



GDPRD Working Paper: Assessment Study on Harmonisation and Alignment in Rural Development

The Case of Tanzania

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Abbreviations

AfDB	African Development Bank
ASDP	Agricultural Sector Development Programme
ASDS	Agricultural Sector Development Strategy
ASLMs	Agricultural Sector Lead Ministries
CBO	Community-Based Organization
DAC	Development Assistance Committee (OECD)
DADP	District Agricultural Development Plan
DCI	Development Cooperation Ireland
DDP	District Development Plan
DPG	Development Partner Group
EU	European Union
FASWOG	Food and Agricultural Sector Working Group
GDP	Gross Domestic Product
GDPRD	Global Donor Platform for Rural Development
HIV/AIDS	Human Immunodeficiency Virus/Acquired Immune Deficiency Syndrome
IFAD	International Fund for Agricultural Development
IFMS	Integrated Financial Management System
IMG	Independent Monitoring Group
JAS	Joint Assistance Strategy
JICA	Japanese International Cooperation Agency
LGA	Local Government Authority
LGCDG	Local Government Capital Development Grant
LGRP	Local Government Reform Programme
LGSP	Local Government Support Programme
MAFS	Ministry of Agriculture and Food Security
MCM	Ministry of Co-operatives and Marketing
MDG	Millennium Development Goals
MNRT	Ministry of Natural Resources and Tourism
MTEF	Medium Term Expenditure Framework
MVIWATA	<i>Mtandao wa Vikundi vya Wakulima Tanzania</i> (Network of Tanzania Farmer Groups)
MWLD	Ministry of Water and Livestock Development
NGO	Non-Government Organisation
NPF	NGO Policy Forum
NSGRP	National Strategy for Growth and Reduction of Poverty
OECD	Organization for Economic Cooperation and Development
ODA	Official Development Assistance
PER	Public Expenditure Review
PO-RALG	President's Office – Regional Administration and Local Government
PRS/PRSP	Poverty Reduction Strategy / Poverty Reduction Strategy Paper
PRBS	Poverty Reduction Budget Support
RDS	Rural Development Strategy
SWAp	Sector Wide Approach
TAS	Tanzania Assistance Strategy
URT	United Republic of Tanzania

1. Introduction

1. This report discusses the preliminary findings for Tanzania¹, focusing on Mainland Tanzania². The report reviews Tanzania main economic features, and the policy, strategic and institutional frameworks. Thereafter, an overview of development partner support is followed by Government and development partners initiatives for harmonisation and alignment, focusing on both agricultural and rural development. Finally the report presents issues and challenges identified during this initial phase.

1. In Tanzania³, initiatives on development harmonization and alignment focus primarily on the implementation of the Poverty Reduction Strategies, decentralisation processes and the sector wide approaches (SWAp). Although the bulk of development assistance targets rural populations, the term “rural development” is not commonly used. Clarification on rural development in the Tanzania context is discussed in Box 1.

Box 1: Comments on “Rural Development” terminology in the Tanzanian Development Framework

The rural economy is dominated by agriculture, and agricultural growth is a main thrust for achieving growth and poverty reduction. However, the term “rural development” is not commonly used in joint Government – Development Partner processes in Tanzania. Therefore the GDPRD initiative should not be seen as an initiative to introduce a new concept, rather to support harmonisation and alignment and to play an advocacy role for the agricultural and rural development sectors within the existing development frameworks.

The main development processes supported by the Government and Development Partners include: the second generation poverty reduction strategy (National Strategy for Growth and the Reduction of Poverty), the Local Government Reform Programme and sectoral development, implemented mainly at local level, through Sector-Wide Approaches (SWAp), e.g. education, health, and soon agriculture). At local level, processes are based on the participatory planning and implementation of districts development plans (DDPs) facilitated by LGAs (see para...below). Therefore, “rural development” takes place at local level through the integration of public and private sector interventions for which DDPs provide the enabling and supporting environment.

Although the Government and Development Partners drafted a Rural Development Strategy (RDS) in 2002, and the Government subsequently approved a Rural Development Policy (RDP) in 2003, these processes are not considered to be central to ongoing development processes. It can be argued that the RDP is being implemented through LGAs and SWAp. The RDS could play an advocacy role for allocating resources to rural areas. However, the need for finalising the RDS may be questionable, as it may bring confusion by overlapping with ongoing LGRP and SWAp processes, unless designed to facilitate integration of, and to bring synergies between, sectoral interventions supportive of NSGRP.

¹ Based on literature review and interviews, telephone and email discussions with development partners¹ and Government officials (see Annexes 1 and 2).

² See country’s political and institutional framework (para 16).

³ This initial GDPRD phase focuses on Mainland Tanzania, with limited references to Zanzibar.

2. Country Profile

Economic Features – Agriculture and the Rural Sector

2. Following an extended period of economic decline, the country launched a series of broad-based economic reforms since 1986, which has stimulated economic growth. Macro-economic stability has been achieved with inflation at less than 5 percent in 2003 – compared to over 30 percent ten years earlier. GDP growth in real terms increased from 3.3 percent in 1997 to 5.9 and 5.2 percent in 2002 and 2003 respectively. Despite the strong growth in mining, construction, manufacturing and tourism, overall growth was hampered by lower growth in agriculture (owing largely to poor rains). Because of the rapidly growing population, real GDP per head is still growing too slowly.

3. Poverty has slightly declined in both urban and rural areas. However, almost half the population still live below the poverty line of US\$0.65 per day. 87 percent of the poor live in rural areas. Between 1991 and 2001 overall food poverty declined from 22 percent to 19 percent, while basic needs poverty declined from 39 percent to 36 percent. Poverty decline was more rapid in Dar es Salaam (28 to 18 percent) than in rural areas (41 to 39 percent). While there have been increases in children's participation in education over the last decade, this has been much more substantial in urban areas than in the rural areas. A quarter of all adults have no education, though there have been improvements in literacy rates since the early 1990s. Rural women are particularly marginalized, with 41 percent being illiterate.

4. The economic recovery and the resulting growth during the 1980s and 1990s was built on improved macro-economic management. The economy is heavily dependent on agriculture. However, a significant part of growth in this sector has come from increased cropped area. Future growth in agriculture will have to come from efficiency gains in production, processing and marketing. Over 65 percent of the population live in rural areas, where agriculture and the use of natural resources is crucial to their livelihoods. Agriculture currently contributes to some 45 percent of the country's GDP and generates over 50 percent of the nation's foreign exchange earnings. The potential of agriculture for economic growth and poverty reduction should therefore make it a critical sector for development. With a total land area of over 945,000 km², only three percent is under arable crops, and one percent under permanent crops. It is estimated that only 11 percent of the potential irrigated area has been developed. About 60 million ha is rangelands and pasture. However, about 60 percent of this area is tsetse infested leaving a balance of 40 percent of available land for grazing. About 38 percent is forest and woodland. There is tremendous potential for profitable land development if appropriate plans and controls can be developed for small, medium and large-scale farm development as well as forestry development in connection with the sustainable use of natural resources.

5. Some 70 percent of households are headed by an individual who works in agriculture (crop and livestock) or fishing. Some 3.5 million farm-families cultivate some 4.5 million hectares of land, mainly using hand-hoe technology. The main food crops grown are maize (which accounts for important subsistence support and 20 percent of the total agricultural GDP), rice, sorghum, cassava, wheat and beans. Within cash crops, the most important by export value are coffee, cashew, cotton, tobacco, tea, and maize, and clove in Zanzibar. Over 40 percent of rural incomes come from the sale of food crops and 30 percent of cash crops. The sale of livestock products account for a little over 5 percent of rural incomes. Commercial output from the sector is increasing, especially for milk and egg production (10.6 and 8.6 percent growth respectively).

6. Over the 1990s, agricultural growth – which averaged 3.6 percent – was not high enough to significantly reduce rural poverty, despite being higher than in the 1980s when annual growth averaged 2.1 percent. During the 1990s, agricultural exports grew at an annual rate of over 7 percent per year, although this rate has slowed in recent years due to declining world market prices. Food crop production has grown at about the rate of population growth, and accounts for 65 percent of agricultural GDP, with

cash crops accounting for only 10 percent. The Government's annual agricultural growth target is 5 percent. National data show significant progress towards this objective, with an increase of the five-year moving average agricultural GDP growth rates from about 3.3 percent from 1991 to 2000 to 4.3 percent over 1999-2003.

The Policy and Strategic Framework

7. The principal goals of the government are sustainable economic growth and poverty alleviation. The Government is undertaking a number of broad reforms in various sectors that seek to meet the objectives of the 2025 Development Vision, which envisages raising the standard of living of Tanzanians to those of a typical medium-income country through ensuring food security, improving incomes and increasing export earnings. The Government is committed to: (i) decentralisation, including greater involvement of producers, resource users and local communities in the development processes; and (ii) liberalisation, with the private sector developing production and marketing. These aspects have been underpinned by the implementation of a structural adjustment programme since the mid-1980s, that has re-defined the role of Government (retaining responsibility only for policy, regulation and public-good services) and sought economic transformation through removal of subsidies, price controls and Government monopolies.

8. The first generation PRS raised the importance of poverty reduction as a challenge for all sectors and provided the focus for using the Government's local and foreign resources. The second generation of PRS, called the **National Strategy for Growth and Reduction of Poverty (NSGRP)**, has been approved by the Cabinet and will be presented to the Parliament shortly. The new strategy has been prepared through wide consultation to ensure ownership and commitments. NSGRP underscores the relation between growth and poverty reduction, and is based on three major clusters:

- cluster 1: growth and reduction of income poverty;
- cluster 2: improvement of quality of life and social well being; and
- cluster 3: governance and accountability.

9. Agriculture has been identified as an important area in NSGRP, mostly under cluster 1. NSGRP is also aimed at strengthening decentralisation and increasing the efficiency of public institutions; it also stresses the need for harmonised assistance. The Medium-Term Expenditure Framework (MTEF) and Public Expenditure Review (PER) are the principal budgetary instruments of NSGRP. Government Budget of 2005/06 has been prepared by using a Strategic Budget Allocation System, a computer assisted tool for preparing budget to fit in NSGRP, as a first trial. The Agriculture Sector PER should provide the role of filling gaps between the current budget system under PRS and the new system under NSGRP.

10. The **Local Government Reform Programme (LGRP)** aims at improving the delivery of quality services to the public; it is a key aspect of the decentralization thrust of the Government. It includes shifting from centrally planned to locally planned activities, including agricultural development, and to improved and locally customised information systems for monitoring and reporting on services. Given the weak capacity in many Local Government Authorities (LGAs), the reform process has been slow, especially as responsibility for government services has been transferred while resource mobilisation has remained largely under the control of central Government.

11. The **Millennium Development Goals (MDGs)** for 2015 will require an annual GDP growth rate of between 6 and 7 percent. The MDGs include: (i) eradicating extreme poverty and increasing the share of income and consumption of the poorest 20 percent; (ii) achieving universal primary education; (iii) halving the proportion of people without access to safe water; and (iv) combating HIV/AIDS and other diseases. As agriculture dominates the economy, higher levels of agricultural growth will be critical in meeting these targets.

12. The **Agricultural Sector Development Strategy (ASDS)** was formulated in 2001. It has established a framework for improving agricultural productivity and profitability in order to achieve improved farm incomes, reduced rural poverty and greater food security. The specific targets are: (i) reducing the proportion of the rural population below the basic poverty line to 20.4 percent by 2010, (ii) reducing the percentage of rural food poor to 11.6 percent by 2010, and (iii) achieving a growth rate in agriculture of at least 5.2 percent. At the heart of ASDS is a Sector-Wide Approach (SWAp) that changes the functions of central government from an executive role to a normative one. This will limit the role of central government to policy, legislation, regulation and oversight. The Strategy focuses on productive and gainful agriculture – where subsistence agriculture would be replaced by profitable agriculture - and where both the spotlight and resources switch from public institutions to farmers and agri-business.

13. The **Agricultural Sector Development Programme (ASDP)** is the operational framework response to ASDS. Completed in 2003, the framework stresses the need to change the way business is done in the sector. ASDP is a long-term process designed to forge connections both between the ASLMs, and between the Government and empowered farmers using a demand-driven, field-based participatory planning process. The ASDP has three Sub-Programmes (Table 2, pages 22-23):

- Sub-Programme A: covers decentralised activities undertaken in support to agricultural production and processing. 75 percent of public resources in agriculture are to be invested in this Sub-Programme which will be implemented through District Agricultural Development Plans (DADPs).
- Sub-Programme B: Covers central, national level public sector functions needed to support the policy and regulatory framework, research and advisory services, private sector development, marketing and rural finance. Some 20 percent of public resources would be invested in this sub-programme.
- Sub-Programme C: Cross-cutting and cross-sectoral issues such as gender, HIV/AIDS, the environment, land tenure, energy, water, forestry and other natural resource management activities. Approximately 5 percent of the public budget for agriculture would be invested here.

The Political and Institutional Framework

14. The United Republic of Tanzania (URT) is composed of Mainland and Zanzibar. The Government of the URT has authority over all Union Matters in the United Republic and over all other matters concerning Mainland. The Revolutionary Government of Zanzibar has authority in Zanzibar over all matters, which are not Union Matters, including among others agriculture, livestock, fisheries and forestry development, as well as natural resource management. Consequently, for non-Union Matters, the Mainland and Zanzibar have their own institutions (including ministries), poverty reduction strategies, as well as specific agricultural and rural development policies and strategies. Tanzania is a multi-party democracy. Mainland Tanzania is organized in 21 regions and 114 districts. Zanzibar has five administrative regions and 10 districts. The discussion below focuses on the Mainland.

15. **National.** The national institutional framework appears complex, comprising many ministries with mandates related to rural development. However, there is no national institution responsible solely for rural development. The Presidential Office – Regional Administration and Local Government (PO-RALG) oversees the decentralisation processes and implementation of development interventions at Local level, i.e. mainly in rural areas⁴. There are three ministries with agricultural mandates: the Ministry of Agriculture and Food Security (MAFS), the Ministry of Water and Livestock Development (MWLD) and the Ministry of Cooperative and Marketing (MCM). The three agricultural

⁴ PO-RALG, which developed to RDP (Box 2) may therefore be seen as having a mandate for coordinating rural development interventions.

ministries and PO-RALG form the so- called Agricultural Sector Lead Ministries (ASLMs). In addition, other rural economic activities, such as forestry, fisheries and tourism, fall under the Ministry of Natural Resources and Tourism (MNRT). There are other ministries whose work contributes to agriculture and rural development through cross-cutting and multi-sectoral activities. Cross-sectoral issues are crucial, as they link the agricultural sector to other sectors and to other parts of the economy. The ministries concerned with development at LGA level are outlined in Annex 3.

16. **Local.** At regional level, Regional Secretariats play four basic roles to: create a conducive environment for LGAs to operate efficiently; assist LGAs in capacity building; provide technical support to LGAs; and monitor the performance of LGAs. The Regional Secretariats provide advice and oversight, and ensure that local level plans and activities are in line with national policy and legislation.

17. At district level, LGAs play a major role in implementing the development initiatives needed to support rural production. These functions include promoting investment in the sector; participating in the formulation of policies and the regulatory and institutional framework; facilitating promotion of the provision of agricultural services; facilitating private sector marketing and access to financial services; and ensuring effective coordination between the various sectors. In particular the LGAs: (i) formulate and implement District Development Plans (DDPs), which include the District Agricultural Development Plans (DADPs); (ii) supervise and coordinate the delivery of support services; (iii) mobilise resources (financial, human and facilities/equipment) for local development programmes; (iv) oversee land administration, land use planning and management for effective and sustainable land utilisation; and (v) develop and maintain rural infrastructure.

18. Decentralisation is facilitated by the Local Government Reform Programme (LGRP). Over the last three years, significant progress in the competence and service delivery role of local government have been noted. For example, substantial progress has been made within the area of fiscal decentralization. A new system of discretionary development funding at LGA level, namely the Local Government Capital Development Grant (LGCDG) system. The LGCDG includes a Capital Development Grant and a Capacity Building Grant. LGAs can determine how to use the funds locally as long as investments fall within a broad menu of eligible investments including investments for support of local rural/agricultural development. LGCDG will be non-sectoral, distributed on a formula basis to LGAs, who will invest in accordance with local needs, as determined through local participatory planning, and budgetary processes (i.e. the DDPs). Therefore, agricultural/rural development needs will eventually be funded through the LGCDG system. However, a transition phase is anticipated, with some ring fencing through sectoral district grants (e.g. a DADP topping-up grant for agriculture) to ensure balanced allocations.

19. The improvement of district planning, budgeting and implementation processes, financed through Government system, will result in phasing out area based and sectoral projects and parallel support to districts (and the related complex coordination, implementation and reporting procedures). The Government has indicated that area-based projects should be phased out by 2008. These new developments will provide an enabling systems (and requirement) for development partners to provide financing through budget support or local government and sectoral basket funding mechanisms.

3. Development Partner Support to Agriculture and Rural Development

20. This section outlines donor support to agricultural development and Local Government Support. The multi-lateral development partners currently supporting the agricultural and rural sector are the World Bank, the African Development Bank (AfDB), the International Fund for Agricultural Development (IFAD), the European Union (EU) and UN agencies (UNDP, FAO, WFP, etc.). Multi-lateral donors investment strategies of relevance to the CAADP include: World Bank Country Assistance

Strategy, IFAD Country Strategic Opportunities Paper; AfDB Country Strategy Paper; and EU Country Strategy Paper and National Indicative Programme. Active bilateral partners supporting agriculture and rural development include Denmark, Ireland, Japan, France, Belgium, Germany, the Netherlands, Norway, Sweden, Finland, Switzerland and the USA⁵.

21. Development partners share the common goal of poverty alleviation and sustainable development, but several have supported their own priorities, and particular geographical and thematic areas of interest. This is partly due to historical precedent, and partly due to the policies and priorities of the donor country's governments. Moving away from the project-based support, some already subscribe to the concept of a SWAp and Basket Funding. Generally, development partners who support the development of the agricultural SWAp and basket funding are already involved in other sectors, such as education, health and LGRP⁶. Others continue to develop their projects and programmes in coordination with SWAp interventions, but through parallel funding, because their internal rules and regulations do not make provision for basket funding or budget support⁷. Finally, some Development partners continue to support more independently through projects as a matter of policy⁸. The move towards SWAp requires confidence in the implementing agencies and the establishment of monitoring systems, which fulfil development partners supervision requirements.

22. Table 2 (page 24) shows agricultural projects and programmes under implementation. The implementation responsibilities for these activities are varied. Some are focused on agricultural sector ministries, others are implemented by District Teams. Still others are implemented by project/programme management units (PMUs), sometimes operating outside local or central government agencies. In 2001, a study made recommendation for streamlining on-going projects and programmes in the context of ASDS. However, streamlining did not take place and several projects and programmes continue to be managed through PMUs⁹. A few projects recently approved were designed along the lines of the ASDP and DADP frameworks, but will be managed in a project mode¹⁰.

23. The pipeline of agricultural development proposals is shown in Table 4 (page 25). New interventions are expected to be increasingly in line with the SWAp, with resources channelled through the ASDP Basket Funding arrangements which is being finalised¹¹. The ASDP Basket will provide funding for: (i) local level interventions through established decentralised mechanisms (grants to finance interventions included in the DDPs/DADPs, such as agricultural services and investments); and (ii) national level interventions through ASLMs (e.g. research and development). The shift towards an agricultural SWAp has been slow, because of the complex nature of agricultural development interventions, the multiplicity of Government institutions involved, and the high number of development partners and related large and small projects.

24. The PRS has been financed by the Government and a consortium of development partners providing general budget support¹², in grant or loan form, known as the Poverty Reduction Budget Support (PRBS)¹³. The process of decentralisation is supported through basket funding under the Local

⁵ UK (DFID) provides the bulk of its financial assistance in the form of direct budget support (i.e. not earmarked for a given sector).

⁶ Such as Ireland, Danida, EU, Japan and World Bank.

⁷ This generally applies to UN agencies such as FAO or WFP.

⁸ E.g. USAID contracts interventions directly to private sector or NGOs outside the ASDP framework.

⁹ Such as IFAD ongoing programmes, including Agricultural Marketing (AMSDP); Participatory Irrigation Development (PIDP) and Rural Finance Services Programme (RFSP).

¹⁰ For example the recently approved District Agricultural Development Project (DASIP) covering five Regions in North-West Tanzania, supported by AfDB, will be funded outside the ASDP Basket and will have an autonomous PMU in Mwanza.

¹¹ With Funding from IFAD, World Bank and bilateral partners (likely EC, Japan, Denmark and Ireland).

¹² Including Canada, Denmark, DFID, EC, Finland, Germany (KfW) Ireland (DCI), Japan (JICA), Netherlands, Norway, Sweden, Swiss Development Cooperation, AfDB and World bank.

¹³ Including World Bank Poverty Reduction Support Credits (PRSCs).

Government Reform Programme (LGRP) and the forthcoming Local Government Support Programme (LGSP), with funding from Government and development partners¹⁴. Following the progress on fiscal decentralisation and towards LGCDG implementation, most bilateral development partners have agreed to support the new system and to phase out their area/district-based support¹⁵.

4. Initiatives Towards Harmonization and Alignment

Government Initiative: the Tanzania Assistance Strategy

25. The Tanzania Assistance Strategy (TAS) initiative dates back to the mid 1990's when the country's relations with development partners were strained, mainly due to serious slippage in revenue collection and rising corruption. In 1999, an independent review reported significant progress on macroeconomic management, aid coordination, as well as democracy and governance. However, it was also noted that some areas still face problems. These included:

- fragmented and uncoordinated projects support which reduce efficiency and effectiveness;
- separate, parallel donor systems which tax heavily the limited Government capacity (project management, procurement, staff recruitment and remuneration, accounting, reporting etc.);
- management and disbursements of resources outside the Government system (exchequer) undermining transparency and accountability;
- heavy dependency on TA/consultants in executing projects, which is very costly;
- unsynchronised country assistance strategies; and
- Inadequate Government capacity.

26. The TAS is a Government initiative aimed at restoring local ownership and leadership by promoting partnership in the design and execution of development programmes. It seeks to promote good governance, transparency, accountability, capacity building and effectiveness of aid. TAS is not a programme or a project, it is about a process for change. TAS is the country's attempt to consolidate and deepen the ongoing initiatives to overcome remaining problems in delivering development assistance. TAS was launched on 2002 and has a three-year implementation cycle.

27. Tanzania has a long history of development cooperation programmes which date back to the early 1960s at the time of independence. Foreign aid has played and continues to play an important role in the economy. Tanzania is considered to be donor dependent with around 40 percent of the national budget dependent on external aid/finances (2003). While Tanzania ranks high on the basis of aid as percentage of GDP, on per capita terms the ranking is low compared to other Sub-Saharan countries (US\$ 30 per capita in 1999).

Box 3: TAS Best Practices in Development Cooperation ¹⁶

- Government leadership in developing policy priorities, strategic frameworks, and institutionalised cooperation in various areas/sector.
- Government involves civil society and the private sector in developing national policies, strategies and priorities
- Government prioritises and rationalizes development expenditures in line with stated priorities and resource availability.
- Integration of external resources into the strategic expenditure framework.

¹⁴ Including Denmark, DFID, EC, Finland, Ireland, the Netherlands, Norway, Sweden, UNDP and World Bank.

¹⁵ For example: the Netherlands, Sweden and EC.

- Integration of reporting and accountability systems.
- Adequacy in resource disbursements relative to prior commitments.
- Timing of resource disbursement is responsive to exogenous shocks to the Tanzanian economy.
- Donor policies complement domestic capacity building.
- ODA commitments are made for longer time periods.
- Improvement in public financial management by Government.
- Government has created an appropriate national accountability system for public expenditure.
- Ministries, regions and districts receive clean audit reports from the Controller and Auditor General.
- Transparency in reporting and accountability at the national and sectoral level.

28. There is consensus that development assistance works where there is a common and shared vision and commitment by all the stakeholders. In the case of Tanzania, this shared vision and commitment is being achieved through: (i) a focus on poverty reduction which is the most important development challenge and agenda (NSGRP); (ii) emphasis on local ownership and leadership; (iii) the need to promote partnerships; (iv) the need to increase aid efficiency and effectiveness; and (v) the need to promote good governance. To this effect the Government is placing priorities in areas such as sound financial management system; efficient public service; anti-corruption measures; domestic resource mobilisation; partnership empowerment of the local authorities, CBOs, NGOs and community association and clubs.

29. Development partners have made progress in the way they deliver aid. The tendency over time, has been to support more local initiatives and to work on the basic requirements for moving towards harmonised support. Typical examples, are the PER/MTEF process, the PRBS and the SWAp/Basket Fund. Development partners are expected to cooperate with Government to consolidate and deepen the progress achieved by moving towards the following:

- adopt the TAS initiative as a basis for formulating country strategies as appropriate;
- adopt the joint actions approach and harmonised rules and procedures (formulation, supervision and evaluation missions; accounting, disbursement and reporting; annual consultations, etc.) with the view to enhance Government capacity. The initiatives on basket funds in health, education, LGRP and PRBS (also proposed for ASDP) provide a basis for the way forward;
- adopt the Integrated Financial Management System (IFMS) as the basis for harmonising accounting rules and disbursement and reporting procedures, thereby enhancing transparency and accountability;
- untie aid and provide TA for capacity building;
- adopt the MTEF with the view to improve the predictability of resources; and
- decentralise authority on decision making to the country missions in order to expedite and deepen consultations.

30. In the first stage of the roll-out of TAS, an Independent Monitoring Group (IMG) has been appointed. The IMG assesses the status of the development partnership based on the specific requirements for best practice development cooperation as articulated in TAS (Box 3). At the end of 2004, the IMG reviewed progress of TAS.

¹⁶ Source: TAS Annual Implementation report for FY2003/04

The Development Partner Group (DPG)

31. Prior and subsequent to the production of the first PRS, development partners were organised in a local Development Assistance Committee (DAC) to discuss national development priorities, exchange information and coordinate dialogue with Government. In order to maximise the combined response to TAS, local development partners agreed to codify DAC practices and set out how coordination efforts should be structured in a new Development Partners Group (DPG), ensuring that their own coordination structures and practices fully complement the Government's own efforts with regard to TAS and the PRS/NSGRP.

32. The rationale for a DPG is to complement Government's own coordination efforts by promoting internal coherence amongst the development partners in the context of TAS and the Rome Declaration. In addressing harmonisation, the DPG seeks to increase the effectiveness of development assistance and to reduce transaction costs for Government. Membership of the DPG is open to any bilateral or multilateral partner that provides development assistance to the United Republic of Tanzania¹⁷. The PRS/NSGRP is the principal instrument and overarching framework for Government and development partners. The DPG recognises that TAS is to be used by its members as the entry-point for delivering development assistance.

33. Sector working groups report to the DPG in order to address technical sector/thematic issues and to consider: (i) linkages to key processes (budget, PER/MTEF, PRSP, poverty monitoring system) and the use of national systems for programming, financing and review; (ii) the use of joint reviews, joint analytic work and other harmonisation initiatives; and (iii) efforts to mainstream all cross-sectoral issues, including HIV/AIDS, which has been identified as a continued DPG priority. Zanzibar matters are discussed under one DPG working group.

34. The DPG seek to identify common positions on certain policy issues. This will allow nominated DPG members to speak on behalf of the larger group in discussions with Government (e.g. as with the DPG sub-group on HIV/AIDS). The DPG encourages delegated co-operation and the appointment of "lead partners" in the context of increasing efficiency. Greater use of the comparative advantage of individual development partners should be identified with respect to analytic work; programme preparation and review; and policy dialogue.

35. DPG cooperation is premised on voluntary engagement and peer support. The DPG is, first and foremost, a forum governed by the principle of consensus and it is respectful of differences regarding policy and modalities. This inclusivity amidst relative diversity was commended by the 2002 IMG and is a critical asset. Voluntary consensus therefore forms the basis for the conduct of the DPG's work. The DPG is committed to: (i) reduce excessive demands on government resources; (ii) avoid clashes between partner events; and (iii) promote collaboration and information sharing.

36. Most development partners have representations in Tanzania with various degrees of decentralisation¹⁸ and capacity to fulfil their mandates. Partners which are not decentralised or do not have a representation in-country with decision power have difficulties to be an active member of the DPG and participate in TAS implementation. Until recently, two major partners in the agricultural sector, IFAD and AfDB, had no representation in Tanzania. IFAD appointed a Liaison Officer about a year ago, and AfDB has recently opened a country representation. Decision power remains with their respective

¹⁷ Membership comprises Belgium (BTC), Canada (CIDA), Denmark, European Delegation, Finland, France, Germany (GTZ, Embassy and KfW), Ireland (DCI), Italy, Japan (Embassy and JICA), Netherlands, Norway, Spain, Sweden (SIDA), Switzerland (SDC), UK (DFID), US (USAID), UNDP, UNICEF, ILO, UNFPA, UNIDO, UNAIDS, WFP, UNHCR, FAO, UNESCO, WHO, IMF, IFAD, AfDB and World Bank.

¹⁸ For example, EC and UK/DFID offices are highly decentralized.

Headquarters. These recent initiatives are expected to allow IFAD and AfDB to better link with the DPG, and participate in TAS and future JAS processes (see para 52).

The Food and Agriculture Sector Working Group (FASWOG)

37. The FASWOG provides a focal point for consultation and coordination in Mainland Tanzania between the four sector ministries (PO-RALG, MAFS, MWLD and MCM), other ministries (MoF, PMO, MNRT) and “core” agricultural Development partners, who have been involved in the preparation of the ASDS, and the formulation and financing of ASDP interventions. There is no such coordination mechanism for Zanzibar. Development partners are also represented in the ASDP National Steering Committee and the ASDP thematic Task Forces¹⁹. The agricultural development partners also meet regularly, as a sector working group of the DPG.

38. Within the FASWOG, consensus has not always been easy, and work relations between and among development partners and with government have gone through both constructive and difficult times. The development partner membership of the FASWOG and DPG agriculture sector working group have not changed over the last years, but several partners supporting directly or indirectly agricultural development do not participate²⁰.

39. During the recent review of the ASDP process, the performance of development partners and government has been assessed as follows²¹: *“While the development partners support the ASDP process and SWAp, different development partners bring different perspectives and approaches, which they believe in, and this adds to the challenges of how to move forward in a SWAp; more so when the Government has not demonstrated clear leadership. There is a feeling that many development partners have a tendency to focus on operational issues. ... In turn, they are viewed to be offering little strategic added value in helping the Government to resolve more fundamental issues such as how to involve LGAs and the private sector. In addition, close involvement of development partners ... in the ASDP process, has sometimes led to the perception that ASDP is donor-driven, and has resulted in low ownership by government staff”*.

40. The report further comments on the performance of the FASWOG: *“The meetings have been useful fora for discussing issues of implementation of ASDP activities although important issues and questions are raised there are no records of who attended, there is no clear indication of the decisions made and ... who would follow-up the decisions..... This reduces the value of these meetings. There is therefore room for improvement on how FASWOG could strategically contribute towards ASDP. There is an attempt by some development partners to develop a code of conduct and a common approach to agricultural sector support. This process is yet to be finalised”*.

41. The TAS/IMG report (first draft, January 2005) suggests that: *“some development partners are of the opinion that effective representation from the [four] sector ministries is limited, and receptivity to dialogue was also described as being low”*. The concern about the limited dialogue between DPG and Government appears to refer mainly to issues which development partners have raised for some time and also requested to include in the 2004 PER for the Agriculture Sector “Aligning Expenditures for Growth and Poverty Reduction”. Issues include: fertiliser subsidies, the strategic grain reserve, the agricultural

¹⁹ Active participants include Denmark, Ireland/DCI, EC, Japan/JICA, World Bank, IFAD (from 2004) and FAO. Other participants include DFID, WFP, UNDP, USAID, and one NGO (Africare).

²⁰ For example: Sweden, Norway, Finland, France, Belgium etc. In 2004, IFAD recruited a liaison officer who attends meetings. AfDB has recently opened an office in Tanzania, but have not yet joined the agriculture development partner fora.

²¹ ASDP Process Review; draft Consultants’ Report – January 2005

input trust fund, the effect of streamlining local tax system, and the impact of maintaining three agricultural ministries²² (see para 21).

42. The four ASLMs and development partners have been working together for the last four years to develop the ASDS (2001), the ASDP framework (2003) and to formulate ASDP interventions and joint Basket Funding mechanisms (ongoing). However, there has been little reference to TAS and to the harmonisation and alignment agenda. The need for ASDP to comply with TAS best practices (Box 3) and related indicators is not mentioned in the ASDP Framework and Process Document (Final Draft, March 2003). Also, the recent independent review of the ASDP process does not discuss progress achieved and future requirements to comply with TAS. Similarly, the TAS implementation report for 03/04 and first draft IMG report (February 2005) report the variable level of awareness, ownership and commitment between sectors.

Non-Governmental Organizations

43. There are around 8,000 NGOs in Tanzania, from large international to small local organizations. NGOs working in agricultural or rural development have not yet established formal coordination or representation mechanisms. In the case of ASDP, NGOs participating in committees or task forces typically represent only themselves or a few partner NGOs²³. There has been an attempt by a few NGOs to organize themselves to dialogue on ASDP and agricultural MTEF/PER matters, but the group does not appear active anymore. About 70 NGOs have recently set up an NGO Policy Forum (NPF) to bring together NGO voices. Currently, NPF targets PRS, PER and Local Government Reform processes, but may need be sensitised on the importance to look also at sector issues in connection with NSGRP and local development. The ASDP Secretariat has commissioned a review of agricultural stakeholder, which will hopefully come up with recommendation on strengthening stakeholder representation in ASDP fora, including CBOs, NGOs and the private sector.

Achievements

44. In Tanzania, harmonisation and alignment has been endorsed by the DPG, which is working with Government to achieve the TAS. Regarding rural and agricultural development, progress has been more significant for the PRS formulation and implementation (PRSP/PRBS), as well as the formulation and proposed implementation arrangements for the NSGRP. Development partner harmonisation and alignment are also advanced in the decentralisation processes, particularly for the LGRP/LGSP and the fiscal decentralisation, which will also result in development partners moving away from area-based, project interventions towards Basket Funding and Direct Budget Support. Progress has been less impressive at sector level, including for the agricultural sector (see Section 6).

45. There is agreement amongst development partners that the Government budget and the MTEF/PER processes are the main tools for implementing the PRS. This is reflected in a shift away from stand-alone projects to direct budget support and sector baskets (Table 2). Some development partners have also started using the Government Exchequer system for channelling funds from ongoing projects to implementing agencies.

²² Until 2001, the Ministry of Agriculture and Cooperative cover the mandate of MAFS, livestock (now under MWLD) and MCM.

²³ e.g. INADES, PELUM and MVIWATA

Table 2: Percentage of Aid Flows by Different Modalities (Excluding Debt Relief)

Type	2002/2003	2003/2004	2004/2005
Budget Support	30%	38%	34%
Basket Funds	16%	18%	21%
Project Funds	54%	44%	45%

46. In FY 2003/04 the Government, through TAS, has started preparing with the DPG a Joint Assistance Strategy (JAS) to support NSGRP and related programmes. The JAS would combine features of traditional country assistance strategies with harmonised approach and better division of labour between development partners. In order to improve effectiveness and Government ownership, the JAS would introduce the principle of “selectivity”, whereby a “lead partner” for each sector could represent other development partners. The implementation of JAS would require significant and positive changes in the way the Government, particularly sectors, interact with development partners and would also require greater delegation of power from development partner head offices to their office in Tanzania.

47. Other recent progress on harmonisation include the coordination of development partner missions, with information available on internet²⁴; the harmonisation of Government budget cycles and partner missions, with the introduction of “Quiet Times” during which development partners missions are discouraged. The quiet times have been identified to provide the Government with adequate time to concentrate on preparing the budget, as well as participation in the Parliament budget debate and approval (period extending from April to August).

48. The recent OECD report on Harmonisation and Alignment²⁵ reviews progress in 14 participating countries against the criteria defined by the Rome Declaration (13 indicators). The report suggests that Tanzania is generally well advanced, both regarding progress by the Government and by the development partners. For example, the country is among the few which have completed (and started implementing) an action plan on harmonisation. The review confirms that more progress has been achieved in health and education than in other sectors, such as rural development.

5. Issues and Challenges in Harmonisation and Alignment

49. **Lack of awareness and ownership of harmonisation instruments:** In the agricultural sector, there is insufficient awareness among stakeholders about the Rome Declaration and TAS on Harmonisation and Alignment. There is a need to sensitize ASLMs and other stakeholders to better link TAS with ASDP processes, e.g. through the ASDP Secretariat and FASWOG.

50. **Understanding the difference between basket funding and direct budget support:** the difference between a basket funding mechanism and direct budget support for financing agricultural sector interventions within the PRS (soon NSGRP) framework is not well understood by agricultural stakeholders. Is basket funding a compulsory step to shift from project mode to budget support, which is Government’s ultimate objective? If yes, why? What are the pros and cons of basket funding vis à vis direct budget support (e.g. in terms of establishing a new funding mechanism; ensuring that agricultural issues are adequately considered)?

²⁴ The DPG maintains a website at www.tzdac.or.tz, where further documentation is available.

²⁵ OECD: Survey on Harmonisation and Alignment – Progress in Implementing Harmonisation and Alignment in 14 Partner Countries. Fourth Draft, January 2005.

51. **Inconsistencies in implementation of Harmonisation efforts by the Ministry of Finance:** Although the TAS advocates budget support or basket funding, the MoF has continued to allow agricultural sector ministries to choose between project mode financing, and basket funding. MoF should confirm its preferred financing mechanisms, including what level of diversion to direct budget support is targeted, and ensure that development partners who are able to adjust their mode of operation, adhere.

52. **Retaining Government capacity in a newly harmonised environment:** Project financing typically comes with an independent PMU, with much higher remuneration packages (salary supplements or staff recruited as consultants), new transport facilities, etc. Many sector ministry staff take leave without pay (with return rights) to join PMUs²⁶. This new market for skilled staff has weakened sector ministries' capacity. The SWAp and proposed basket funding mechanism require high capacity within the Government system. While the phasing out of PMUs is needed to mainstream operations within the Government system, the increased workload and responsibilities of concerned Government staff should be rewarded through appropriate remuneration packages so as to encourage key staff to return and stay in the Government system.

53. **Mainstreaming ongoing projects and programmes into a harmonised approach:** Government has recently decided to gradually mainstream on-going and pipeline agricultural development projects within the ASDP. The implementation of this decision would support the TAS agenda and simplify planning, implementation and reporting at district and national level. However, to effectively happen, concerned development partners and Government need to agree on criteria and methodology for mainstreaming, and agree on a time frame for its completion.

54. **Agricultural sector institutional complexity is a constraint to ASDS²⁷ implementation, harmonisation and alignment, hence to aid effectiveness:** three sector ministries (MAFS, MWLD and MCM) and PO-RALG form the ASLMs. In addition forestry, fisheries and natural resource management are under a separate ministry (MNRT). This complex arrangement has resulted in dilution of capacity and sector leadership, increased transaction costs, as well as inadequate coordination among concerned central Government bodies, between central bodies and local governments, as well as with development partners and the private sector. The high demand for intra-sectoral coordination also affects negatively the capacity to address cross-sectoral issues, which are key to achieving growth in the agricultural and rural sectors. There is a need to simplify the Government institutional framework, in order to improve capacity, ownership, coordination and leadership. This simplification is essential to provide an enabling environment for development partners' harmonisation and alignment.

55. **Need to cope with too many changes at a time.** A number of major reforms are taking place, which affect significantly the rural and agricultural sectors, including: (i) decentralisation with LGAs taking responsibility for planning and implementation at the field level; (ii) changing mandate of sector ministries vis à vis private sector and LGAs; (iii) shift from project/programme mode to SWAp with phasing out of PMUs; and (iv) shift from project parallel funding to basket funding and general budget support. There is inadequate understanding of the ongoing and future changes, in particular on the impact on agricultural ministries' mandates and accountability. Clear answers or clarifications to queries on these processes are not always easy to get. The lack of clarity (e.g. on basket funding and closing of PMUs) contributes to the lack of ownership to TAS processes. To cope

²⁶ In Tanzania, private national consultant salary level may be 5 to 20 times higher than civil servants.

²⁷ The ASDS recommends to "limit the role of the Government to policy formulation, the establishment of a regulatory framework, and the provision of public goods and safety nets for the most vulnerable in society". Although the new role of the Government was calling for rationalisation and consolidation, agricultural sector-related institutions were expanded, with the split of one agricultural sector ministry into three ministries (see para 21).

simultaneously with the above changes requires sensitization and education of stakeholders²⁸ on anticipated changes and new business modalities.

56. **Need for getting closer to stakeholders.** LGAs and public and private local stakeholders are at the centre of rural and agricultural development. They are represented at national level by PO-RALG. Are the current TAS and DPG processes close enough to the people and the field? Is the dialogue between development partners, central government and LGAs too “central”, with limited participation from local stakeholders in meetings held mainly in Dar es Salaam. How could DPG and TAS fora get closer to the people?

57. **What are the costs and benefits of harmonisation and alignment?** In the agricultural sector, the transition towards a SWAp, as well as harmonisation and alignment has been slow. There have been many long meetings, workshops and retreats, there is still inadequate understanding of ongoing processes, and consensus building is difficult. This long transitional process aimed at strengthening Government systems and increasing efficiency, effectiveness and sustainability, is costly and it can delay new release of resources (e.g. for research and extension). Moreover, results are not guaranteed. The Government and some development partners may favour short term impact which may appear more guaranteed through projects.

58. **Harmonisation and alignment is not quick or easy:** despite the long process, Tanzania is considered as rather advanced in its harmonization approach, and its plans for further harmonisation and alignment are ambitious. Other countries appear to be moving back to less harmonisation and alignment (e.g. rural sector in Mozambique). Can other countries implement a TAS and move towards a JAS? What are the criteria to qualify for harmonisation and alignment (e.g. in terms of political stability and democracy, governance, people’s empowerment, level of decentralisation, implementation of Government reforms, leadership, public and private sector capacity at local and national level, etc.)?

59. **Need for a coherent sector programme.** in order for development partners and financing institutions to harmonize their activities, there must be a coherent strategy and set of policies for the sector. Indeed, the agriculture and rural development need to be unambiguously defined as well as what constitutes the role of the public sector. Where ambiguity exists, it is possible for either government or donors to make exceptions and weaken the harmonization process.

2. Follow-up

60. More stakeholders consultation and in-depth review of development partners policies and practices are needed to refine these preliminary findings. Thereafter, the GDPRD proposes to identify possible approaches and actions towards improvement of donor harmonisation and alignment for rural development in general and in the four pilot countries. Follow-up action will be discussed in March 2005 during the World Bank Rural Week with development partner and government representatives.

²⁸ Including communities, local government authorities, NGOs, private sector, central government, members of parliament, etc.