THE UNITED REPUBLIC OF TANZANIA

MINISTRY OF FINANCE AND PLANNING

DEVELOPMENT COOPERATION FRAMEWORK

(DCF)

JULY 2017

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Abbreviations

AAA	Accra Agenda for Action
AMP	Aid Management Platform
BF	Basket Fund
BOT	Bank of Tanzania
BRICS	Brazil, Russia, India, China and South Africa
CSO	Civil Society Organization
DCF	Development Cooperation Framework
DCPs	Development Cooperation Partners
DPF	Direct Project Funds
DPG	Development Partners Group
DP	Development partner
GBS	General Budget Support
JAST	Joint Assistance Strategy for Tanzania
LGA	Local Government Authority
LTPP	Long Term Perspective Plan
MDA	Ministries, Department and Agencies
MoFP	Ministry of Finance and Planning
NGOs	Non Governmental Organisations
NSA	Non State Actor
ODA	Official Development Assistance
OECD	Organization for Economic Cooperation and Development
PD	Paris Declaration
PER	Public Expenditure Review
PPP	Public Private Partnership
RGoZ	Revolutionary Government of Zanzibar
SAGCOT	Southern Agriculture Growth Corridor of Tanzania
SSC	South-South Cooperation
TA	Technical Assistance
URT	United Republic of Tanzania

THE UNITED REPUBLIC OF TANZANIA

MINISTRY OF FINANCE AND PLANNING

DEVELOPMENT COOPERATION FRAMEWORK

Chapter 1: INTRODUCTION

1.1 Introduction

The Development Cooperation Framework (DCF) outlines Tanzania's broad principles for development cooperation. It defines the overall objectives and principles surrounding the development partnership as well as the undertakings by the various partners supporting Tanzania's Development in the medium term. The DCF will be implemented from 2017/2018 to 2024/25.

Tanzania Development Vision 2025 and Zanzibar Development Vision 2020 imbue to have the United Republic of Tanzania (URT) to becoming a middle- income country. This aspiration is reflected in the Tanzania Vision 2025 and Zanzibar Vision 2020 with the objective of attaining, among others, high levels of quality of livelihood, industrialisation, competitiveness, and rule of law.

On Tanzania Mainland, realisation of the aspirations stated in Tanzania Development Vision 2025 is guided by the Long Term Perspective Plan (LTPP) which is further decomposed into three sequential and thematic medium-term strategies and plans (FYDPs). In Tanzania Zanzibar, Vision

2020 is pursued through a series of sequential medium-term Strategies for Growth and Reduction of Poverty (MKUZA).

1.2 Review of implementation of the Joint Assistance Strategy for Tanzania (JAST)

Tanzania has made good progress in aid management reforms since the 1990s as demonstrated by:

(a) Improved predictability of external resources as a result of enhanced capacity for aid management;

(b) Improved dialogue structure and division of labour among Development Partners;

(c) Increased integration of external resources into the Government budgets and exchequer systems;

(d) Improved domestic resource mobilization

(e) Progress in Public Financial Management Reforms, notably in transparency and oversight.

Despite these achievements, challenges still remain in relation to predictability of aid, fragmentation, use of country systems and conditionalities. Also, occasional loss of trust among the partners has led to breakdowns in dialogue and incipience of low levels of a sense of partnership.

1.3 The Kaberuka Report

In early 2016, a facilitation team led by Dr. Donald Kaberuka was requested by the Government of Tanzania and DPs to facilitate discussions aimed at addressing constraints that affected the development cooperation. The team reviewed (i) the causes of the disruption in development cooperation and (ii) the emerging dynamics of development cooperation the context of today's Tanzania, and recommended ways in which cooperation could be strengthened.

In its report from May 2017, the team recommended specific and general measures on development cooperation dialogue, capacity and institution building, and mechanisms for financing Tanzania's development agenda. The report's recommendations presented to the Government and partners in March, 2017 have informed the review of this DCF.

1.4 Rationale for Development Cooperation Framework

The world has witnessed new changes in development cooperation through:

a) Emergence of new development assistance providers;

b) Evolution of aid policies in some traditional/OECD DCP countries;

c) Increased diversification of sources of financing for development, including strengthening of domestic resource capabilities; and

d) The shift from aid effectiveness to development effectiveness at the international arena (trade and investment effectiveness).

Tanzania is not isolated from the impact of these changes in development cooperation frameworks. The following additional factors also influence the pattern of Development Cooperation for Tanzania, namely:

a) Discovery of commercially viable reserves of high-value natural resources, including natural gas and uranium;

b) Increased recognition and engagement of the private sector as a vital partner in implementing Tanzania's development strategies;

c) Diminished preference for general budget support (GBS), the URT and Zanzibar Governments' most preferred modality for delivery of development assistance, among development partner countries and governments;

d) Tanzania's expanding participation in regional economic programs;

e) Increased national focus on development results in all development programming, and

f) Emergence of new partners, including vertical funds, BRICS, and other non-DAC partners.

In view of the above, the Governments of URT and RGoZ consider it necessary to adopt a new framework for coordination of development cooperation in the country. In reviewing the framework for cooperation, it has been necessary to also re-examine the financing modalities for viability (acceptance), efficiency, effectiveness, and sustainability. The new framework will also facilitate implementation of unfinished aid effectiveness agenda. Therefore, this DCF serves as a framework to guide a broader spectrum of development partnerships between the URT, Zanzibar and all Development Cooperation Partners contributing to Tanzania's development effort.

CHAPTER 2: OBJECTIVES AND GUIDING PRINCIPLES

2.1. Overview

This framework reaffirms the Governments' commitment to ownership and leadership of the development processes, including the related cooperation with all state and non-state partners. The United Republic of Tanzania (Tanzania Mainland and Zanzibar) recognises the new opportunities presented in the changing global development cooperation architecture, and the ambitious partnership launched in 2011 at the Fourth High Level Forum on Development Effectiveness in Busan, South Korea; the 2030 Agenda for Sustainable Development; and the African Union's Agenda 2063. This DCF also draws on the lessons from recent developments in Tanzania, and the recommendations of the Kaberuka Report which sought to address challenges and opportunities specific to Tanzania. The DCF expands the scope of development cooperation and, as a result, objectives and guiding principles of development cooperation to ensure that external resources are used effectively and efficiently to support national development priorities.

2.2. Objectives

The overall objective of this framework is to contribute to Tanzania's sustainable development in line with the Tanzania Development Vision 2025 and the Zanzibar Development Vision 2020, by consolidating and coordinating the joint efforts of the Governments and all other Development Cooperation Partners (DCPs) including the private sector. It also aims to support strengthening of the Governments' capacity to mobilise resources, analyse potential investment opportunities and optimise returns from both regional and international markets.

The specific objectives are to:

(i) Strengthen national ownership and Government leadership in development programming and cooperation;

(ii) Ensure effective management of resources for development results;

(iii) Strengthen both domestic and mutual accountability for all partners;

(iv) Promote Tanzania's benefits from increased trade, and domestic and foreign investment.

2.3 Guiding Principles

Strong partnership is possible only if the partners share an understanding of a set of general principles to guide their engagement and collaboration. The Governments and Development Cooperation Partners should be guided by the following eight (8) principles emanating from the Kaberuka Process and aligned to international frameworks:

General Principles for an Effective Development Cooperation in Tanzania:

1. The Governments of Tanzania must be in the driver's seat (i.e. coordinate development cooperation and use own analyses to reach key decisions).
2. Successful development cooperation requires the sharing of a common vision in addressing the needs of Tanzania.
3. Commitments must be honoured by both sides.
4. Regular formal and informal forums for the exchange of views between the Government and DPs are necessary for effective policy dialogue.
5. Adequate capacity in Government departments is key to effective development cooperation.

6. High transactions costs related to development cooperation are counterproductive, and must be avoided.
7. Predictability and effective delivery of development support are essential, but require good policy design, forward planning and effective implementation.
8. Periodic monitoring and evaluation are crucial for determining whether progress is being made and in the right direction.

This DCF will continue to focus and use the Paris Declaration on Aid Effectiveness (PD) of 2005, principles of the Accra Agenda for Action (AAA) of 2008 and the Busan Partnership for Effective Development Cooperation of 2011 that provide overall principles of cooperation. The current DCF recognises and emphasises the following internationally adopted underlying principles:

(i) ***Ownership*.** Development Cooperation Partners should commit to fostering national ownership through the Governments. This includes supporting the Governments to effectively address all development challenges. Particularly, DPs should aim to minimize conditionalities and creation of parallel structures and systems while positively contributing to the national effort to build capacity for managing the development agenda;

(ii) ***Alignment***: Development Cooperation Partners should continuously optimize the alignment of all development programmes and projects to national priorities. Particularly, the choice of initiatives for partner support shall be guided by the instruments used by the respective Governments to implement Vision 2025 or Vision 2020 (i.e. FYDP and MKUZA).

(iii) ***Use of Country systems***: All Government development programmes and projects should utilise the respective Government's country systems for Planning, Accounting, Procurement, Auditing, M & E or any other relevant procedures, with DCPs endeavouring to adhere to this to the maximum extent possible. System challenges or bottlenecks will be addressed in a coordinated manner under Government leadership. In this regard, support to domestic non-state actors (NSAs – private sector and CSOs) is to be coordinated with the relevant Government to ensure alignment and accountability for resources and results;

(iv) ***Information on Aid*.** Development Cooperation Partners should provide timely and disaggregated information on their assistance, in order to enable the Governments to better plan utilization of the resources and also record the relevant assistance in the annual budget while fostering its alignment with national priorities. Similarly, URT will address coordination challenges in a coordinated and inclusive manner to enhance effectiveness and efficiency;

(v) ***Strengthening Accountability*.** All partners should promote national ownership in development cooperation; with special emphasis on strengthening accountability of all stakeholders including the Governments, Parliament, House of Representatives, and NSAs.

(vi) ***Country Knowledge building*.** The Governments and Development Cooperation Partners should prioritize and effectively support country knowledge building while focusing on national development priority areas. This would involve promoting the use of local expertise or joint teams in carrying out assignments;

(vii) ***Aid for Trade:*** The Governments recognize the need for addressing supply side constraints for both domestic and export markets in order to stimulate investment, and will work with Development Cooperation Partners to mobilize resources for complementing ongoing efforts in trade and investment facilitation areas such as development of economic infrastructure, trade policy and regulation, adjustment assistance and productive capacity building in order for the country to benefit in the multilateral trading system. This will eventually lead to far less dependency on foreign assistance and widening of the domestic revenue base.

(viii) ***Increase Domestic Revenues:*** The URT and Zanzibar Governments will continue the widening and prudently managing of domestic revenue collection in order to reduce aid dependency in the medium to long-term. Reforms on existing revenue collection systems will be geared towards increasing domestic revenue collection in an economically efficient manner.

CHAPTER 3: DIALOGUE

3.1. Overview

Effective and quality dialogue amongst partners is essential for ensuring participation, securing the Governments' ownership and mutual accountability in development cooperation. The primary objectives of the dialogue are to identify and put in place appropriate tools for development co-operation that will in turn ensure sustainable development, sharing good practice in implementing effective development co-operation, and promoting joint action on programmes approved or nitiated by the Government. Dialogue must recognise and be based on the country's development priorities, and be within a mutually agreed framework as regards to timing, participation and agenda.

3.2. Objectives of Dialogue

The DCF stipulates an inclusive consultative process managed and led by the Governments (Tanzania Mainland and Zanzibar) to serve as the structure for development cooperation among partners contributing to the country's development agenda.

Dialogue will be at three levels, namely (i) strategic and high level engagement, (ii) engagement at sector level to deliberate on sector specific issues, and (iii) engagement relating to sensitive risks to the cooperation's underlying principles. The Ministry of Finance and Planning will be the overall coordinator of stakeholder engagement related to implementation of Tanzania's development strategies.

The DCF values openness and broad stakeholder participation in development dialogue, and therefore proposes open fora as the primary form of engagement. However, it is the responsibility of the Governments to organise, convene and manage the dialogue process. In this respect, the United Republic of Tanzania (Tanzania Mainland and Zanzibar), through the respective Governments, will exercise leadership, and facilitate the participation of stakeholders in the dialogue.

3.3. Principles of Dialogue

Dialogue will be guided by the cooperation principles outlined above, and informed more specifically by the following principles:

(i) ***Government leadership***: Government should provide leadership at all levels of dialogue, i.e. strategic/national, sector or local Government.

(ii) ***Inclusiveness***: At each level of dialogue, participation of all key stakeholders should be encouraged with the view of enhancing ownership, transparency, accountability and sustainability.

(iii) ***Mutual trust and respect***: Dialogue should be open, frank, and based on mutual trust and respect as well as providing equal opportunity adhering to the existing dialogue structures without jeopardizing the sovereignty of state.

(iv) ***Minimize transaction costs***: Dialogue should minimize transaction costs through simplification of processes and procedures as well as rationalization around the national calendar of policy and consultative processes. Connected to this, the Governments will promote a "quiet time", a period in each annual cycle during which meetings, reviews and missions shall be minimised to allow for their maximum focus on annual budget processes.

(v) ***Effective information sharing***: Information should be shared among stakeholders in a transparent, timely, clear and accessible manner.

(vi) ***Inbuilt monitoring:*** A joint follow-up mechanism will be established to assess how the dialogue outputs feed into policy processes.

3.4. Dialogue Structure

(i) Strategic Dialogue:

This relates to fora dedicated to deliberations on the overarching strategies for development, including plans, implementation and results. The main purpose will be to share knowledge, information and experiences, and reflect on alternative policies and strategies for the country. This should take the form of quarterly meetings, or other frequency as may be agreed, throughout the year, and be supported by analytic work from different sources, including the public expenditure review (PER) process. The process will be open to Government and DPs, and where relevant to the private sector and other non state partners.

The annual strategic dialogue calendar shall lead to an "*Investing in Tanzania"* Conference, where different stakeholders including private sector and NSAs will discuss progress over the past year, opportunities and challenges in attaining national development target.

The dialogue will be led by the Ministry of Finance and Planning (Tanzania Mainland and Zanzibar), which also provides an interface for strategic interactions between the respective Governments and other stakeholders.

(ii) Sector Level Dialogue:

The Governments and partners are collaborating to implement a number of Government-led sector-specific programmes, that benefit from mutually agreed dialogue processes. Existing structures and modalities for engagement at the sector level will largely be sustained under the DCF but subject to reviews as may be agreed among the relevant partners. The dialogue at this level will be led by the respective Government lead Ministry for the sector.

A comprehensive review of the sector groups will be carried out to identify and replicate best practices across all sectors of the economy. The review may also look at basket fund modalities with a view to enhancing the instrument's effectiveness.

(iii) Engagement with the Ministry responsible for Foreign Affairs:

Should an issue arise which threatens the cooperation's underlying principles, the Governments and DCPs will immediately engage to ensure trust and confidence are sustained, and thereby address the threat through dialogue. Such meetings may be called by either of the parties.

Engagement on such issues will be led by the Ministry responsible for foreign affairs. While the discussion is continuing, DCPs are expected to avoid taking pre-emptive steps that risk undermining budget implementation in the short- to medium-term.

3.5. Inclusiveness & Representation:

The Governments (Tanzania Mainland and Zanzibar) are committed to an open door policy with regard to engagement with all development stakeholders. The DCF therefore encourages broad involvement and seek representation from diverse stakeholder groups. The Governments recognise too that this also requires creating an enabling environment that makes it possible for stakeholders to fully participate and effectively engage in dialogue.

For the engagement and related dialogue to be effective and productive, stakeholders will be encouraged to select representatives with whom calendar of meetings, agenda and other channels of communication may be agreed. For the private sector and other NSAs, it would be most productive if representation is through associations and other forms of groupings. International Development Cooperation Partners are encouraged to set up an arrangement of representation that ensures division of labour, continuity of institutional memory, and contributes to effective engagement.

CHAPTER 4:

FINANCING INSTRUMENTS AND ARRANGEMENTS

4.1. Overview

Financing is an important and integral element of development cooperation, in addition to policy engagement and goodwill. Development Cooperation Partners will continue to support core priority areas of national development plans and strategies by providing support through different financing instruments, including Budget Support (BS), Basket Funds (BF), Direct to Project Funds (DPF), Technical Assistance, Capacity and Institution Development, Public Private Partnership (PPP), Aid for Trade, mobilising private investors and other development financing instruments. Several modalities may also be blended to achieve a particular objective. The Governments will emphasize full integration of development resources into the respective Government budget and exchequer system, in order to achieve effective planning, implementation monitoring and accountability.

4.2 Financing Instruments

4.2.1 General Budget Support (GBS)

General Budget Support (GBS) is the Governments' most preferred financing instrument, because it is the only aid delivery instrument that is fully compliant with both international development cooperation undertakings and the Constitution of the United Republic of Tanzania (Tanzania Mainland and Zanzibar). GBS conditionalities typically relate to macroeconomic management and financial accountability and/or budgetary allocations.

GBS aligns with and strengthens national budget and accountability processes, and promotes a coherent planning process. GBS resources are channelled directly to the Governments' budget and subject to full contestability in its allocation, with funds flowing through the Government accounting systems in the same way as domestically mobilised resources. Accountability for how the resources are spent relies solely on Government systems. The GBS mechanism is designed to reduce transaction costs, and increase harmonization and transparency.

4.1.2 Budget Support (BS)

A modified budget support instrument will be used to provide support to the Governments' budget, based on progress in implementation of pre-agreed reforms or indicators in a selected sector or programme. BS entails provision of resources directly to the Government's budget without conditions as to their use, and ranks close to GBS because of alignment with Government ownership and leadership, but slightly lower due to attached conditions and disbursement triggers. The Governments will agree with participating Development Cooperation Partners on the respective sectors or programmes, the indicators, and amounts to be provided against achievement. When disbursed, BS resources are channelled directly to the Governments' budget, subject to full contestability in its allocation, and flow through the Governments' accounting and accountability systems.

4.1.3 Basket Funds (BFs)

This is a financing modality whereby multiple Development Cooperation Partners collectively finance a country's development programme at sector level, using harmonised procedures and processes. Management of this modality spurs a Sector Wide Approach (SWAP), thereby increasing DCP alignment with Government policy and expenditure framework. This ensures greater Government ownership, flexibility and accountability over resources allocation and usage. The modality also reduces transaction cost within sectors by avoiding unnecessarily parallel implementation and management systems, structures and financing mechanisms.

4.1.4 Direct to Project Funding

There are two ways of channelling funds through this modality:

A. Project Funds through Exchequer System (C-Funds)

This is a financing arrangement whereby funds are channelled through the Government Exchequer System and the Development Cooperation Partners (DCPs) deposit funds in either the URT Government or RGoZ revenue accounts at the Bank of Tanzania, with a corresponding amount allocated to the target project in the Government budget.

B. Direct to Project Funds (D-fund)

This is a financing arrangement whereby funds, goods, services, and equipments are provided directly to a specific project and have the project report to the Treasury on the quantity and value of goods, equipment and/or services received with relevant supporting documents to evidence the disbursement and purchases. Direct to project funds will be utilized for instance in large scale infrastructure investment, especially for piloting particular service delivery innovations or policies before being mainstreamed in the normal government system, and also used for emergency aid where quick and localized service delivery is needed.

Financing of Government projects through this arrangement will be guided by the following principles:

(i) The projects support national, sectoral and local priorities, as outlined in national strategies, plans and programs, and are based on a Government request through the Minister responsible for Finance to have such activities funded through this modality.

Where it is proposed that the modality be used for a particular project, the implementing agency shall indicate to the Minister why the direct to project funding approach is necessary or appropriate, and how the activities are designed to support and be integrated in local, sector, national strategies and plans;

(ii) The projects are as much as possible integrated in the national budget process and hence subjected to contestability of resources within the Government budget process;

(iii) The projects continuously strive towards operating within Government structures, systems, regulations and procedures and are consistent with achieving sustainability/ complementarities/low transaction cost and local ownership;

(iv) The projects are designed and implemented under the same conditions as other Government funded activities; and,

(v) The projects align to the proper Government process for project and program approval.

Approval for using the Direct to Project funding shall be sought from the Minister responsible for Finance, or an officer authorised by the Minister for that purpose.

4.1.5 Aid for Trade

Aid for trade is financial and/or technical assistance that facilitates the integration of developing countries into the global economy through initiatives that expand investment in order to enhance trade. Trade has a potential to be an engine for broad based growth, thus lifting millions of Tanzanians out of poverty.

Tanzania has implemented extensive trade related reforms over the past three or so decades, including changes to laws, regulations, tariffs, regime of national standards, competition, exchange rate polices, procurement, etc. Together, the reforms have resulted into Tanzania being among the countries with a high trade ratio[1]. However, Tanzania's access to international markets remains insignificant, mainly because of supply side constraints including business environment, insufficient production capacities, logistics and non-tariff barriers (NTBs).

The Governments will work with other Development Cooperation Partners to mobilise market funds to finance development programmes in Tanzania, including from institutional and private investors, by setting up structured funds. For this purpose, the Governments aim to continually improve the environment for private investment and operations in the country. Public funds could also serve as a 'risk buffer' for private investors. The focus for this instrument will be to address the constraints to trade, and building private sector capacity.

For aid for trade to be meaningful, Development Cooperation Partners are expected to:-

(i) Provide additional funding, taking into account that aid for trade should not divert resources away from other development priorities such as health and education.

(ii) Scale up trade expertise and capacity by integrating trade and growth issues in DCPs aid programming as well as strengthening trade expertise.

(iii) Investment in appropriate trade enhancing infrastructure; and

[1] ***Bülent Ulaşan:*** Openness to International Trade and Economic Growth: A Cross-Country Empirical Investigation. http://www.economics-ejournal.org/economics/discussionpapers/2012.

(iv) Open markets for Tanzania goods and services.

4.1.6 Public Private Partnerships (PPPs)

Public private partnerships are a strong instrument for sourcing expertise and financing from the private sector to support implementation of Government development strategy. Both the FYDP II and MKUZA III accord significant prominence to the modality as a tool to tap private sector contributions to their implementation. Through PPPs, financing will be mobilised particularly for implementing key infrastructure and specialised social services projects as earmarked by the Governments in selected sectors or as per the Governments' priorities, and in accordance with existing legal, policy and institutional frameworks. With regards to identification, technical appraisal, procurement and management of PPP projects, the respective Government institutions and authorities will take a leading role in guiding the engagement of stakeholders in the identified sectors in compliance to the PPP Policy, PPP Act (Cap 103), and the Public Private Partnership Regulations.

DCPs will be encouraged to support the Governments' PPP programmes by marketing investment opportunities to prospective investors in their respective home countries, and providing facilitation and other support to prospective private sector partners to PPP projects. The use of export credit facilities and funding by development finance institutions based in DCP countries will be particularly encouraged.

4.2 Financing Arrangements

4.2.1 Basic Principles

In addition to sharing ideas and lessons through policy dialogue, financing is an important element of the development cooperation envisaged by this DCF. Financing will be categorised as part of development cooperation on the basis of the following principles:

(i) It aims explicitly to support national development objectives;

(ii) Is not driven by profits of other similar goals;

(iii) Deliberately aims to create new development opportunities for URT or Zanzibar; and

(iv) Is based on a cooperative relationship that respects and seeks to enhance country ownership.

4.3 Use of Country Systems

In order to facilitate effective budget planning, execution and accounting, external resources to the Governments will be integrated into the Government budget and Exchequer system to the maximum extent possible. Integration of resources into Government budget and Exchequer system is a particular and specific requirement of the Constitutions of the United Republic of Tanzania and the Constitution of Zanzibar.

Development Cooperation Partners will inform the Government, according to the agreed timetable through agreed channels, of the full amount of funds committed over the MTEF period. This will also include Development Partners' funds provided to NSAs, and the nature of programmes funded, in order to enable the Governments take these into account when planning their own activities, avoid duplication, and facilitate accountability for the NSAs.

It is the Governments' hope, that Development Cooperation Partners increasingly will disburse Official Development Assistance (ODA) through the Governments' budget and Exchequer systems to the extent feasible. DCP's pledges and commitments are incorporated in national budget after mutual confirmation and agreement. Governments will ensure timely release of funds to spending agencies. Aid commitments and disbursements made to the Government and to NSAs will be reported by DCPs in the Aid Management Platform (AMP) in a timely and transparent manner and in accordance with the prevailing AMP Guidelines.

4.4 Disbursement arrangements for RGoZ

In addition to assistance to Tanzania through the URT Government, Development Cooperation Partners may also channel external resources to RGoZ programmes, baskets and projects directly through the Zanzibar Exchequer system.

4.5 Procurement Arrangements

Development Cooperation Partners will to the extent possible work towards providing development assistance to the URT that is freely and fully available to finance procurement of goods and services from any country and source. Government procurement systems will be used to manage procurements in accordance with prevailing Acts such as section 4 (1), (2), (3) & (4) of the Public Procurement Act No. 7 of 2011 (URT) and the Procurement and Disposal of Public Assets Act No. 9 of 2005 (RGoZ) and their regulations and procedures. These provide for the application of fair, competitive, transparent, and non-discriminatory and value for money procurement standards and practices, whereby preference may be given to national suppliers, contractors or consultants under specified circumstances. Decisions to rely on Government rather than Development Cooperation Partners procurement systems will however also consider their efficiency and effectiveness and ability to ensure value for money.

Development Cooperation Partners will work closely with the Government to address weaknesses and further strengthen Government procurement systems so as to attain international standards. Actions and processes for improving them will continue to be implemented and monitored jointly within the Public Financial Management Reforms.

4.6 Accounting and Auditing

Development Cooperation Partners will increasingly use URT accounting and auditing procedures and systems in line with the Public Finance Acts such as No. 6 of 2001 (URT) as revised in 2004 and the Public Finance Act No. 12 of 2005 (RGoZ). The Government will enhance its capacity to provide reliable and timely accounting and audit reports at all levels. Government (National Audit Office and Office of the Controller and Auditor General) actions and indicators have been developed to improve accounting and auditing in line with international standards within the Public Financial Management (PFM) process which will continue to be jointly monitored.

4.7 Capacity and institution building

The Governments recognise that innovations in capacity development and institution building are essential for Tanzania, and that the country would benefit by learning from other countries that recently graduated to middle-income status with respect to strengthening state capacities. It is further appreciated that world-class skills are required in the country across a range of areas, including but not limited to engagement with the private sector, how to negotiate commercial deals, financial sector management, trade policy, and managing external debt.

Although Tanzania's capacity has increased significantly compared to the situation at the commencement of reforms, it is also recognised that the country's challenges have evolved as well, including an increasingly sophisticated economic environment, increased domestic resource capacity, discovery of valuable natural resources, a young, increasing and better educated population, climate change, increased reliance on private sector initiatives, etc. The challenges faced in managing Tanzania's development today are fundamentally different, and demand innovation going forward.

To ensure broad based and sustained capacity across the public sector, the Governments and DCPs will critically review the narrow focus of technical assistance through project funding, so that focus may be expanded to encompass leadership and management skills needed for management of an emerging middle-income economy. The Governments will strive to put in place clear institution-specific staff development programs to ensure effective institutions across the public sector. DCPs will be encouraged to work with the Governments to support these programmes.

4.8 Financing Arrangements for Non-State Actors

The URT and Zanzibar Governments will continue to foster and maintain the independence of domestic and international NSAs operating in Tanzania in managing their own resources. This entails that DCPs may continue to provide direct development assistance to NSAs in line with prevailing national policies and regulations, particularly the NGO Act of 2002 (URT). At the same time, NSAs will be required to maintain a high level of transparency and accountability, and share information on their activities and financial resources with their own constituents and the Government. DCPs too should share information about their assistance to Tanzania through NSAs for general public awareness. This will, among others, allow the Governments to take NSAs' activities into account in the planning process and thus avoid duplication of efforts.

The Governments will work closely with NSAs and other stakeholders to facilitate the development and adoption of standards/codes of conduct for NSAs' transparency and accountability, including the specification of narrative and financial reporting formats. An incentives framework that rewards high accountability and adherence to good practices will be put in place for NSAs, guided by the Istanbul Principles and the International Framework for CSO Development Effectiveness.

Chapter 5

MONITORING AND EVALUATION

The main objective of Monitoring and Evaluation (M&E) activities will be to assess the progress towards set targets, outputs, and results in order to provide space for evidence based dialogue between the Government and Development Cooperation Partners.

The Government and Development Cooperation Partners will regularly monitor and evaluate their performance relative to jointly agreed principles and commitments, indicators and targets in order to assess their progress towards development effectiveness. Indicators and targets are drawn from the broadly agreed principles and commitments. DCF indicators and targets will be drawn from broad principles reflecting the internationally agreed Paris and Busan principles as well as any subsequent global frameworks and as adapted to the Tanzanian context.

Monitoring and evaluation of DCF will take two forms:

A. Joint Monitoring and Evaluation:

The Government and DCPs will undertake a joint review of implementation of this DCF. The review will, to the greatest extent possible, use the existing Government processes as the main avenues for information generation, detailed discussions, and dialogue. Monitoring and evaluation will be integrated in the regular monitoring and evaluation systems of MDAs, Regions and LGAs through sector reviews. For this purpose, internal monitoring and feedback reporting mechanisms will be established and strengthened.

B. Assessment by Independent Monitoring Group (IMG)

The Government and Development Stakeholders will jointly commission an Independent Monitoring Group (IMG) to undertake assessments of the performance of the Government and the Partners in implementing the agreed actions, indicators and targets every five years. The IMG will also look at the country’s progress towards meeting the international objectives and commitments on development effectiveness, as well its own development targets. The IMG exercise will contribute in strengthening mutual accountability between the Government and DCPs. It will also facilitate increased mutual accountability through dissemination of the report to the general public and stimulate debate on the findings.

Chapter 6: ROLES AND RESPONSIBILITIES

6.1. Overview

Implementation of the Development Cooperation Framework (DCF) will be further developed in an Action Plan involving all key stakeholders including Government, Parliament, House of Representatives, Development Partners (DPs), Private Sector and Non State Actors (NSAs). This Chapter outlines the major roles and functions of the key actors in the DCF.

6.1.1 Government

The Governments has a distinct role to play in managing the development process including the cooperation agenda. This entails leading the country's development process, determine priorities, and allocate public resources through inclusive consultative processes. They take responsibility for effective and equitable service delivery, and for ensuring that public expenditure adequately reflect economic growth and poverty reduction targets outlined in national development priorities.

6.1.2 Development Cooperation Partners

DCPs will contribute resources to development priorities that create sustainable development outcomes. They will promote a greater sharing of ideas and strategies which enhance national ownership and leadership on development cooperation.

Furthermore, they will actively participate at various levels of dialogue and advise the Government and other domestic stakeholders based on an agreed division of labour. According to the Busan Partnership for Effective Development Cooperation document, DCPs are mutually accountable with the Governments to domestic stakeholders and to each other for their actions in fulfilling their shared commitments in development co-operation. They will facilitate domestic accountability by being transparent in the provision of their development assistance to all domestic stakeholders, and by making increasing use of Government systems.

6.1.3 Parliament and the House of Representatives

The Parliament and the House of Representatives have the responsibility to oversee Government activities and scrutinizing the national budget with attention to its strategic direction. They will hold the Government accountable for public spending and its performance in achieving development results and answer back to their electorates on these issues, thus facilitating domestic accountability.

6.2.4 The Private Sector

Private sector participation is essential to implement the country's development strategies. The Governments recognize the private sector as the veritable engine of growth through production of goods and services, creation of employment, and contribution to public resources through taxation. The Governments will continue to improve the business environment so as to attract both local and foreign investments in key national development sectors. The private sector also provides support through corporate social responsibility initiatives that continue to invest directly in community development and welfare schemes. The Governments' partnership with the private sector will be enhanced through the PPP and private sector investment programmes.

6.2.5 Civil Society Organizations (CSOs) and Non Governmental Organizations (NGOs)

Local as well as international CSOs and NGOs will continue to enhance citizen engagement and resources contribution in development activities. Further, they will act as partners to the Government in delivering community services and participate in sector policies formulation, planning, implementation and monitoring of development strategies and programmes. They disseminate relevant information to the public with attention to credibility and transparency.

6.2.6 Academic and Research Institutions

Their roles include generation of policy evidence and options, sharing knowledge and offering advice to the Government, DCPs and other stakeholders on implementation of national plans. These institutions will facilitate domestic and mutual accountability of the Development Cooperation Partners through conducting independent monitoring and evaluations of the development co-operation.

6.2.7 Media

The role of the media is to inform and create awareness in the public, including on support, program, projects, and activities undertaken by the Development Cooperation Partners. The media also reports on citizens' views about these activities and their level of satisfaction with results. Their role is key in facilitating transparency and accountability.

6.3 Division of Labour

The aim of division of labour is to streamline and coordinate engagement of development cooperation partners at sector level. In order to achieve a more even engagement of stakeholders in sectors and thematic areas and reduce transaction costs, stakeholders will rationalise the number of sectors or cross-cutting/thematic areas that they engage in according to comparative and competitive advantages. At the same time, the number of Development Cooperation Partners that are 'active' in a sector or thematic area will be limited to an appropriate level, depending on the needs and capacity of the sector/thematic area.

Development Cooperation Providers outside a particular sector/thematic area will be represented by those Partners that are 'active' in the area of concern and will assume the role of 'delegating partners'. They can nevertheless provide assistance to any sector/thematic area within a framework of delegated co-operation, as division of labour does not concern the amount or distribution of Development Cooperation Partners support.

Generic Terms of Reference (TORs) will be developed as a basis for sector specific TORs describing how stakeholders want to cooperate in a certain sector. The TORs will guide roles and responsibilities of stakeholders in a respective sector. Reasonable flexibility will be maintained in the DoL so that newly available resources and newly active development cooperation providers can enter into sectors, and those DCPs with greater capacity can take a lead role where appropriate.

Chapter 7: RISKS AND MITIGATION MEASURES

7.1 Overview

United Republic of Tanzania has been successful in aid management systems, for which credit should be accorded to the processes of TAS (2003) and JAST (2006). The IMG mechanism has also been considered a best practice to evaluate performance of development cooperation between Development Cooperation Partners and Government. However, various factors may put the implementation of the DCF at risk. The main predicted risks in the implementation of DCF are political, economic, institutional, operational and fiduciary.

7.1.1 Political risks

In the implementation of key national policies there are associated risks of non-implementation, deviation from certain principles or even reversal of the Governments' and Development Cooperation Partners' policies due to political expediency or simply due to other adverse political events.

To mitigate the risks that Development Cooperation Partners reverse their commitments to DCF, the following measures will be taken into account:

(i) Firm Government commitment in the implementation of the DCF;

(ii) Strengthen citizen awareness, collaboration and engagement of key stakeholders (Members of Parliament, Members of the House of Representatives, Councillors, and NSAs) in the process of formulation and implementation of DCF;

(iii) Use DCF Principles as a guide in the formulation of bilateral agreements and Country Assistance Strategies by Development Cooperation Partners;

(iv) The Government and Development Cooperation Partners will engage in consultation and dialogue at the appropriate level for decisionmaking in case of a divergence from DCF partnership arrangements by either party; and

(v) Development Cooperation Partners will take into account their commitment pursuant to the Paris Declaration, the Accra Agenda for Action (AAA), the Busan Partnership for Effective Development Cooperation, and the Nairobi Outcome Document on Global Partnership for Effective Development Cooperation.

7.1.2 Economic Risks

Over time, both Tanzania and Development Cooperation Partners are faced with far reaching economic and financial risks, including from adverse effects of climate change with adverse bearing to the implementation of DCF. These include persistent rise of oil prices, decline of food stuff, weather vagaries, and commodity price shocks.

Mitigation measures include having rescue packages, effective management of available resources and improved productivity, enhance value chain processes, diversification of exports to make it more competitive, well articulated short, medium and long term development plans and strategies, utilization of existing alternative resources (for example, gas and coal, hydroelectric power).

7.1.3 Institutional and Operational Risks

The complex nature of institutions and operations existing in Tanzania as well as Development Cooperation Partner countries bring about intricate challenges to manage the processes of coordination and dialogue among the partners. There are four types of institutional risks foreseen:

(i) Horizontal challenges: coordination and interface among the MDAs, Region Secretariats and LGAs.

(ii) Vertical challenges: hierarchical relations and coordination between the MDAs and the local government bodies

(iii) Challenges of interfacing with bodies outside the government, and

(iv) Independent oversight institutions: the capacity and practical mandates to conduct supervision and/or enforce compliance, particularly the Parliament, House of Representatives and Office of the Controller and Auditor General (OCAG) and National Audit Office.

To mitigate these risks the following measures will be undertaken:

(i) The URT and Zanzibar Governments will exercise bold leadership in all matters, in practical terms, pertaining to implementation of the DCF, with particular strong roles played by the Ministries of Finance and the respective Planning Commissions. This requires additional strengthening of the capacities of these institutions so that they can effectively play Governments' role of ownership and leadership;

(ii) Publication of DCF document and raising awareness among Government officials in all MDAs, Regions and LGAs of the content, benefits and functioning of the DCF;

(iii) MDAs to be more transparent on their roles and responsibilities in implementing DCF; they will provide relevant data to AMP and put updated information on their websites; and,

(iv) Regular monitoring and reviewing the DCF implementation process, working closely with the Development Cooperation Providers and NSAs; in this process, the IMG initiative will be reinvigorated and its recommendations will be implemented systematically.

The risk faced with respect to the Development Cooperation Partners non-compliance with the DCF will be mitigated by:

(i) Enhancing transparency, especially by providing requisite data to the AMP system; and

(ii) Improving institutional memory by reducing staff turnover in Development Partners' country offices,

(iii) Working through established intra-DCP fora such as the DPG, Non-traditional Partner representatives at the country level may develop shared norms and understandings through repeated interactions and use this to apply peer pressure to influence their colleagues to comply with the DCF spirit, based on international obligations on development effectiveness.

7.1.4 Fiduciary Risks

Fiduciary risks arise from public funds (i) not being properly accounted for; (ii) not being used for their intended purposes; (iii) not representing value for money; and (iv) untimely and inadequate disbursement of funds against commitment.

Fiduciary risk covers the budgetary process, as well as the effectiveness of the financial and legal systems. In this context, the Government will take seriously the ownership over fiduciary risk management and assessment and will establish or strengthen appropriate systems for this purpose. Development Cooperation Partners will be encouraged to harmonise their fiduciary requirements and safeguards.

Measures to be undertaken by the Governments with the support of Development Cooperation Partners and other partners to address fiduciary risk include the following:

(i) Development Cooperation Partners to work with the Governments to improve financial accountability mechanisms of the two Governments, especially by improving the PFM systems;

(ii) Continue to strengthen strategic and programmatic budget planning and execution as well as effective operation of the financial management and accountability systems at all levels;

(iii) Continue to emphasize the use of an efficient and effective procurement system;

(iv) To improve transparency in public spending, including carrying out Public Expenditure reviews;

(v) To continue and strengthen national anti-corruption measures; and,

(vi) To continue carrying out an open and frank policy dialogue on public financial management and accountability issues.

GLOSSARY OF TERMS

In the context of development partnership in Tanzania, the below listed terms has the following meaning:

Development Cooperation Framework (DCF)

It is a strategic document of the URT. It reaffirms URT's ownership and leadership of the development cooperation management processes. DCF gives a broad overview of the cooperation processes and partnership between the URT and her Development Cooperation Partners (DCPs) towards achieving development goals and objectives (development effectiveness)

Development Cooperation Partners

These are stakeholders contributing to Tanzania's efforts towards development which include DAC and non-DAC partners, the private sector, Civil Society Organisations and other Non Governmental Organisations.

Five Year Development Plan II

The Second Five Year national Development adopted by the Government of the United Republic of Tanzania to guide the nation's development effort over the period 2015/17 – 2020/21.The plan focuses on Nurturing Industrialization for Economic Transformation and Human Development

Zanzibar Strategy for Growth and Reduction Of Poverty III (MKUZA III)

The medium term bstrategy adopted by the Revolutionary Government of Zanzibar (RGoZ) to guide its effort towards attaining the revised Zanzibar Vision 2020. Th strategy prioritises growth and reduction of income poverty, community wellbeing and social services, and good governance, the rule of law and national unity.

Exchequer system

The Exchequer System is a system for capturing and accounting for all resources available to the Government and expenditures by the Government. It involves the depositing/channelling of public financial and non-financial resources through the Government Consolidated Fund and appropriation from it by the Act of Parliament and accounting for them by the Minister for Finance. The current Government Exchequer system is managed in a computerised Integrated Financial Management System.

Medium-Term Expenditure Framework (MTEF): The MTEF is the Government's budget planning tool, providing a resource framework for five financial years on a rolling basis.

Public Expenditure Review (PER): A process aimed at improving fiscal policy formulation and management whereby working groups comprising of representatives from the Government, DCPs, academia, the private sector and civil society organizations agree on an analytical agenda to improve Government spending plans, finance analytical studies, and follow implementation of resulting recommendations.