

Annex

Summary of 2002 report of the Independent Monitoring Group (IMG): enhancing aid relationships in Tanzania

1.0 Background and context

The 2003 Independent Monitoring Group (IMG) report was an outcome of a substantial history of reviews, which have examined the relationships between the Government of Tanzania (GoT) and aid donors conducted by observers independent of both sides. Relations between the two sides deteriorated to a low level in the early 1990s. In order to address this situation, an independent group of experts led by Professor Gerald K Helleiner was appointed to study the situation and make recommendations. The study was completed in 1995 and subsequent discussions between government and donors were based on that report. Based on the Helleiner report and following a change of government, concerted efforts involving dialogue between the government and donors were initiated in 1996. This was followed by an agreement in January 1997 between the GoT and its development partners to jointly set out a programme to redefine the terms of their development co-operation. The result was a set of 'agreed notes' (in the form of 18 points) stating, among other things, that there was a need to ensure enhanced government leadership in development programming, increased transparency, accountability and efficiency in aid delivery. The elaboration of a framework for co-operation culminated in the preparation of the Tanzania Assistance Strategy (TAS) from 1998/99, finally published in 2002. TAS is meant to be a framework for partnership that would also define the role of external resources for development.

2.0 Methodology

The group was chaired by Professor Samuel Wangwe and its work was undertaken during the course of 2002, under the administrative auspices of the Economic and Social Research Foundation (ESRF), Dar es Salaam. The group as a whole met twice, in March and June 2002, but locally based members undertook further work between those dates and thereafter. The IMG made use of relevant background materials, both as related to Tanzania and the wider literature, but the bulk of the analysis was based on a large number of interviews with officials of departments of government and all official donors with substantial aid programmes in the country, bilateral and multilateral.

3.0 Benchmarks

It is perhaps useful to assess the situation as the group found it in 2002 against two benchmarks: (a) the situation as described in the 1995 Helleiner report; and (b) as described more recently in his 1999 and 2000 reports. By either comparison, but especially the first, the group concluded that major improvements have occurred: indeed the

state of GoT-donor relations is matched in only a few other aid-dependent states of Africa.

4.0 Main findings

4.1 Considerable progress had been made

The report describes the various ways in which progress had been made:

- (i) improved channels of dialogue;
- (ii) the trend away from project aid;
- (iii) the development of sector-wide approaches;
- (iv) technical assistance has been changing;
- (v) procurement tying is on the decline;
- (vi) reporting of aid flows is improving; and
- (vii) Consultative Group Meetings had become more participative.

The basic message was that GOT-donor relations had improved. By comparison with 1995 and since the Helleiner report of 2000, donor-GoT relations were much improved. Donors had greater trust in the government and they had responded in various ways to improve their own policies and practices.

Two general points emerged. The first was the powerful influence of the trend towards programme aid. That is not only desirable in itself, as likely to raise aid effectiveness and lower associated transactions costs, but it had also fed into a number of the other improvements recorded in the report. The second point was that there are marked differences in the extent to which individual donors had been willing and able to respond to the felt deficiencies in past aid delivery systems and to improvements on the side of the GoT. This pointed to an opportunity for making overall improvement through peer pressure, a situation which is likely to bear fruit the more the government continues to assert its leadership in aid co-ordination.

4.2 The basis for the improvements achieved

Both the GoT and donors had responded to improve on the dire situation of the mid-1990s.

4.2.1 On the government side:

- (i) The emergence of a demonstrated commitment to improvement of relations with donors had been fundamental. This had been demonstrated in terms of the trend towards increased openness, transparency and accountability in the conduct of government business, and specifically to the administration of the budget.
- (ii) The Poverty Reduction Strategy (PRS) and the respective participatory working groups signified improvement in policy formation with greater focus and prioritisation. Subsequently, the Poverty Monitoring System (PMS) and Participatory Poverty Assessment (PPA) were put in place to monitor and assess developments in poverty in a more transparent and participatory manner.
- (iii) The development of the public expenditure review/medium-term expenditure framework (PER/MTEF) into an important instrument for a more transparent,

goal-oriented and integrated budgetary process. The creation of the Tanzania Revenue Authority was also an important move.

- (iv) The computer-based Integrated Financial Management System, designed to raise the efficiency and integrity of public finance management, had also contributed to increased donor confidence and to the observed trend towards a progressive switch from project to programme aid modalities.
- (v) The publication and launching in 2002 of the government's TAS. The significance of the TAS is in the potential it has for further developing Tanzanian ownership of the activities supported by its development partners and for steering aid provisions to meet local needs.
- (vi) Increased openness, transparency and commitment to dialogue in the conduct of government business was reported in many of the IMG interviews.
- (vii) A greater degree of Tanzanian 'ownership' of policies and processes by comparison with the bleak situation in the mid-1990s.
- (viii) The emergence of a political leadership committed to the rebuilding of constructive relationships with donor partners.

4.2.2 On the donor side:

- (i) Donors had been willing to revisit their own experiences, to be self-critical and to accept independent assessment.
- (ii) Donors had learned from past experience and had to a large extent accepted that some of their policies have not been effective in the past.
- (iii) Many donors had shown willingness to adapt and respond flexibly to improvements made and initiatives taken by GoT. Not all donors had been able to move at the same pace, but the direction of change was appreciable on the part of most.
- (iv) The highly constructive and fruitful role of the local Development Assistance Committee (DAC) had contributed in an important measure to the unusually good degree of donor harmonisation and co-ordination observed by the IMG. The local DAC appeared to be able to combine an inclusive approach in the face of widely varying agency views and policies with the exertion of a positive peer pressure on what the group called the laggard or unpersuaded agencies.
- (v) The changed outlook of the World Bank was notable, especially when seen in the context of the 1995 Helleiner report, which had singled out the World Bank as being unwilling to listen and arrogant, as placing little real weight on local ownership and as relying excessively on conditionality. The IMG found that the Bank had come to play a highly constructive role, supportive of many positive developments identified in the report.
- (vi) A reduced reliance on policy conditionality. Co-ordinated and partnership-based approaches were increasingly replacing one-sided conditionalities.
- (vii) Donors' stated desire to reduce the transactions costs to government of utilising the aid offered to it. This desire had been demonstrated through initiatives to improve co-ordination.
- (viii) The change in the venue for meetings of the Consultative Group to Dar es Salaam, and its opening up to a wider range of stakeholders.

Donors had therefore contributed importantly to improving aid relationships in Tanzania. To some extent, the donor changes just described reflect general shifts of

donor thinking on aid effectiveness. What impressed the IMG, however, is that, in many respects, these changes had gone further in Tanzania than in most countries. The growing element of trust and the acceptance of independent assessment and monitoring had contributed to these outcomes. The case of Tanzania could therefore offer some useful lessons to other countries.

5.0 Areas for further improvement

Nonetheless, the IMG saw many areas where further progress was needed. Although most of the suggestions presented applied to both GoT and development partners, some proposals applied primarily to GoT and others to the donors.

5.1 Government side

Suggestions were made in respect of five areas:

- (i) strengthening dialogue by increasing openness and improving channels of dialogue and encouraging more sectors to adopt sector-wide approaches (SWAps);
- (ii) encouraging moves towards programme aid by consolidating current PER/MTEF processes, public financial accountability and anti-corruption measures;
- (iii) addressing capacity constraints by undertaking a national capacity needs assessment of priority areas of intervention, accelerating the implementation of the PSRP (especially the pay reform) and decentralisation;
- (iv) addressing aid dependence by making the exit strategy a more explicit policy objective with time-bound targets; and
- (v) strengthening Tanzanian ownership by being more explicit in setting priorities, being more assertive about preferred forms of aid and being more willing to say 'no' to non-priority or distortive offers.

5.2 Donor side

On the side of the donors, suggestions were made in seven areas:

- (i) further improving the composition of aid by continuing the trend towards more programme aid, exerting peer pressure under government leadership;
- (ii) learning lessons from SWAps by continuing to lower transaction costs and promoting local ownership, while striving to harmonise procurement and reporting procedures. Donors should support GoT's efforts in improving policy analysis and implementation capacities and focusing more on wider challenges of delivering results and monitoring performance. Donors and GoT should accord priority to institutionalisation of SWAps by promoting their replication to other sectors, enhancing participation and co-ordination and integrating them more effectively into the PER/MTEF processes;
- (iii) reducing the vulnerability of programme aid to political uncertainty by developing safeguards (in the form of an agreed code of good practice) against sudden withdrawal of promised levels of programme support;
- (iv) raising the effectiveness of technical assistance (TA) by taking action in three areas: first, accepting the principle of using TA primarily for local capacity building; second, drawing lessons from existing practices of TA pooling with a

view to building on positive experiences; and third, facilitating the GoT to take the lead in formulating programmes for local capacity building, to which TA can contribute;

- (v) further improving donor co-ordination by incorporating in the TAS agreements on common reporting and joint missions, establishing 'quiet times', adopting selectivity to avoid competitive overcrowding in some sectors, while other priority sectors are under-supported, and continuing to integrate donor-support initiatives in the PRS;
- (vi) empowering agencies to play a full partnership role by consolidating initiatives being taken towards greater agency decentralisation and equipping them to enhance their capacity to make decisions; and
- (vii) rationalising the fora for dialogue with a view to reducing overlap and achieving greater integration into PER/MTEF processes and the PRS.

6.0 Further monitoring arrangements

The experience in the 2002 IMG evaluation also suggested some ideas for future monitoring arrangements. In this regard, suggestions were made in four areas:

- (i) undertaking periodic stock-taking in more specific areas as identified by the joint GoT/DAC machinery for implementing the TAS;
- (ii) GoT and donor performance monitoring as two sides of the coin: the monitoring of performance should apply to both sides;
- (iii) performance indicators to be largely qualitative, but further quantitative indicators can play a supplementary role. Performance indicators should continue to be developed in the Joint TAS Implementation machinery; and
- (iv) replicating the Tanzania experience in other aid-dependent countries.

