



**THE UNITED REPUBLIC OF TANZANIA**

**MINISTRY OF FINANCE**

**DEVELOPMENT COOPERATION FRAMEWORK**

**(DCF)**

## TABLE OF CONTENTS

<b>Abbreviations</b> .....	4
Chapter 1: INTRODUCTION .....	6
1.1 Introduction .....	6
1.2 Rationale for Development Cooperation Framework .....	8
Chapter 2: OBJECTIVES AND GUIDING PRINCIPLES .....	9
2.1. Overview .....	9
2.2. Objectives .....	10
2.3 Guiding Principles .....	11
<b>Chapter 3: DIALOGUE</b> .....	14
3.1. Overview .....	14
3.2. Objectives of Dialogue .....	14
3.3. Principles of Dialogue .....	15
Chapter 4: .....	17
FINANCING INSTRUMENTS AND ARRANGEMENTS .....	17
4.1. Overview .....	17
4.2 Financing Instruments .....	17
4.2.1 Financing Arrangements for Non-State Actors.....	23
4.3 USE OF COUNTRY SYSTEMS .....	24
4.3.1 Commitment and Disbursement Arrangements .....	24
4.4 Disbursement arrangements for the Revolutionary Government of Zanzibar (RGoZ) .....	25
4.5 Procurement arrangements .....	25
4.6 Accounting and Auditing .....	26
Chapter 5 .....	27
MONITORING AND EVALUATION .....	27
6.1. Overview .....	29
Chapter 7: RISKS AND MITIGATION MEASURES.....	34
7.1 Overview .....	34
7.1. 1 Political risks .....	34

7.1.2 Economic Risks .....	35
7.1.3 Institutional and Operational Risks.....	36
7.1.4 Fiduciary Risks .....	39
GLOSSARY OF TERMS .....	41

## **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
MoF	Ministry of Finance
NGOs	Non Governmental Organisations
NSA	Non State Actor
ODA	Official Development Assistance
OECD	Organization for Economic Cooperation and Development

PD	Paris Declaration
PERs	Public Expenditure Reviews
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

## **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 commitments by the various parties supporting Tanzania's Development in the medium term. The DCF will be implemented from 2014/2015 to 2024/25.

Tanzania Development Vision 2025 and Zanzibar Vision 2020 aim United Republic of Tanzania (URT) to become 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 industrialization, competitiveness, quality of livelihood and rule of law.

The realization of these aspirations is guided by the Long Term Perspective Plan (LTPP) which is further decomposed into medium term strategies and plans. The implementation of the LTPP is overseen, monitored and evaluated through various URT, Tanzania Mainland and RGoZ initiatives.

## **Review of implementation of Joint Assistance Strategy for Tanzania (JAST)**

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

- a) Predictability of external resources improved as a result of enhancement of the capacity of aid management,
- b) Improvement of dialogue structure and division of labour of Development Partners,
- c) Integration of external resources into the Government budgets and exchequer systems. This has resulted in increased levels of Official Development Assistance (ODA) from Tshs 1,286 Billion in FY 2005/06 to Tshs 2,876 Billion in FY 2010/2011. The increase in ODA has enabled the Government to finance implementation of national development plans and priority sectors namely education, health and infrastructure.
- d) Improvement in domestic resources mobilization and predictability of external resources through Public Financial Management (PFM) reforms.
- e) Progress in Public Financial Management Reforms notably in transparency and oversight

Despite the achievements recorded, challenges still remain in predictability of aid, fragmentation, use of country systems and conditionalities.

## **1.2 Rationale for Development Cooperation Framework**

The world has witnessed new changes in development cooperation through:-

- a) New and emerging development assistance providers
- b) increased diversification of sources of finances,
- c) The repercussion of the shift from aid effectiveness to development (Trade and Investment) effectiveness.

Tanzania is not isolated in these new changes in development. Moreover, the following are considered to influence the pattern of development Cooperation namely:

- a) Discovery of oil, gas and uranium
- b) Inclusion and engagement of private sector through smart Public Private Partnership Dialogue in productive and commercial activities.
- c) Consistently use and application of Information and Communication Technology (ICT).
- d) Expanding and improvement of participation of Tanzania in regional economic groups and new and emerging Partners.
- e) New implementation framework of development programmes and projects for results.
- f) Partnership opportunities that go beyond OECD/DAC DPs to a range of vertical funds, BRICSs and other non-DAC DPs.



In view of the above, formulation of this new framework which takes into account the required changes in coordination of development cooperation, financing modalities and implementation of unfinished aid effectiveness agenda is inevitable. Against this background, DCF serves as a framework to guide a broader spectrum of development partnership between the URT and other Development Cooperation Partners.

## **Chapter 2: OBJECTIVES AND GUIDING PRINCIPLES**

### **2.1. Overview**

This framework reaffirms URT's commitment to ownership and leadership of the development cooperation processes. It recognises the new opportunities presented in the changing global aid architecture, and the ambitious partnership launched at the Fourth High Level Forum on Development Effectiveness in Busan, 2011. DCF expands the scope of development cooperation, and as a result, objectives and guiding principles of development cooperation will ensure the 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 sustainable development and poverty reduction in line with the Tanzania Development Vision 2025 and Zanzibar Vision 2020 by consolidating and coordinating joint efforts of Government and Development Cooperation Partners (DCPs). It also aims to support the process of exiting from ODA by strengthening Governments' capacity to mobilize resources, analyze potential investments opportunities and optimize returns from both regional and international markets.

The specific objectives are to:

- i. Strengthen national ownership and government leadership in development cooperation;
- ii. Ensure effective coordination in development cooperation;
- iii. Managing resources for development results;
- iv. Strengthen both domestic and mutual accountabilities;
- v. Graduate from the aid dependency through increasing trade and investments.

## 2.3 Guiding Principles

In order to unleash unfinished work under aid effectiveness, the DCF will continue to focus and use the Paris Declaration on Aid Effectiveness 2005 (PD) and Accra Agenda for Action 2008 (AAA) principles. However, Busan Partnership for Effective Development Cooperation 2011 provides overall principles that partners should observe in their cooperation. Therefore, the current DCF recognizes and work under the following underlying principles:

- i. **Ownership.** Development Cooperation Partners should commit to fostering national ownership. This includes supporting the government to address all development challenges more effectively. DPs should aim to minimize conditionalities and creation of parallel structures and systems;
- ii. **Alignment:** Development Cooperation Partners should continuously optimize the alignment of all development programmes and projects to National priorities ,
- iii. **Use of Country systems:** All Government development programmes and projects should strive towards utilizing URT country systems

including Accounting, Procurement, Auditing and M & E systems. System challenges or bottlenecks will be addressed in a coordinated manner under Government leadership;

- iv. **Information on Aid.** Development Cooperation Partners should provide timely and disaggregated information on their assistance, in order to enable the government to better plan its utilization and also record aid in the annual budget and foster its alignment with national priorities. Similarly, URT will address aid coordination challenges in a coordinated and inclusive manner that seeks to enhance effectiveness and efficiency;
- v. **Strengthening Accountability.** All parties should promote national ownership in development cooperation; with special emphasis on strengthening accountability of all stakeholders including Government, Parliament, House of Representatives, NSAs, Academicians and Media.
- vi. **Country Knowledge building.** Both Government 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:*** URT recognizes the need for addressing supply side constraints for both domestic and export markets in order to stimulate investments. URT and Development Cooperation Partners will seek to mobilize resources aiming at complementing ongoing efforts in the country in trade and investment facilitation areas such as Economic infrastructure, Trade policy 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 aid and widen domestic revenue base for economic growth and development effectiveness
- viii. ***Increase Domestic Revenues:*** URT will continue widening and managing domestic revenue collection in order to reduce aid dependency in medium and long term horizon. Reforms on existing Revenue collection systems geared towards increasing domestic revenue base.

## **CHAPTER 3: DIALOGUE**

### **3.1. Overview**

Dialogue is an essential component of ensuring ownership and accountability in development cooperation. Dialogue will be in line with country's development priorities and will culminate into the Annual Policy Dialogue event which will include all relevant fora such as PER, General Budget Support (GBS), and Poverty Policy Week. The annual dialogue will discuss national development issues aligned to sector and thematic priorities as outlined in national plans and strategies. This chapter outlines the objectives, principles, and levels of respective participants in Development cooperation dialogue.

### **3.2. Objectives of Dialogue**

The DCF stipulates an inclusive dialogue as a consultative process managed and led by government to improve the accuracy of the planning and implementation functions of the plan and budget processes. It is the responsibility of Government to organize, convene and manage the dialogue process. In this respect, Government exercises its leadership mandate, and facilitates the participation of stakeholders in the dialogue in order to achieve the following objectives:

- i. Strengthen national ownership;

- ii. Improve the effectiveness of implementation systems, processes, reforms, programs, and projects, as stipulated in national overarching development frameworks.
- iii. Improve public policy choices and effectiveness of planning, budgeting and service delivery;
- iv. Improve information sharing among all stakeholders and facilitate the adoption of consolidated views; and
- v. Facilitate mutual accountability among all stakeholders.

### **3.3. Principles of Dialogue**

Dialogue among DCPs will be guided by the following principles:

- i. **Government leadership:** Government should provide leadership at all levels of dialogue, i.e. national, sector and/or local government.
- ii. **Inclusiveness:** At each level of dialogue, participation of all key stakeholders should be ensured 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.
- 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.



## **Chapter 4: FINANCING INSTRUMENTS AND ARRANGEMENTS**

### **4.1. Overview**

Development Cooperation Partners will continue to support core priority areas of national Development Plans and strategies by providing support through General Budget Support (GBS), Basket Funds (BF), Direct Project Funds (DPF), Technical Assistance/Capacity Development, Public Private Partnership (PPP), Aid for Trade and other development financing instruments. The Government will emphasize full integration of development resources into the Government budget and exchequer system in order to achieve effective planning, implementation and monitoring.

### **4.2 Financing Instruments**

#### **4.2.1 General Budget Support (GBS)**

GBS is the preferred financing instrument because it is the only aid delivery instrument that complies with the Constitution of the URT as it aligns with and strengthens the national budget and accountability processes, as well as promoting a coherent planning process. GBS is channelled directly to the government's budget and is subject to full contestability in its allocation, with

funds flowing through the government accounting systems. As such, the GBS mechanism is designed to reduce transaction costs, increase harmonization and transparency.

#### **4.1.2 Basket Funds (BFs)**

This is financing modality under which Development Cooperation Partners inclusively finance a country's development programme at sector level with harmonised procedures and processes. Management of this modality operates under Sector Wide Approach (SWAPs) whose main function is to increase donor alignment with government policy and expenditure framework to ensure greater government ownership over resources allocation. The modality adheres to reduce transaction cost within sectors to avoid unnecessarily parallel implementation and management system, structures as well as financing mechanism.

#### **4.1.3 DIRECT PROJECT FUND**

There are two ways of channelling funds through this modality:

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

This is a financial arrangement of channelling funds through the Government Exchequer System, where by Development

Cooperation Partners (DCPs) deposit funds in the account of the URT and RGoZ revenue accounts.

### **B. Direct Project Funds (D-fund)**

This is a financing arrangement whereby funds, goods, services, and equipment are provided directly to a specific strategic projects then project report to the Treasury on the amount and value of goods, equipment and services received with relevant supporting documents to evidence the disbursement and purchases. Direct project funds to the government will be utilized for instance in large scale infrastructure investments, for piloting where 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.

In addition, financing of Government projects through this arrangement will be guided by the following principles:

- i. They support national, sectoral and local priorities, strategies, plans and programs, and are based on the government request to undertake such activities outside the GBS. The request among others should explain why the direct project funds

- approach is necessary or appropriate and how it is designed to support and be integrated in local, sector, national strategies and plans;
- ii. They are as much as possible integrated in the national budget process and hence subjected to contestability of resources within the government budget process;
  - iii. They 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. They are designed and implemented under the same conditions as other Government funded activities; and,
  - v. They align to the proper Government process for project and program approval.

#### **4.1.4 Financing through Aid for Trade**

Aid for trade is financial and technical assistance that facilitates the integration of developing countries into global economy through initiatives that expands investments in order to enhance trade. Trade has a potential to be an engine for growth that lifts millions of Tanzanians out of poverty.

For more than three decades the Government has been undertaking economic reforms with the aim of stabilizing from internal and external imbalances occurred in the 1980s. The reforms which have been undertaken includes: openness of the economy through trade liberalization, allow private banks to operate and deregulation of the interest rate, floating exchange rate system and private sector to be engine for growth of the economy. Despite of all these reforms still there are barriers that hinder Tanzania to benefit from the world trade. The barriers are inadequate technology and human capital, low level of financial inclusion, lack of good/quality integrated infrastructure(road, railways, ports and airways) and feeder roads and institutional failures (legal, political and economic institutions).

Targeting these "Supply-side" constraints is what aid for trade is all about. Aid for trade should be part of overall development financing, but with specific objectives of helping the URT play an active role in the global trading systems and use trade as an instrument for growth and poverty reduction. It should not be a substitute for trade opening but a necessary and important compliment.

For aid for trade to be meaningful, Development Cooperation Partners need 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.

#### **4.1.5 Financing through Public Private Partnerships (PPPs)**

Public private partnerships serves as a pivotal vehicle for development, sourcing financing from the private sector to support implementation of Government development strategy. Through PPPs, financing will be mobilized particularly to support key infrastructure projects as earmarked by the government in selected sectors or as per the government priorities and in accordance with the existing legal, policy and institutional regime. With regards to the identification, technical appraisal, procurement and management of PPP projects, the respective institutions and authorities will take a leading role in guiding the engagement of stakeholders in the identified sectors in compliance to the available PPP legislation, PPP policy, and accompanying regulations.

Harnessing the full potential of PPPs will help the government to attract financial resources to fill a growing financing gap that is needed to put in place robust economic infrastructures such as railways, bridges, roads, airports, ports, Agricultural irrigation schemes, ICT infrastructure, and other related services.

## **4.2 Financing Arrangements**

### **4.2.1 Financing Arrangements for Non-State Actors**

The URT will continue to foster and maintain the independence of NSAs in managing their own resources. This entails that traditional and non traditional DPs will continue to provide direct development assistance to NSAs in line with existing 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. This will allow the Government to take NSAs' activities into account in its own planning process and thus avoiding duplication of efforts.

The URT 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. A framework for NSA incentives that rewards high accountability and adherence to good practices will be put in place. CSOs to implement practices that strengthen their accountability and their contribution to development effectiveness, guided by the Istanbul

Principles and the International Framework for CSO Development Effectiveness.

## **4.3 USE OF COUNTRY SYSTEMS**

### **4.3.1 Commitment and Disbursement Arrangements**

In order to facilitate effective budget planning, execution and accounting, external resources to the Government will be integrated into the Government budget and Exchequer system to the maximum extent possible. This is in accordance with the Constitution of the United Republic of Tanzania.

Development Cooperation Partners will inform the Government, according to the agreed timetable through the annual National Policy Dialogue process, of the full amount of funds committed over the MTEF period. This will also include Development Partners funds provided to NSAs in order to enable the Government to take these into account when planning its own activities and thus to avoid duplication and make them accountable.

Development Cooperation Partners will increasingly channel Official Development Assistance (ODA) disbursements to the Government through the Government budget and Exchequer system, whereby the Government 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 the Revolutionary Government of Zanzibar (RGoZ)**

Development Cooperation Partners will increasingly channel external funding to RGoZ programmes, projects and GBS and will be disbursed directly through the Zanzibar Exchequer system.

#### **4.5 Procurement arrangements**

Development Cooperation Partners will 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

## **Chapter 5**

### **MONITORING AND EVALUATION**

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

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 Agreements as well as any subsequent global agreement 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. The review will to the greatest extent possible use the existing Government processes as the main avenues for detailed

discussions, dialogue and information generation. 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 to undertake assessments of the performance of the Government and Development Cooperation Partners in implementing the agreed actions, indicators and targets every three to five years. It will also look at country's progress towards meeting the international objectives and commitments on development effectiveness. 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**

The 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 Government has a distinct role to play in managing the development cooperation agenda. It has the responsibility to lead the country's development process, determines priorities, and allocates public resources through inclusive consultative processes. It takes responsibility for effective and equitable service delivery and for ensuring that public expenditures adequately reflect economic growth and poverty reduction targets outlined in international and 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.

Further, they will actively participate at various levels of the dialogue and advise the Government and other domestic stakeholders based on an agreed division of labour. According to the Busan agreement, DCPs are mutually accountable with the Government 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, 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 Private Sector**

Private sector participation is essential to implement the country's development strategies. The government recognizes the private sector as the veritable engine of growth through production of goods and services and creation of employment, particularly in tourism, trade, manufacturing, agriculture, mining and transportation. The Government 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. Private sector partnership with Government will be enhanced through PPP investments.

#### **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 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. The span of leading a particular sector/thematic area will be aligned to the timeframe of the country's development medium term plans. 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 cooperation, 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 of its principles or even reversal of the Government's and Development Cooperation Partners 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 DCF;

- ii. Strengthen citizen awareness, collaboration and engagement of key stakeholders (parliamentarians, House of Representatives, councillors, and NSAs) in the process of formulation and implementation of DCF;
- iii. Bilateral agreements and country assistance strategies of Development Cooperation Partners will be guided by DCF principles;
- iv. The Government and Development Cooperation Partners will engage in consultation and dialogue at the appropriate level for decision-making in case of a divergence from DCF partnership arrangements by Development Cooperation Partners; and
- v. Development Cooperation Partners will take their commitment to the Paris Declaration, the Accra agenda for Action (AAA) and Busan Partnership for Effective Development Cooperation.

### **7.1.2 Economic Risks**

Over time both United Republic of Tanzania and Development Cooperation Partners are faced with far reaching economic and financial crises and 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 United Republic of Tanzania as well as Development Cooperation Providers bring about intricate challenges to manage the processes of coordination and dialogue among the parties. 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. Government will exercise bold leadership in all matters, in practical terms, pertaining to implementation of the DCF, with particular strong roles played by the MoF, the PO-PC and ZPC. This requires additional strengthening of the capacities of these institutions so that they can effectively take Government's role of ownership and leadership of the DCF;
- 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;
- ii. Improving institutional memory by reducing staff turnover in Development Partners' country offices;
- iii. Providing greater devolution of authority from headquarters to field/Country offices; and,
- iv. Working through established intra-donor 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 as per commitment.

The Fiduciary risk covers the budgetary process, 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 harmonise their fiduciary requirements and safeguards.

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

- (i) Development Cooperation Partners to work with government to improve the financial accountability mechanisms of the entire government, especially for 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 government efforts towards development which include traditional and non-traditional partners, Private sector, CSOs and NGOs.

### **MKUKUTA (NSGRP)**

The MKUKUTA is a second framework for growth and poverty reduction initiatives in the country to be implemented between 2010/11-2014/15. It adopts an outcome-based rather than a sector-oriented approach, based on three broad clusters: (1) growth and reduction of income poverty; (2) improvement of the quality of life and social well-being; and (3) governance and accountability.

**Big Results Now:** Is a transformational program to identify and resolve constraints to result delivery in the six priority areas: energy, transport, water, agriculture, education and resource mobilization.

### **Five Year Development Plan:**

This is the first in a series of three five year development plans which aim at transforming Tanzania into a Middle Income Country by 2025. It has

taken into account overall national development goals and policy objectives and sectoral initiative.

### **Thematic Working Groups**

Is a group which brings together members in smaller groups around specific areas of interest, for example ICT, Gender and Climate Change. These groups decide on which issues are relevant to them and initiate activities, discussions, and skill building sessions.

### **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.