

# **TANZANIA EXPERIENCE ON DEVELOPMENT PARTNERSHIPS**

PRESENTATION AT CHINA - DAC STUDY  
GROUP MEETING, BEIJING, CHINA.

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# OUTLINE

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# INTRODUCTION

- Tanzania is one of the five East African Countries, with a population of about 34 million people (2002 Census).
- The Government of Tanzania (GOT) is operating a deficit budget. Currently the annual budget deficit covered by Foreign Aid is about 30% - 40%. Most aid is invested in various social-economic sectors such as education, health, infrastructure, and agriculture.
- Since Independence (1961) Tanzania has been one of the largest recipient of aid in Sub Saharan Africa (SSA) with a total annual average of US\$ 900 million (1994 – 2004).
- In the 1960' until early 1970's most of aid to Tanzania came from Bilateral sources. Multilateral donors contribution begun rising in the 1980's reaching to a total share of 40% in 1988 of total aid. Since the 1990's the composition of aid by bilateral and multilateral donors is about 50-50%.

# INTRODUCTION, CONT'D

- External finance is composed of loans, guarantees and grants from 22 multilateral institutions and 21 bilateral donors. Multilateral institutions includes the World Bank, ADB, EU, UN Agencies, BADEA, IFAD, NDF, Kuwait Fund, OPEC Fund, Saudi Fund. Main Bilateral donors are Belgium, Canada, China, Denmark, Finland, France, Germany, Ireland, India, Italy, Japan, Netherlands, Norway, Russia, Spain, Sweden, Switzerland, United Kingdom and USA.
- Volume of aid to the GOT has been increasing year after year from Tshs. 559 billion (\$ 700 m) in FY 2001/02 to Tshs. 2,234 billion (\$ 1,900 m) in FY 2007/08.
- Contribution of aid to the total GOT budget has also been increasing from 32% in FY 2001/02 reaching 38% in FY 2007/08.

# TYPES OF FINANCING PARTNERSHIPS

- Tanzania has received various types of assistance ranging from Technical Assistance (TA), Balance Of Payment Support (BOP), Commodity Import Support (CIS), Open General License Scheme (OGL), Multilateral Debt Relief Fund (MDF), Project Support, Food aid, Relief/ Emergency Aid.
- Currently, three main official aid modalities dominate in Tanzania namely Project Support (45%), General Budget Support (GBS) (37%) and Basket Fund (BF) (18%).

# PROJECT SUPPORT

- Represents stand alone project, financed by one donor, specifying its procedures for approval, disbursement of funds, procurement, accounting, reporting, auditing, assessment and evaluation.
- Composes the highest 45% of all aid modalities in the past years. Constitutes a total of 304 (2005), down from about 1,400 projects in the early 1990's.
- Most challenging aid modality in terms of management as it tends to create parallel system, high transaction costs, and drain the capacity of the Government.

# BASKET FUNDING

- DP's and GOT pool resources together for implementation of a specific sector/thematic area normally specified in a Memorandum of Understanding (MOU).
- MOU specifies the common procedures for approval, disbursement of funds, procurement, accounting, reporting, auditing, assessment, monitoring and evaluation.
- Currently there are about 19 basket funds operating in different Ministries, Departments and Agencies (MDA's) and Local Government Authorities (LGA).

# BASKET FUNDING, CONT'D

- In general, performance is moderate in terms of facilitating quick disbursement of committed funds in the financial year.
- Requires various reporting, in-year performance assessments and prior action requirements.
- Low level of ownership and leadership of the relevant MDA's, Regions and LGA's

# GENERAL BUDGET SUPPORT

- Previously termed as Poverty Reduction Budget Support (PRBS) that started operating in Tanzania in 2001 after replacing Multilateral Debt Relief Fund (MDF).
- GBS is facilitated by the common Performance Assessment Framework (PAF), whose reviews are undertaken annually prior to financial year.
- Allows frontloading of aid disbursements following GOT budget cycle, where total GBS commitment for the year are disbursed in the 1<sup>st</sup> half of the financial year. Actual disbursement of committed funds is very high reaching in most years to 100%.
- Currently, GBS is supported by 11 bilateral and 3 multilateral DP's.

# GBS, CONT'D

- The GOT most preferred aid modality as it enhances predictability of resources, national planning, use of government system, national ownership, accountability and transparency.
- The GBS resources are fully integrated into Tanzania's Budget process and used to finance Tanzania poverty reduction strategy (MKUKUTA).
- GBS contributes to reduction of transaction costs and **builds Tanzania's capacity** to strengthen existing structures and systems for management of public resources.

# WAY FORWARD

- The Government commends the DPs who are supporting GBS and are appealing to the other DPs to consider adopting the GBS.
- The Government continues to implement key reforms such as Public Service Reform Programme, Local Government Reform Programme, Public Financial Management Reform Programme, Legal Sector Reform Programme, and National Anti-corruption Strategy in order to have an effective governing system conducive for economic growth and poverty reduction.

**THANK YOU FOR YOUR  
ATTENTION**

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TANZANIA