Morogoro
- English Tutor, Kigurunyembe Primary School, Morogoro
- Kigurunyembe Primary School, Morogoro
- Principal, Morogoro Teacher College
- Tutor Mentors/VSO Volunteers, Morogoro Teacher College
- Morogoro Teacher College

### **Groups of people met**

The only group discussions held during the inception visit were with DFID and Irish Aid staff in Dar es Salaam. In addition the inception budget support workshop was attended by 26 invitees from GoT and development partners.

## ANNEX 4: MILLENNIUM DEVELOPMENT GOALS

Table 7. Table: MDG Report Midway Evaluation 2000-2008

MDG	1990	2000	2005	2006/07	MDG Target (2015)	Status (2008)	Status 2009 (PHDR)
<b>GOAL 1: ERADICATE EXTREME POVERTY AND HUNGER</b>							
Proportion of people living below national basic needs poverty line (%)	39	36	-	33.6	19.5	Needs attention	No updated data
Proportion of people living below national poverty line (food poverty)	22	19	-	16.6	11	Needs attention	No updated data
Percentage of under-weight under five children (wasting)	28.8	29.5	21.9	-	14.4	On track	No update data
<b>GOAL 2: ACHIEVE UNIVERSAL PRIMARY EDUCATION</b>							
Primary net enrolment ratios (%)	54.2	58.7	94.8	97 (2008)	100	On track	Deteriorated in 2009 (95.9)
Primary gross enrolment ratio (%)		77.7 (1999)	112.7	-	100	Achieved	
<b>GOAL 3: PROMOTE GENDER EQUALITY AND EMPOWER WOMEN</b>							
Ratio of girls to boys in primary school (%)	98 (1991/92)	98	98	101	100	Achieved	
Ratio of girls to boys in secondary school (%)		45.91	46.64	105	100	Achieved	
Ratio of females to males in tertiary education (%)		33.52	37.12	68.0	100	Needs attention	Slight improvement since 2008
Proportion of women among MP (%)		21	30.4	30.3	50		
<b>GOAL 4: REDUCE CHILD MORTALITY</b>							
Under five mortality rate (per 1,000 live births)		147 (1999)	112 (2004)	91	64	Needs attention	91 according to 2007/2008 THMIS data Slow progress on neo-natal mortality
Infant mortality rates (per 1,000 live births)	115	99	68 (2004)		38	Needs attention	58 in 2007/2008
Proportion of children vaccinated against measles		78.2	80	85	90	On track	No updated data

<b>GOAL 5: IMPROVE MATERNAL HEALTH</b>							
Maternal mortality rate (per 100,000 live births)	529 (1996)		578		133	Needs attention	No updated data
Births attended by skilled health personnel	43.9	35.8	46	62	90	Needs attention	No updated data
<b>GOAL 6: COMBAT HIV and AIDS, MALARIA AND OTHER DISEASES</b>							
HIV prevalence rate	5.5	9.4	6.8	5.7	<5.5	On track	Sustained progress Progress slower in young women (6.8% in 2007/2008)
Number of malaria cases and incidences (cases per 100,000)		500,000	65,7453	27,030	18,062	On track	Sustained progress, in particular among children
Number of tuberculosis cases and incidences (cases per 100,000)	188		479	164			Sustained progress
<b>GOAL 7: ENSURE ENVIRONMENTAL SUSTAINABILITY</b>							
Proportion of land area covered by forest	46%		37.5%	36%		Needs attention	
Proportion of people using solid fuels (wood, charcoal, dung)	90%	90%	94%				
Proportion of population with sustainable access to an improved water source (Rural/Urban)		42/85 (2002)	53/73 (2003)	57/83	74/84	Needs attention	
Proportion of people with access to improved sanitation (Rural/Urban)		91 (2002)	88.9/98.5			Needs attention	
<b>GOAL 8: DEVELOP A GLOBAL PARTNERSHIP FOR DEVELOPMENT`</b>							
External resources -direct budget support (USD mill.)		1,100		1,067 (2207/08)			
Total external debt stock (USD mill.)		7,482	8,135	5,368			

Source: MDG Report Midway Evaluation 2000–2008 supplemented with data from the 2009 Poverty and Human Development Report (Repoa, 2009)

## ANNEX 5: THE PERFORMANCE ASSESSMENT FRAMEWORK

### Structure of the Tanzania PRBS Performance Assessment Framework

This annex provides more detail analysis of the Performance Assessment Framework (PAF) to support the findings in chapter 3. Data has been taken from the poverty reduction budget support (PRBS) Annual Reviews of 2005–2009, as published by the Ministry of Finance in conjunction with the PRBS Development Partners (DPs). The current format of the PAF was developed in 2005. The actual PAF of 2005 is not in this format. The data available for 2005 has been utilised and incorporated into the format to make a more consistent time series for evaluation.

The PAF has three levels of assessment:

- i. The **‘Underlying Processes’** which record progress in sector reviews, reform programmes and overarching policy issues such as MKUKUTA and macro stability.
- ii. **‘Temporary Process Actions’** (TPAs) were designed to be temporary measures to cover areas where underlying processes were not yet in place. However, they are now used as a method to highlight key measures or actions in each sector that need to be addressed for the reform to be carried out or the indicator to be met. They also form the basis for the assessment of the DFID Performance Tranche.
- iii. **‘Outcome Indicators’** provide a time series to track performance against the 2010 MKUKUTA targets. For example, ‘percentage of people with access to electricity’, ‘gross enrolment in higher education’, or to retain an ‘inflation rate consistent with policy support instrument targets’.

Here the number of indicators refers to the sum of performance measurement mechanisms that have been assessed in a given year. This excludes all those where data were not available, an indicator was incorrectly formulated, or for any other reason an assessment was not made. We have allocated a numerical value to the descriptive rating given for each area in the PAF as shown in table 8.

**Table 8. Key to Numerical Values for PAF**

Value	Underlying Processes	Temporary Process Actions	Outcome Indicators
+2	Satisfactory	Achieved	On Track
+1	Fair Moving / Moderately Satisfactory	Partially Achieved	At Risk
<b>Zero</b>	No Assessment / New Indicator / No Data		
-1	Delayed	Delayed	-
-2	Not Satisfactory	Not Achieved	Off-Track

### Underlying Principles

In addition to the criteria set out in the PAF, there are **‘Underlying Principles’** under the MKUKUTA Partnership Framework Memorandum<sup>93</sup> that must be met for GBS to be considered.

- i. Continuing sound macroeconomic policies and management.
- ii. Commitment to achieving MKUKUTA objectives and Millennium Development Goals.

<sup>93</sup> Partnership Framework Memorandum for PRBS, January 2006, page 4.

- iii. Sound budgeting and public financial management systems.
- iv. Continuing peace and respect for human rights, the rule of law, democratic principles, and the independence of the judiciary.
- v. Good governance, accountability of the government to the citizenry, and integrity in public life, including the active fight against corruption (in accordance with commitments of the signatories in the New Partnership for African Development, and other international agreements).

## Transactions Costs

Table 9 outlines four types of proxy indicators for tracking transactions costs attributable to the PAF process. In general the trend seems to be towards a more administratively burdensome review process with more indicators being assessed and discussed, larger reports being written and meetings taking place later in the fiscal year, due to the time taken to bring the necessary information together. For example:

- i. The size of the GBS annual report has risen over time reaching a peak of 227 pages in 2007.
- ii. There has been a rise in the number of assessed indicators from 45 to 77. A conclusion of the 2009 GBS review is that the “PAF should include fewer, clear, implementable actions and high impact indicators” (page ii).

**Table 9. Proxy Measures for Transactions Costs to the PAF (2005–2009)**

	Pages in Annual Report	Number of Indicators	Annual Review Meeting	Publication of Annual Review
2005	76	45	03 – 26 Oct	15-Dec
2006	149	47	16 – 20 Oct	08-Dec
2007	227	64	29 Oct – 02 Nov	27-Dec
2008	176	78	24 – 27 Nov	-?-
2009	170	77	19 – 25 Nov	Feb 2010-

## Performance Overall and by Cluster

The PAF is organised into four clusters. **Cluster I: Growth and Reduction of Income Poverty; Cluster II: Quality of Life and Social Well-Being; Cluster III: Governance and Accountability; and Cluster IV: Public Financial Management and Macroeconomic Stability**<sup>94</sup>.

Over the past five years the result has always been positive, with the best performance given as ‘satisfactory’ and the alternative a variation on moderately satisfactory. It is clear that 2007 has had the least positive review with all clusters being judged as less than satisfactory. It is also clear that despite the majority of individual clusters having a ‘satisfactory’ rating in any one year the overall assessment is less positive – in all but one year (2006) the overall assessment is given as ‘moderately satisfactory’.

<sup>94</sup> ‘The Annual National Policy Dialogue Report 2009’, see page 22

## Evolution of Monitoring Mechanisms

There has been an upward trend in the number of indicators within each of the three methods of assessment from 2006–2008, with a reduction in 2009. The number of underlying processes has remained relatively stable fluctuating around 20 per annum; comprising the sector reviews and basic macroeconomic indicators. Performance against these measures has been the most successful over the past five years with an average satisfaction rate of 91%.

The number of TPAs and outcome indicators has doubled in this time period. Whilst there has been some improvement in the achievement of TPAs over time, more outcome indicators have been assessed as ‘off-track’ in the past two years. Overall TPAs are the worst performers with an average successful achievement rate of 65%. This is not surprising given that TPAs involve complex, often multiple agency reforms or implementation of new techniques, training and equipment. There is a significant number of cases where there has been progress made in an area but final results have been delayed. In this situation despite positive commentary the authors have classified this as a failure to meet the TPA. For example this accounts for nine of the 12 non-satisfactory TPAs in 2007.

Overall performance against the assessment criteria has declined over the five years, in particular for outcome indicators and TPAs.

## Criteria and Performance by Sector

Table 10 gives the number of criteria by cluster and sub-sector. Each sub-sector has a variable amount of TPAs and outcome indicators associated with it.

**Cluster I: Growth and Reduction of Income Poverty** has accounted for the greatest proportion, about one third, of assessment criteria. It has the lowest performance record at an average of 74% satisfaction. The most significant sub-sectors are BEST/private sector, infrastructure, energy, and agriculture. The majority of these criteria are TPAs; consisting of between two and five per year.

The focus on the private sector has been constant since 2005, averaging almost 5 criteria per year. However, performance has reduced in 2008 and 2009. Agriculture has also gained constant attention in terms of the number of criteria each year. Performance has been consistently below average for the cluster and the total.

There has been growing attention to energy and infrastructure with growing numbers of criteria but without a good track record of achievement of targets. Both TPAs and outcome indicators are being missed, due to delays in reforms as well as production targets not being met.

There has been a large rise in the number of assessment criteria in **Cluster II: Quality of Life and Social Well-Being** largely due to the rise in outcome indicators for education and health. In general this cluster has low performance only achieving around 75% satisfaction each year.

Education has grown from three outcome indicators in 2006 and 2007 to five in 2008 and seven in 2009. Additionally the TPAs have risen from zero in 2005 and 2006 to two per year in 2008 and 2009. The worsening performance in the past two years is solely due to outcome indicators being classified as off-track to meet MKUKUTA targets. All TPAs have been achieved.

Table 10. Criteria and performance by cluster and sub-sector (2005–2009)

Year	Number of Assessment Criteria					Proportion of Satisfactory Assessments					
	05	06	07	08	09	05	06	07	08	09	Ave
<b>Total</b>	<b>45</b>	<b>47</b>	<b>64</b>	<b>78</b>	<b>77</b>	<b>100%</b>	<b>77%</b>	<b>86%</b>	<b>65%</b>	<b>69%</b>	<b>79%</b>
<b>Cluster I</b>	<b>11</b>	<b>16</b>	<b>23</b>	<b>25</b>	<b>27</b>	<b>100%</b>	<b>63%</b>	<b>87%</b>	<b>60%</b>	<b>63%</b>	<b>74%</b>
<b>Growth Strategy</b>	0	1	0	0	1	-	0%	-	-	0%	0%
<b>National Panel Survey</b>	1	0	0	1	2	100%	-	-	100%	50%	83%
<b>Energy Sector</b>	0	1	6	7	4	-	100%	83%	43%	75%	75%
<b>Infrastructure Sector</b>	0	3	5	7	6	-	0%	100%	71%	67%	60%
<b>Agriculture Sector</b>	3	4	3	3	5	100%	50%	67%	33%	60%	62%
<b>BEST / Private Sector</b>	6	5	4	4	5	100%	100%	100%	50%	40%	78%
<b>Tax Modernisation Programme</b>	1	1	3	1	1	100%	100%	67%	100%	100%	93%
<b>FSSP</b>	0	1	2	1	1	-	100%	100%	100%	100%	100%
<b>Natural Resources</b>	0	0	0	1	2	-	-	-	100%	100%	100%
<b>Cluster II</b>	<b>4</b>	<b>11</b>	<b>16</b>	<b>23</b>	<b>20</b>	<b>100%</b>	<b>73%</b>	<b>75%</b>	<b>74%</b>	<b>70%</b>	<b>78%</b>
<b>Social Protection</b>	0	1	1	1	0	-	-	-	-	-	-
<b>Education Sector</b>	1	4	5	8	10	100%	100%	100%	63%	70%	87%
<b>Health Sector</b>	1	2	4	8	5	100%	100%	100%	100%	60%	92%
<b>Water Sector</b>	0	2	4	3	3	-	50%	50%	33%	67%	50%
<b>Environment Sector</b>	2	2	2	3	2	100%	50%	50%	100%	100%	80%
<b>Cluster III</b>	<b>12</b>	<b>8</b>	<b>10</b>	<b>12</b>	<b>15</b>	<b>100%</b>	<b>75%</b>	<b>100%</b>	<b>58%</b>	<b>80%</b>	<b>83%</b>
<b>Corruption</b>	3	3	4	2	3	100%	67%	100%	100%	100%	93%
<b>PSMRP</b>	4	2	2	2	3	100%	100%	100%	50%	33%	77%
<b>LGRP</b>	4	1	2	4	3	100%	100%	100%	25%	100%	85%
<b>LSRP</b>	0	1	2	3	3	-	0%	100%	67%	100%	67%
<b>Accountable Governance</b>	1	1	0	1	3	100%	100%	-	100%	67%	92%
<b>Cluster IV</b>	<b>18</b>	<b>12</b>	<b>15</b>	<b>18</b>	<b>15</b>	<b>100%</b>	<b>100%</b>	<b>87%</b>	<b>67%</b>	<b>67%</b>	<b>84%</b>
<b>PFMRP</b>	11	3	6	9	7	100%	100%	67%	44%	57%	74%
<b>Budget Guidelines</b>	1	1	1	1	0	100%	100%	100%	100%	-	100%
<b>Fiscal Reports</b>	0	1	1	1	0	-	100%	100%	100%	-	100%
<b>Annual Audit Cycle</b>	0	0	0	1	1	-	-	-	100%	100%	100%
<b>PER / Budget Process</b>	0	1	1	1	1	-	100%	100%	100%	0%	75%
<b>MKUKUTA II Process</b>	2	2	2	1	2	100%	100%	100%	100%	100%	100%
<b>Macro Economic Stability</b>	4	4	4	4	4	100%	100%	100%	75%	75%	90%

The health sector had one outcome indicator in 2006, three in 2007 and rose to five plus two TPAs in 2008. In 2009 it incorporated four outcome indicators. The sector has consistently performed well with 100% satisfaction until 2009 when two outcome indicators were judged as off-track.

Elsewhere in Cluster II the environment sector performance is improving whilst the water sector results remain poor over the five years.

**Cluster III: Governance and Accountability** has stayed relatively stable with a slight trend towards more TPAs in accountable governance and the Legal Sector Reform Programme (LSRP). Performance has generally been better than average, however in 2007 and 2008 the non-achievement of reforms on public sector pay reduced the success rate for PSMRP substantially. Moreover, the criteria on funding to local government authorities were not met in 2008, reducing the rating for LGRP.

**Cluster IV: Public Financial Management and Macroeconomic Stability** has the best performance record over the past five years with an average 84% satisfaction. The outcome indicators on macro stability have remained consistent at 3 per annum. The 2008 and 2009 outcome indicator on inflation pulled down the average; this was greatly due to external influences.

This cluster has reduced in size from 19% to 26% of all criteria (2005 to 2009). This is due to the large fall in PFMRP TPAs; from ten in 2005 to an average of two a year thereafter. Despite this reduction achievement of targets has not improved. In 2008 and 2009 much of this was down to the non-achievement of procurement criteria.

In summary the change to a more structured PAF with three levels of criteria and a much larger number of targets does not seem to have improved the performance of government reforms or poverty indicators. Key sectors which have grown in importance are ‘growth and reduction of income poverty’ and ‘quality of life and social well-being’. This represents education, health, energy, infrastructure at the sub-sector level. These are thematic areas which to some degree have always been top priority for development.

## DFID PRBS Performance Tranche

DFID began using a 10% performance tranche in financial year 2007/08. Performance for the disbursement of this variable tranche is measured against the PAF through the PRBS Annual Review. Disbursements are planned to be released in the first quarter of each financial year. Future commitments up to 2011/12 continue this disbursement method, as shown in table 11.

**Table 11. DFID PRBS allocations – ‘core’ and performance tranches (2005–2011)**

Years	Total Possible PRBS	Core Commitment (90%)	Performance Tranche (10%)	Disbursement Status
2005/06	85.0	Single Payment		Fully disbursed
2006/07	90.0	Single Payment		Fully disbursed
2007/08	105.0	94.5	10.5	Fully disbursed
2008/09	103.5	103.5	11.5	Not disbursed
2009/10	115.0	103.5	11.5	Fully disbursed
2010/11	115.0	103.5	11.5	N/a – Projection
2011/12	115.0	103.5	11.5	N/a – Projection

Problems with progress against key areas of the 2007 PAF hindered disbursement of the performance tranche for 2008/09, as stated by DFID in their internal submission to Minister of State: “In 2008/9, we withheld the performance tranche because of disappointing performance on results measurement and on response to corruption allegations in 2007/08”.

Although cluster three received an ‘overall satisfactory’ PAF performance, there were wider governance (corruption) issues, related to the treatment of the BoT External Payments Account corruption cases. DFID’s Internal Submission in 2008 stated that the issue of corruption should be raised with the Minister of Finance:

“impressing on him the importance of anti-corruption efforts if we are to have continued confidence in the budget support instrument ... We are therefore in a situation where the strict disbursement requirements for 2008/9 have been met, but the indications for the future are less certain ... While all PRBS country representatives have concerns about the President’s remarks, we have jointly concluded that we can recommend to proceed with disbursement ... We are shortly due to begin discussions with GoT over the level of PRBS for 2009/10. We will ensure that these continue to focus on demonstrable progress against corruption”.

For the most recent disbursement, 2009/10 the 2008 Annual Review was satisfactory for the full 10% performance tranche disbursement. However, DFID recommended keeping PRBS at £115m rather than the envisioned rise to £120m in 2010/11. This was due to concerns over PAF performance (only 18 out of 31 actions completed); limited progress in reform programmes (including business environment, LGR, legal sector and PFM); lack of poverty reduction; and freedom of the press.<sup>95</sup>

## **Measurement of Donor Performance**

The PAF also tracks the performance of the 14 PRBS DPs. An indicator has been created to rank the reliability of disbursements against PRBS agreements and DPs commitments. The lower the score the better the performance. It combines three issues:

- 1) timing predictability of disbursements;
- 2) to what extent the disbursement was ‘front loaded’; and
- 3) how predictable the disbursement amount is against the commitment.

The average DP performance is improving over time; falling from 4.9 to 4.1. UK is consistently better than the average DP with a value of 3 or 4. Ireland has improved from a worse than average score of 7 in 2004/05, to better than average of 3 in 2005/06 and 2006/07.

Unfortunately, this measurement does not continue in the 2008 or 2009 GBS Annual Review document. In the 2008 GBS Annual Review there is however a discussion of the results from the Paris Declaration Survey for Tanzania. Improvements were seen in areas such as the “increased use of Tanzania’s public financial management and procurement systems by development partners<sup>96</sup>”. Areas where more effort was required included “aid predictability as well as aligning aid flows with national priorities”. The report goes on to note that the “lack of progress is mainly caused by the use of other aid modalities than GBS. In this respect GBS demonstrated one of its main strengths, namely the use of country systems and priorities, thereby increasing the national ownership of development issues”.

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<sup>95</sup> DFID Annual Reviews: 2006, 2007 and 2009; DFID Internal Submissions to Minister of State: 2005, 2006, 2007, 2008 and 2009; DFID and Government of Tanzania MoU 2009.

<sup>96</sup> GBS Annual Review 2008, page 7.

## ANNEX 6: SUPPORT TO CIVIL SOCIETY

### Level of Support

1. DFID and Irish Aid both provide support to civil society initiatives including NGOs through their respective country programme and direct from their head offices. In the case of DFID funding through its Civil Society Department is provided through two competitive grants programmes, the Civil Society Challenge Fund and the Governance and Transparency Fund. For Irish Aid grants are provided by its Civil Society Section to NGOs and Irish Missionaries. In addition, both DFID and Irish Aid provide core funding support under partnership arrangements to UK and Irish international NGOs respectively. Some of these funds support work in Tanzania but they are not allocated on a country basis and so are not covered in this annex.

### DFID Civil Society Support

2. Table 12 gives the grants provided by DFID Tanzania as part of the country programme during the period of the evaluation.

**Table 12. DFID Tanzania country programme support to NGOs and CSOs 2004-2009**

Year	No of Grants	Spend (£)
2004	9	£626,243.33
2005	12	£1,257,067.31
2006	13	£1,892,169.76
2007	15	£2,828,795.73
2008	19	£3,705,885.74
2009	18	£3,283,084.94
<b>TOTAL over Evaluation Period</b>	<b>86</b>	<b>£13,593,246.81</b>

Source: DFID Tanzania

3. The Civil Society Challenge Fund (CSCF) is a competitive fund open, during the evaluation period, to UK based non-profit organisations. The CSCF can provide up to £500,000 for a maximum of 5 years. Projects where the UK organisation has secured a degree of funding from other sources or is making a contribution of its own are welcomed, however, up to 100% will be considered where no other funding is available. During the evaluation period the DFID Civil Society Department made 26 CSCF grants to UK organisations in support of work in Tanzania, totalling £9 million.

4. The Governance and Transparency Fund (GTF) is also administered by the Civil Society Department and managed on its behalf by a consortium led by KPMG. To address the fact that civil society, the media, and others have a key role in promoting accountable governance and transparency, DFID created the GTF to help citizens hold their governments to account, through strengthening the wide range of groups that can empower and support them. The criteria and guidelines for the GTF were launched in February 2007 with an initial budget of £100 million.

5. Grants are open to any civil society entity, wherever the organisation is based, for up to five years. Grants are not country specific. However, eight grants covering Tanzania in part were made during the evaluation period for a combined total of approximately £3.5 million.

## Irish Aid Civil Society Support

6. Irish Aid makes a number of civil society and NGO grants through the Embassy in Dar es Salaam. Table 13 shows the grants made during the evaluation period.

**Table 13. Irish aid/embassy of Ireland Tanzania NGO and CSO expenditure 2005-2009**

DESCRIPTION	YR'2005	YR'2006	YR'2007	YR'2008	YR'2009
<b>HEALTH</b>					
Care International in Tanzania		€50,000	€78,645	€150,000	€150,000
Public Service International, Tanzania		€119,708		€200,000	€100,000
CCBRT			€258,000	€800,000	€300,000
Ifakara Health Resource Centre			€185,000	€200,000	€200,000
Youth Action Volunteers			€81,355	€150,000	€150,000
Tanzania Gender Networking Programme			€90,000	€150,000	€150,000
Women's Dignity Project				€150,000	€150,000
<b>GENDER</b>					
WILDAF-Gender Based Violence			€105,000	€200,000	€300,000
<b>HIV /AIDS</b>					
Mema Kwa Vijana	€98,000	€550,000			
HIV/SPW	€125,000	€125,000			
HIV/ISHI	€210,293				
HIV/AIDS Health Information Programme	50,000				
HIV/AIDS-Youth Action Volunteers		€25,000			
<b>EDUCATION</b>					
Hakielimu	€300,000				
<b>AGRIC/NAT RES</b>					
Technoserve					€300,000
Farms Input Promotions Africa					€200,000
Care International in Tanzania		€505	€400,000	€400,000	€450,000
<b>GOOD GOVERNANCE &amp; PARTICIPATORY DEVELOPMENT</b>					
Foundation for civil society	€150,000	€550,000	€800,000	€800,000	€700,000
Hakielimu			€250,000	€400,000	€300,000
Media Fund				€400,000	€305,000
<b>Micro Projects</b>		€128,761	175,000	€228,390	€74,787
Totals	€933,293	€1,548,974	€2,423,000	€4,228,390	€3,829,787
<b>TOTAL over evaluation period</b>					<b>€12,963,444</b>

Source: Irish Aid Embassy of Ireland Tanzania

7. Since 2004 the Section in Irish Aid's head office has provided NGO and Irish missionaries working in Tanzania with just under €19 million in funding. This was in addition to the programme country allocations. This funding covers work in various sectors, including livelihood support, health, HIV and AIDs, education, disability and human rights.

8. Some partners active in Tanzania include:

- Concern which received over €4.1m since 2004 for their work in health and livelihood security.
- Oxfam Ireland which received over €3.1m since 2004 for their work in health and livelihood support.

- Fairtrade: in 2008 Irish Aid began a programme of support to Fairtrade in four East African countries (Kenya, Uganda, Tanzania and Ethiopia). The amount involved in 2008 was €2m, rising to €2.3m in 2009. Tanzania received approximately 20% of this financing, €460,000 in 2009. The Irish Fairtrade Network is working in partnership with Solidaridad (Dutch NGO) in the implementation of this programme.
- Irish Missionaries: there is a long history of Irish missionary involvement in Tanzania. Since 2005 they received over €2.8m in funding from Irish Aid through Mísean Cara<sup>97</sup> to support projects and personnel working in basic education, capacity building, primary health care and rural development. The Orders include the Christian Brothers, Pallottine Fathers, Sisters of St. Joseph of Annecy and the Volunteer Missionary Movement.
- Several other partners are currently active in Tanzania through funding from the Civil Society Section. They include: Children in Crossfire, War on Want Northern Ireland, Sightsavers International, Minority Rights Group and World Vision.

### Effectiveness of DFID and Irish Aid Support to Civil Society

9. Amongst DPs in Tanzania a range of attitudes to civil society co-exist with different donor organisations giving different weight to different perspectives<sup>98</sup>, and different motivations sometimes co-existing within the same organisations. These can be summarised as:

- Civil society as a general ‘good’ in a free society and a positive force for development. ‘Beneficiaries’ know best how to achieve development in their society and so should participate in planning and evaluation processes. Development plans will be implemented better if there is broad consensus and ownership for them, deriving from broad participation by stakeholders. A refinement of this is ideas about a ‘confluence space’<sup>99</sup> where stakeholders meet together on a ‘level playing field’ and are able to provide early advice of up-coming issues in programme implementation before a crisis arises, or generally improve the quality of programming based on local knowledge.<sup>100</sup>
- Support to civil society as means to reduce the fiduciary risk involved in budget support, or leverage its impact<sup>101</sup>, by ensuring that there is a constituency to scrutinise government and hold it to account, particularly in the context of dialogue processes and structures which are key elements of budget support<sup>102</sup>. This latter, in particular, implies the need for organisations employing articulate, well informed individuals with capacity in policy and budget analysis.

10. Evaluating the effectiveness of DFID and Irish Aid support to civil society implies assessing the clarity and relevance of the conceptualisation of civil society in a Tanzanian context, and evidence that the selection of organisations for funding is in line with that. The latter implies reference both to

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<sup>97</sup> Mísean Cara (formerly the Irish Missionary resource Service) is a management agent which sub-grants to 80 missionary organisations and provides additional capacity building and oversight of their development interventions

<sup>98</sup> Ingelstam A and Karlstedt C (2007) Guidelines for Support to Civil Society, report produced by Acumenta on behalf of DPs in Tanzania

<sup>99</sup> Mmuya M (2006) Power Analysis

<sup>100</sup> This latter is a particular focus of the Irish Aid Tanzania – see Irish Aid (2007) Civil Society Strategy for Irish Aid Tanzania Country Programme 2007-2011 – draft for discussion – page 5.

<sup>101</sup> Objective number 4 of the AcT programme, see [http://www.accountability.or.tz/index.php?option=com\\_content&view=article&id=6&Itemid=27](http://www.accountability.or.tz/index.php?option=com_content&view=article&id=6&Itemid=27)

<sup>102</sup> Irish Aid(2008) Guidance on the Approach to General Budget Support and Decision Making Process, page 7 [www.dci.gov.ie/Uploads/General%20Budget%20Support%20Guidelines.pdf](http://www.dci.gov.ie/Uploads/General%20Budget%20Support%20Guidelines.pdf)

organisations funded from HQs and in the field. Questions of efficiency and effectiveness also arise from how the linkages and connections are made on the ground between the country offices and the different funding recipients.

11. In terms of conceptualisation of civil society, DFID, as an agency, has taken a lead in pushing forward the understanding of governance, and its role in bringing about change. At the beginning of the evaluation period, many donors were digesting the implications of the drivers of change studies, whose operational concepts were of transparency, answerability and controllability. The 2006 White Paper introduced the concepts of Capability, Accountability and Responsiveness (CAR). DFID in Tanzania has consistently kept up with these innovations, with the 2007 Accountability Strategy considering the different typologies of governance interventions used internationally and finally designing one which attempted to reflect Tanzania's needs<sup>103</sup>. The CAR framework is used to measure team performance. The AcT (Accountability Tanzania) Programme is similarly innovative, linking up with the ODI to try to implement the relatively untried Rapid Outcome Mapping Approach (ROMA).

12. DFID Tanzania's programming tends to have been ambitious and largely instrumental, seeking to ensure that demand side engagement formed an explicit counterpart to supply side reforms – generating and articulating Tanzanian citizens' demand for reform. Spending on civil society is categorised with spending on government – indicating the closeness of the envisaged relationship. The lions' share consistently goes to organisations carrying out policy advocacy work, often combined with capacity building of the organisation's own partners, less often with service delivery.

13. Consistent with the developing conceptual framework, DFID had a view from the outset of what was needed in terms of demand side accountability, and deployed funding to bring this about. It was the driving force behind the establishment of the Foundation for Civil Society (The Foundation), which was one of the earliest DP initiatives to support policy engagement. This basket funding was complemented by substantial funding to individual organisations with demonstrable capacity or potential to engage in high level policy and advocacy work. DFID provides ongoing funding to major existing players (e.g. Hakielimu, NGO Policy Forum), having played a role in their start-up, but also consistently supports innovations, especially where longstanding relations with individual activists suggest there is a good chance of promoting further change (e.g. Media Fund, Twaweza).

14. DFID's approach carries the inherent danger of 'engineering a civil society' – and there have been critics – not of DFID in particular, but more of the limitations of the overall approach. Some see the 'dialogue' between government donors and civil society as undermining other mechanisms of accountability, especially to parliament, by encouraging NGOs to see themselves as representative of grass roots levels, and potentially undermining other more autonomous popular organisations<sup>104</sup>. Linked to this is the way NGOs have become synonymous with civil society, hence potentially crowding out the space for other types of organisations, particularly membership ones<sup>105</sup>. It has also encouraged civil society to see the dialogue process as the space for engagement, which a number of activists have now become disillusioned with.

15. The contracting out and inception process of AcT has been protracted and it is too early to say what results it will deliver. It focuses on big NGOs, visible mainly at national level, which can make

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<sup>103</sup> DFID Tanzania (2007) Accountability Strategy, page 9.

<sup>104</sup> Shivji op cit.

<sup>105</sup> The Accountability Strategy recommended a focus in these kinds of organisations, but the AcT Programme is only now beginning to map the possibilities.

a demonstrable difference to accountability (recipients have to be able to demonstrate impact on at least a million people)<sup>106</sup>, but so far it has proved hard to identify such groups and to get them to share a commitment to results at outcome level. The ambition of AcT is high, as is the scope and scale of DFID's core reform agenda. However, the drivers of change studies (mainly conducted in 2005) were explicit on the need to be modest in terms of what could be expected in terms of change in accountability given local level dynamics.

16. DFID manages almost all its NGO engagements through managing agents. The Foundation rapidly developed into a model of basket support from donors to civil society, with the benefit of reduced transaction costs for all donors. AcT, managed by KPMG, also manages the funding for larger individual NGOs, which previously had been managed directly by DFID.

17. The Foundation and AcT need to operate very sensitively, since DFID and Irish Aid has potential blind spots in terms of understanding and engaging with what is actually happening with accountability especially at local level.

18. Another element of DFID's spending on CSOs in Tanzania are the centrally funded initiatives. The categorisation of CSCF projects makes it impossible to get a sense of how far they are consistent with the country programme emphasis on funding policy and advocacy work, and how they are funding service delivery. It is not clear what initiatives are taken to create synergies between centrally or locally funded initiatives.

19. Irish Aid's approach to civil society is slightly different. Their overall policy is a clear articulation of potential opportunities, challenges and pitfalls to be avoided whilst pursuing the policy objectives, informed both by literature and practical NGO experience. The objectives are: *promoting an enabling environment for civil society, and its role in promoting participation and good governance; ensuring pro-poor service delivery and pro-poor growth; and, globally and nationally, to build a constituency for development, human rights and social justice*<sup>107</sup>. There is an Irish Aid Tanzania Civil Society policy – again practically based, with less apparent attention to international theory, but articulating the priorities Irish Aid sees for civil society in the context of MKUKUTA implementation.

20. Irish Aid funds centrally through the Multi-Annual Programme Scheme (MAPS) and a block grant scheme. MAPS's only direct beneficiary in Tanzania is Concern, while Children in Crossfire is a block grant recipient. Their funding was agreed independently of the objectives of the bilateral programme in Tanzania, though their work is broadly in line with the civil society policy objectives.

21. Consistent with civil society policy, and with a preference for a mix of funding modalities<sup>108</sup> rather than a heavy weighting in preference for budget support, Irish Aid support to civil society plays a different role in overall programming. Irish Aid Tanzania has been more value based in its identification of partners from amongst the most marginalised groups, supporting organisations that promote a general and longer term, social 'good'<sup>109</sup>. Examples include WILDAF on gender based violence and the Pastoralist Basket Fund. They potentially provide a window into an average

<sup>106</sup> [http://www.accountability.or.tz/index.php?option=com\\_content&view=article&id=50&Itemid=50](http://www.accountability.or.tz/index.php?option=com_content&view=article&id=50&Itemid=50)

<sup>107</sup> Irish Aid (2008) Civil Society Policy page 6.

<sup>108</sup> Irish Aid (2007) Strategic Plan 2007-12, page 12

<sup>109</sup> Irish Aid (2007) Civil Society Strategy for Irish Aid Tanzania Country Programme 2007-2011 – draft page 6.

citizen's perspectives, on the issues that the NGO in question focuses on, which in turn contributes to Irish Aid's comparative advantage in understanding grassroots reality<sup>110</sup>.

22. Overall, Irish Aid supports fewer organisations than DFID but the level of funding is roughly comparable. There are a range of NGO partners with whom there are direct MoUs, hence involving staff in quarterly reporting and disbursement discussions. Irish Aid staff have much more direct engagement with NGO staff and the Ambassador meets regularly with Irish INGOs, helping to 'keep an ear to the ground'. Examples of Irish Aid's more hands-on approach include supporting the DP Poverty Monitoring Group to broaden its public communication on poverty issues, through the production of simple, Kiwahili and English media briefs discussing key issues emerging from the Household Budget Survey, and as co-chair of the Accountable Governance Group supporting NGO involvement in the MKUKUTA 2 consultations.<sup>111</sup>

23. In terms of engagement by cluster, the portfolio of NGOs supported in health is comprehensive, ranging from service delivery for disabled people (CCBRT), HIV&AIDS (Rapid Funding Envelope – a multi-donor fund) and public health (Public Service International) to those with a much stronger advocacy and equity focus (Health Equity Group). There is a close fit with the results planned for, since the MTR of the CSP. Recent additions to its portfolio, especially in the private sector have been more strategically placed to contribute directly to CSP objectives.

24. For governance, the fit in choice of NGOs seems less tight. *Hakielimu* is a governance NGO, but also in the education sector. The Legal and Human Rights Centre is a 'blue chip' NGO, doing good work in supporting access to legal rights, but Irish Aid is not in the legal sector. Work with pastoralists, through the Pastoralist Basket Fund, has a strong governance aspect, but is categorised under livelihoods, hence requiring strong internal communication in terms of governance. As originally set up, the fund had no provision for 'emergency' advocacy issues like the Loliondo evictions, which were first and foremost a governance issue, though this is now rectified.

25. For livelihoods /private sector there are three partners – two working on farming inputs and the Pastoralist Basket Fund. The logic for their selection is not explicit in the documentation provided, but is generally complementary to private sector strategy and would give a window into the opportunities and obstacles at local level, especially around farm inputs.

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<sup>110</sup> However, a weakness to this approach has been the management of the Pastoralist Basket Fund, through CARE, whose management needed to be strengthened by the inclusion of those with knowledge of, and belief in, pastoralism (Carol Sorensen (2009) Strengthening the Pastoralist Basket Fund, a report commissioned by Ereto NPP). Having this fund externally managed put Irish Aid staff at one step removed from this sensitive issue – when arguably in the case of the Loliondo evictions stronger prior understanding of the developments there could have been very helpful.

<sup>111</sup> Irish Aid Tanzania, Annual Report 2009, page 9

## ANNEX 7: IRISH AID AND DFID EXPENDITURE TABLES

Table 14. DFID sector and GBS expenditure over evaluation period (£)

Sector	Non-GBS Programme Spend	%	Apportioned GBS Spend	%	Total spend 2004/05 – 2008/09
Water & Sanitation	£644,880	1%	£26,910,000	6%	£27,554,880
Social Infrastructure & Services	£3,893,057	3%	£13,455,000	3%	£17,348,057
Development Planning	£1,066,759	1%	£103,155,000	23%	£104,221,759
Production	£4,160,985	3%	£31,395,000	7%	£35,555,985
Health	£16,214,788	13%	£58,305,000	13%	£74,519,788
Government & Civil Society	£ 82,555,774	64%	£103,155,000	23%	£185,710,774
Education	£1,899,341	1%	£112,125,000	25%	£114,024,341
Economic & Infrastructure	£8,492,417	7%	-	0%	£8,492,417
Environmental Protection	£228,404	0.2%	-	0%	£228,404
Humanitarian Assistance	£1,884,299	1%	-	0%	£1,884,299
Research	£581,514	0.5%	-	0%	£581,514
Non-Sector Allocable	£6,777,446	5%	-	0%	£6,777,446
<b>Total</b>	<b>£127,399,663</b>	<b>100%</b>	<b>£448,500,000</b>	<b>100%</b>	<b>£575,899,663</b>

Source: DFID Statistics in Development, 2010

Note DFID uses a standardized methodology to notionally allocate GBS to sectors in the same proportions as the recipient government allocates total resources to ODA eligible activity (i.e. if a government intends to spend 25% of its budget on education, 25% of GBS provided would be attributed to education).

Table 15. Irish aid programme and PRBS expenditure by sector in euro (€)

Sector	Non-GBS Programme Spend	%	Apportioned GBS Spend	%	TOTAL Spend 2005-2009
Water and Sanitation	-	0%	3,486,000	6%	<b>3,486,000</b>
Social Infrastructure & Services	-	0%	1,743,000	3%	<b>1,743,000</b>
Development Planning	-	0%	13,363,000	23%	<b>13,363,000</b>
Agric/Nat Resources	16,350,082	17%	4,067,000	7%	<b>20,417,082</b>
Health + HIV /AIDS	42,584,966	45%	7,553,000	13%	<b>50,137,966</b>
Good Governance & Participatory Dev	29,633,285	31%	13,363,000	23%	<b>42,996,285</b>
Education	2,800,000	3%	14,525,000	25%	<b>17,325,000</b>
District Dev Programmes	402,557	0%	-	0%	<b>402,557</b>
Other*	3,914,082	4%	-	0%	<b>3,914,082</b>
<b>Totals</b>	<b>95,684,972</b>	<b>100%</b>	<b>58,100,000</b>	<b>100%</b>	<b>153,784,972</b>

Source: Irish Aid

Note: PRBS has been nominally allocated to sectors in the same proportions as the recipient government allocates total resources to ODA eligible activity ( i.e. if a government intends to spend 25% of its budget on education, 25% of PRBS provided has been attributed to education) to allow for comparison with DFID programme spend.

Table 16. DFID bilateral expenditure in Tanzania by sector

Sector	2004/05 (£)			2005/06 (£)			2006/07 (£)		
	Non-GBS	GBS*	Total	Non-GBS	GBS*	Total	Non-GBS	GBS*	Total
Water & Sanitation	16,879	3,900,000	3,916,879	90,410	5,100,000	5,190,410	113,332	5,400,000	5,513,332
Social Infrastructure & Services	1,464,117	1,950,000	3,414,117	1,123,171	2,550,000	3,673,171	1,099,970	2,700,000	3,799,970
Development Planning	972,532	14,950,000	15,922,532	114,971	19,550,000	19,664,971	-33,202	20,700,000	20,666,798
Production	843,788	4,550,000	5,393,788	758,231	5,950,000	6,708,231	654,972	6,300,000	6,954,972
Health	3,820,936	8,450,000	12,270,936	2,590,358	11,050,000	13,640,358	4,301,658	11,700,000	16,001,658
Government & Civil Society	19,644,682	14,950,000	34,594,682	17,908,024	19,550,000	37,458,024	11,609,521	20,700,000	32,309,521
Education	49,044	16,250,000	16,299,044	110,730	21,250,000	21,360,730	462,895	22,500,000	22,962,895
Economic & Infrastructure	1,128,511		1,128,511	1,280,581		1,280,581	766,386		766,386
Environmental Protection	164,223		164,223	86,767		86,767	-22,585		-22,585
Humanitarian Assistance	174,299		174,299				700,000		700,000
Research	25,065		25,065				33,821		33,821
Non-Sector Allocable	3,242,038		3,242,038	3,502,286		3,502,286	2,533,121		2,533,121
			<b>6,546,113</b>			<b>12,565,529</b>			<b>12,219,889</b>
2007/08 (£)			2008/09 (£)			Total spend over period			
Sector	Non-GBS	GBS*	Total	Non-GBS	GBS*	Total			
Water & Sanitation	143,584	6,300,000	6,443,584	280,675	6,210,000	6,490,675	<b>27,554,880</b>		
Social Infrastructure & Services	88,938	3,150,000	3,238,938	116,862	3,105,000	3,221,862	<b>17,348,057</b>		
Development Planning		24,150,000	24,150,000	12,457	23,805,000	23,817,457	<b>104,221,759</b>		
Production	794,704	7,350,000	8,144,704	1,109,290	7,245,000	8,354,290	<b>35,555,985</b>		
Health	3,357,612	13,650,000	17,007,612	2,144,224	13,455,000	15,599,224	<b>74,519,788</b>		
Government & Civil Society	13,093,193	24,150,000	37,243,193	20,300,354	23,805,000	44,105,354	<b>185,710,774</b>		
Education	167,057	26,250,000	26,417,057	1,109,615	25,875,000	26,984,615	<b>114,024,341</b>		
Economic & Infrastructure	1,985,791		1,985,791	3,331,148		3,331,148	<b>8,492,417</b>		
Environmental Protection							<b>228,404</b>		
Humanitarian Assistance	460,000		460,000	550,000		550,000	<b>1,884,299</b>		
Research	233,296		233,296	289,332		289,332	<b>581,514</b>		
Non-Sector Allocable	-2,500,000		-2,500,000				<b>6,777,446</b>		
			<b>122,824,175</b>			<b>132,743,957</b>	<b>576,899,663</b>		

Source: DFID Statistics in Development, 2010

Note: Negative figures can often be the return of money for example when a project closes and funds are returned, or they are loans.

\* DFID uses a standardized methodology to notionally allocate GBS to sectors in the same proportions as the recipient government allocates total resources to ODA eligible activity ( i.e. if a government intends to spend 25% of its budget on education, 25% of GBS provided would be attributed to education).

Table 17. Irish aid bilateral expenditure by sector

Sector		2005		2006			2007		
Sector	Sector spend	PRBS	Total	Sector spend	PRBS	Total	Sector spend	PRBS	Total
Water and Sanitation		600,000	600,000	624,000		624,000	702,000		702,000
Social Infrastructure & Services		300,000	300,000	312,000		312,000	351,000		351,000
Development Planning		2,300,000	2,300,000	2,392,000		2,392,000	2,691,000		2,691,000
Agric/Nat Resources	552,127	700,000	1,252,127	2,197,955	728,000	2,925,955	3,300,000	819,000	4,119,000
Health + HIV /AIDS	5,942,651	1,300,000	7,242,651	7,736,211	1,352,000	9,088,211	8,994,295	1,521,000	10,515,295
Good Governance & Participatory Dev	4,558,285	2,300,000	6,858,285	5,050,000	2,392,000	7,442,000	6,400,000	2,691,000	9,091,000
Education	2,800,000	2,500,000	5,300,000		2,600,000	2,600,000		2,925,000	2,925,000
District Dev Programmes	402,557		402,557						
Other*	79,541		79,541	281,099		281,099	1,893,685		1,893,685
			<b>24,335,161</b>			<b>25,665,265</b>			<b>32,287,980</b>
Sector		2008		2009			TOTAL spend over period		
Sector	Sector spend	PRBS	Total	Sector spend	PRBS	Total	TOTAL spend over period		
Water and Sanitation		816,000	816,000	744,000		744,000	3,486,000		
Social Infrastructure & Services		408,000	408,000	372,000		372,000	1,743,000		
Development Planning		3,128,000	3,128,000	2,852,000		2,852,000	13,363,000		
Agric/Nat Resources	5,100,000	952,000	6,052,000	5,200,000	868,000	6,068,000	20,417,082		
Health + HIV /AIDS	11,006,213	1,768,000	12,774,213	8,905,596	1,612,000	10,517,596	50,137,966		
Good Governance & Participatory Dev	7,400,000	3,128,000	10,528,000	6,225,000	2,852,000	9,077,000	42,996,285		
Education		3,400,000	3,400,000		3,100,000	3,100,000	17,325,000		
District Dev Programmes							402,557		
Other*	893,783		893,783	765,974		765,974	3,914,082		
			<b>37,999,996</b>			<b>33,496,570</b>	<b>153,784,972</b>		

\* Other = Gender, Micro projects, Development Programme Related Consultancy, Development Research & Reviews, Zanzibar Project, Tanzania One UN Programme, DPG Secretariate, ESBI-TanESCO Assessment, In House Training, Regional Commissioner's Training, Evidence Based Research, Programme Support, House hold Budget Survey & Poverty Analysis

Note: PRBS has been nominally allocated to sectors in the same proportions as the recipient government allocates total resources to ODA eligible activity ( i.e. if a government intends to spend 25% of its budget on education, 25% of PRBS provided has been attributed to education) to allow for comparison with DFID programme spend. Basket Funds are included in sector spend.

## ANNEX 8: ORGANISATIONAL CHARTS

Figure 10. Staffing Structure in Embassy of Ireland, Dar Es Salaam March 2010

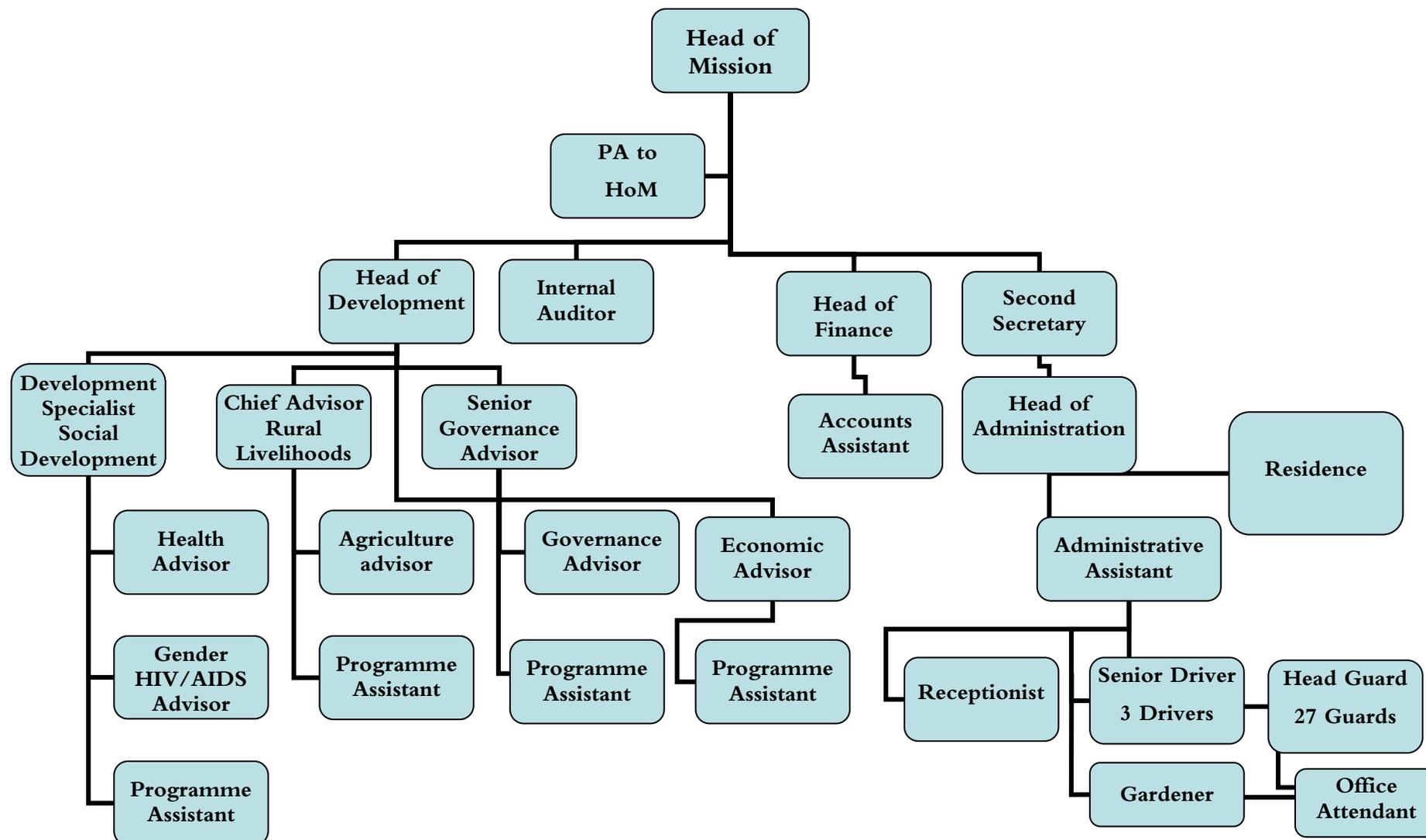
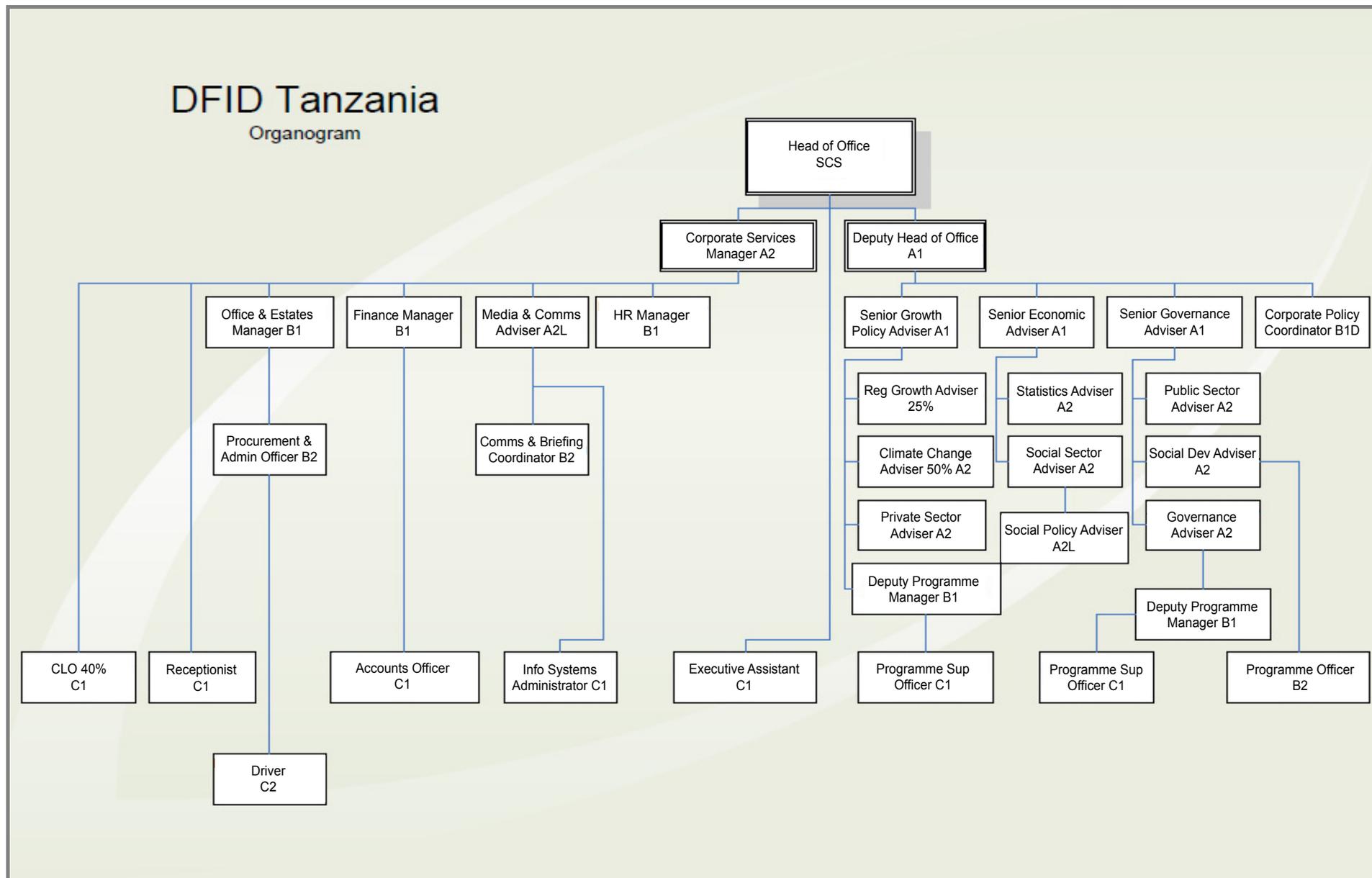


Figure 11. DFID Tanzania March 2010



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