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**Working Paper**

## Aid and environment in Africa: The case of Tanzania

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WIDER Working Paper 2014/077

## **Aid and environment in Africa**

The case of Tanzania

Godius Kahyarara\*

April 2014

**Abstract:** This paper provides an assessment of what aid has actually been doing in the area of environment in Tanzania through a critical review of the flows, modalities and management of aid. Focusing on the funding for environmental degradation projects, the study notes that budget expenditure allocation to these activities is around 0.04 per cent of Tanzania's total expenditure. This is a problem given that in the near future financing for climate change alone would need around US\$1 billion per year (or nearly 10 per cent of the budget). Ultimately, aid money is critical for Tanzania, as over 90 per cent of funds for environment come from donors. To ensure maximum effectiveness of aid, Tanzania, in collaboration with its many development partners, introduced the Tanzania Joint Assistance Strategy. This resulted in an improvement in the country's operational development strategies and by 2010 out of 13 indicators with applicable targets, six were met. The paper concludes that environmental efforts in Tanzania depend heavily on donor money. This will not be sustainable because, with time, moral hazard will develop to the extent that environmental protection obligations will need to be integrated with economic activities. This calls for reinforcing the 'polluter pays' principle.

**Keywords:** aid, development, environment

**JEL classification:** F30, F30, O19

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**Acronyms:** List of acronyms given at the end of the document.

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# 1 Introduction

## 1.1 Overview

Funds for the environment and aid are important aspects of Tanzania's fiscal regime, as over 90 per cent of the funding for environment comes from donor money. The recent trend towards funding environmental protection adds more importance to the aid-versus-environment nexus. This is partly because amid the government's limited ability to finance environment projects, the threat of environmental degradation has been on the rise. In general terms, poor people living in developing countries are more exposed to the adverse effects of environment damage. Considering that vulnerability is a function of the exposure to environmental degradation, the impact on and the adaptive capacity of the affected community, it is usually the poor whose livelihoods depend largely on sensitive sectors that are most vulnerable. Environmental degradation has the potential to affect development activities in Africa and can jeopardize the achievement of the Millennium Development Goals (MDGs). In this regard, support to environmental conservation tends to be integrated with development as well as reduce the vulnerability of the poor by building their adaptive capacity. These objectives can only be achieved through the adoption of an innovative approach that builds on existing experiences and knowledge. An important first step to ensuring the development of environmental resilience is to acknowledge the risks arising from climatic variability already in the design of development projects and programmes. This is the only way to produce more robust projects and programmes that can adequately cope with the environmental challenges.

## 1.2 Objectives and methodology

This paper was developed based on the terms of references provided by the African Economic Research Consortium with particular reference to:

- the country's priority in development and environmental issues;
- the allocations of government expenditures across sectors for the past ten years, with an indication of any trends in spending;
- identification of spending directed specifically towards environmental issues;
- identification of the ten most important donors in terms of total resource flows; and
- compilation of publicly available information on each donor.

Considering the diverse nature of the outputs, a range of techniques was adopted to evaluate the overall impact of donor-financed environmental programmes. Indicators that reflect the extent of use of the outputs and their usefulness were identified and evaluated, with a particular focus on collecting information and its analysis. The author followed the sequence of tasks as follows:

### *Desk review*

A desk review was carried out to provide an indication of the outputs and outcomes. In particular, this reviewed the impact of the outputs based largely on the knowledge of environmental officers and staff. A literature search was undertaken to assess the extent to which research on aid management policy and other related studies have been quoted and formed the basis of further follow up work within and outside the Tanzania environment sector. Specifically the desk review indicated the questions and issues that needed to be pursued with other stakeholders.

### *Interviews*

Given the complexity of the activities related to the environmental sector, the study team undertook personal interviews with numerous stakeholders. Interviews were conducted through questionnaires administered to all major donors in Dar-es-Salaam.

### *Web search*

A number of websites provide useful information on aid and the environment sectors of Tanzania as well as on the global forest and macroeconomic trends. During the conduct of this study, these websites were visited and important information recorded.

### *Review*

The draft report was subjected to detailed review at different stages. The reviewers included individual experts and professionals involved in regional projects on aid and environment.

## **1.3 Tanzania and environment protection**

Environmental protection in Tanzania began during the German occupation of East Africa (1884–1919). Colonial conservation laws for the protection of game and forests were enacted, whereby restrictions were placed upon traditional indigenous activities such as hunting, firewood collecting and cattle grazing. For example, in 1948, Serengeti was officially established as the first national park for wild cats in East Africa. There has been a more broad-reaching effort since 1983 to manage environmental issues at the national level, through the establishment of the National Environment Management Council (NEMC) and the development of an environmental act.

## **1.4 Government and policies on environmental protection**

The Division of the Environment is the main government body that oversees protection. Its mandate includes the formulation of policy, coordinating and monitoring environmental issues, environmental planning and policy-oriented environmental research. The NEMC is an institution that was initiated when the National Environment Management Act was first introduced in 1983. This council has the role of advising the government and the international community on a range of environmental issues. Specifically it provides technical advice; coordinates technical activities; develops enforcement guidelines and procedures; assesses, monitors and evaluates activities that can impact on the environment; promotes and assists with environmental information and communication; and seeks to promote the advancement of scientific knowledge. The National Environment Policy of 1997 acts as a framework for environmental decision-making in Tanzania. The policy objectives are to:

- ensure sustainable and equitable use of resources without degrading the environment or risking health or safety;
- prevent and control degradation of land, water, vegetation and air;
- conserve and enhance natural and man-made heritage, including biological diversity of unique ecosystems;
- improve the condition and productivity of degraded areas;
- raise awareness and understanding of the link between environment and development;
- promote individual and community participation; and
- promote international cooperation.

Tanzania is a signatory to a significant number of international conventions, including the Rio Declaration on Development and Environment 1992 and the Convention on Biological Diversity 1996. The Environmental Management Act (2004) is the first comprehensive legal and institutional framework to guide environmental management decisions. The policy tools that are embodied in the Act include the use of: environmental-impact assessments, strategic environmental assessments and taxation on pollution for specific industries and products. The effectiveness of this Act will only become clear over time. There are concerns regarding its effectiveness because there has been historically a lack of capacity to enforce environmental laws and a lack of working tools to bring environmental-protection objectives into practice. Most of the approaches to conserve the environment are familiar to conservation practitioners because they have been in use for decades. Most importantly, funding of the projects related to various environmental protection measures is dependent on the donors.

### **1.5 Tanzania's policies, strategies, and priorities**

There are many explanations for the increased interest in financing environment projects. In implementing all key development goals and policies, environment features as one of the priority areas. For instance, the *Tanzania Development Vision 2025* emphasizes the need to achieve high-quality livelihoods for the people through strategies that will ensure food self-sufficiency and food security while effectively reversing current adverse trends in the loss and degradation of environmental resources (forests, fisheries, fresh water, soil and biodiversity) (GoT 2010). Forest and natural resource management has relevance also to all three major clusters of poverty reduction outcomes in the country's current 'National Strategy for Growth and Reduction of Poverty 2005–10' (NSGRP I).

The draft for the second phase of the 'National Strategy for Growth and Reduction of Poverty 2010–15' (NSGRP II) perceives agriculture to be the driver of growth. It supports the majority of the poor rural population and has the potential to lifting the rural population out of poverty. In order to develop strong national systems of innovation, emphasis is given to the links and integration among research, policy and productivity, particularly in agriculture. One of the areas highlighted in the document is risk management in agriculture. The government also seeks to strengthen efforts to mitigate and adapt climate change by supporting research programmes to improve and develop new technologies, quality seeds, pest control, and information collection and dissemination for early warning systems (GoT 2010).

In addition there are specific government efforts to alleviate the impact of climate change. Tanzania's National Adaptation Programme of Action (NAPA) predicts an overall decrease in crop productivity, ranging from harmful effects (with an estimated 33 per cent drop for maize), to beneficial (16–18 per cent increase for coffee). The suggested new adaptation activities include integrated crop and pest management, better coverage and use of climate and weather data and modelling tools, strengthening early warning systems, awareness raising and improved and better integrated water management. Controlling habitat destruction and fragmentation in high biodiversity areas is one of the focus areas in the forestry sector. Implementation of all such projects requires funding that is likely to be sourced from donors.

### **1.6 Tanzania's national REDD+ strategy**

The Cancun Agreement UNFCCC COP 16 encourages developing countries to contribute to mitigation actions in the forest sector by undertaking the following activities, as deemed appropriate by each party and in accordance with their respective capabilities and national circumstances:

- reducing emissions from deforestation;
- reducing emissions from forest degradation;
- conservation of forest carbon stocks;
- sustainable management of forest; and
- enhancement of forest carbon stocks;

Tanzania has developed a national REDD+ strategy to ensure the conservation and/or enhancement of its unique biodiversity values and forest ecosystems so that the corresponding benefits, goods and services are equitably shared by all stakeholders for the adaptation, mitigation and adoption of a low carbon development pathway under all processes as required by the UNFCCC. The findings of this study will contribute scientific information towards the effective implementation of this strategy. After this introduction the second section examines the trends in Tanzania’s budget on environment. The third section describes the allocation of environmental financing while the fourth section details the main donors in Tanzania and in environment in particular. Section 5 highlights the issues of effectiveness of aid while sections 6 and 7 discuss case studies and environmental support, respectively. Section 8 concludes the paper.

## 2 Tanzania’s budget and expenditure in environment

As in many other African countries, Tanzania’s budget expenditure for the environment is heavily dependent on donor money. As Table 1 shows, expenditure in environment issues is a small fraction of total expenses. Studies estimate such an expenditure accounts for less than 0.05 per cent, indicative of the fact that donor money is important.

Table 1: Tanzania expenditure in environment (billions of TZS)

Year	Domestic revenue	Grants	Net foreign loans	Net domestic	Total expenditure	Expenditure in environment
2001	1000	400	180	20	1700	68
2002	1300	700	200	0	2000	80
2003	1400	800	300		2500	100
2004	1700	1150	450	0	3300	132
2005	2100	1100	600	200	4000	160
2006	2700	900	800	200	4600	184
2007	3650	1700	750		5100	204
2008	4300	1750	1150	300	7500	300
2009	5200	3100	1000	600	8700	348
2010	6100	2000	1950	750	10800	432

Source: Ministry of Finance (various years).

### 2.1 Trends in budget allocation for key development sectors

As a consequence of increased expenditures while domestic revenue remained around 16 per cent of GDP, budget deficit in 2008/09 increased, prior to grants, by 2.5 percentage points in comparison to 2007/08. Total grants for the year ending June 2009 declined in relative terms from 6.9 per cent of GDP in 2007/08 to 4.7 per cent in 2008/09. This decline is primarily attributed to persisting problems in the disbursement of project grants. Total deficit after grants increased from 0.0 per cent of GDP in 2007/08 to -4.7 per cent in 2008/09, the bulk of which

(3.5 per cent) was financed by external resources. The shortfall in domestic revenue collection during the year led the government to borrow TZS323 billion from domestic sources, the equivalent of 1.2 per cent of GDP. Funds were raised through the issuance of a special bond in order to meet high priority spending according to the ‘national strategy for growth and reduction of poverty’ (*Mkakati wa Kukuza Uchumi na Kupunguza Umaskini Tanzania*, MKUKUTA [its acronym in Swahili acronym]).

The declining proportion of general budget support (GBS) in relation to total grants shows that donors are increasingly earmarking their funds and channelling them to specific areas, rather than letting the government of Tanzania choose where to invest aid money in line with its development strategy.

Table 2: Tanzania budget allocation in different sectors for various years (US\$ millions)

	2004/05	2005/06	2006/07	2007/08	2008/09
Revenue to GDP ratio	11.9	12.4	14.1	16	15.9
Total government expenditure	17.5	19.6	18	22.9	25.3
Current expenditure to GDP ratio	10.3	11.8	11.1	14.9	17.4
Development expenditure to GDP ratio	7.2	7.7	6.9	8	7.9
Official grants to GDP ratio	4.8	6	5	6.9	4.7
Deficit to GDP ratio	-5.6	-7.2	-3.9	-6.9	-9.4
Deficit to GDP ratio with grants	-0.8	-1.2	1.1	0	-4.7
Financing	0.8	1.2	-1.1	0	4.7
Foreign borrowing to GDP ratio	3.9	3.3	3.7	3.2	3.5
Domestic borrowing from banks to GDP ratio	-3.2	-3.4	-5.9	-3.1	1.2
Domestic non-bank borrowing to GDP ratio	0.1	1.3	1.1	-0.1	0

Source: Ministry of Finance (various years).

Table 3: Budget allocation by sector (US\$ millions)

	2008			2009		
	Recurrent	Development	Total	Recurrent	Development	Total
Education	25.6	8.6	19.7	23.3	8.1	18
Health	9.4	11.5	10.1	7.9	10.7	8.6
Water	0.7	8	3.2	0.6	11	3.7
Agriculture	3.3	5.5	4.8	3.6	8.9	7.2
Roads	4.8	26.8	12.3	6.1	25.5	11.8
Judiciary	1.1	1.2	1.1	1.1	1.1	1.1
HIV	0.4	3.5	1.5	0.2	5.4	1.8
Energy	0.9	13.5	5.2	0.9	8.1	3.1
Others	53.8	21.4	42.1	56.3	21.2	43.9
Total	100.0	100.0	100.0	100.0	100.0	100.0

Source: Ministry of Finance (various years).

### 3 Financing environmental conservation in Tanzania

#### 3.1 Main financiers of environment projects

There are studies that have recently examined the need for financing climate change mitigation in Tanzania (see IRA 2008; ADB 2010). The findings from these studies suggest that the immediate financial need for building adaptive capacity and enhancing resilience against future climate



change in Tanzania is estimated at US\$100-150 million per year. Added to this is the funding required to address current climate risks, estimated at an additional cost of US\$500 million per year (given as ‘a conservative estimate’). Without a clearly identified approach for building up climate change resilience, it is unlikely that future escalations in economic and social costs can be avoided. Financing requirements escalating to US\$1 billion per year by 2030 are not considered unrealistic. The government’s response to climate change to date is starkly at odds with the financial needs and implications set out above, but it is early days. The combination of limited local knowledge on climate change and the lack of reference to climate change issues in the national development priorities of Tanzania have resulted in the government not yet being held accountable by the people for climate change. Instead, climate change remains a technical issue, and there is little knowledge nor demand for the challenge to be dealt with systematically.

Table 4: The current commitment of global funds on climate change financing in Tanzania (in US\$ millions)

Project	Fund	From	Amount	Disbursed	Theme
(US\$ millions)					
Tanzania Energy Development and Access Project (TEDAP)	GEF 4		6.50	6.50	Mitigation, general
FA with Ministry Finance and Economic Affairs –TA	Global Climate Change Alliance	2010	2.93	0.08	Multiple
National Adaptation plan (NAPA)	LDC Fund		0.20	0.20	Adaptation
Mainstreaming climate change in integrated water resource management in Pangoni River basin	Special climate change fund		1.00	1.00	Adaptation
Developing core capacity to address adaptation to climate change in productive coastal zones	LDC Fund		3.10	3.10	Adaptation
Conserving mountain forests	International Climate initiative	2009	3.25	3.25	Mitigation, REDD
Mini-grids based on small hydro-power sources to augment rural electrification	GEF 4		3.25	3.35	Mitigation, general
UN REDD national programme, Tanzania	UN-REDD	2010		4.28	Mitigation, REDD

Source: [www.climatefundsupdate.org](http://www.climatefundsupdate.org)

Table 5: Summary of existing donors commitments in climate change funding for Tanzania (in US\$ millions)

Donor	Timeframe	Committed	Planned
DFID	2009-14	1.30	15.61
EU	2010-14	3.90	
Finland	2009-15	13.30	14.52
Norway	2009-13	49.05	52.28
ONE UN	2009-15	3.40	14.36
UN REDD	2010-12	4.20	
UNDP/UNEP	2009-15	8.40	
UNIDO	2011-15		3.40
USAID	2010-12	2.50	5.00
World Bank	2011		0.50
<b>Total</b>	<b>2009-15</b>	<b>86.05</b>	<b>105.67</b>

Source: Donor Mapping Study (2011).

Whilst donors continue to allocate funding for climate change, it is currently not possible to capture climate change financing in the government budget. Aid provided through budget support is allocated by the government to national development priorities, with very little of this funding going to climate change activities as such. Where climate change financing is included in wider sector programme, as yet it is not reported separately. The government does not earmark climate change finance at this time, nor does it have sufficient capacity to identify additional costs; therefore it is not possible to include adaptation costs in the budget for new programmes.

#### *Specific funding in the forests*

Given the nature of forests and its major link with climate change, over the past six years fundamental changes in forest policies, strategies, legislation and institutions in Tanzania have created a conducive environment for a much greater role for non-state stakeholders, particularly villagers, NGOs and community-based organizations, as well as wood processors and other private sector actors, in the use and management of Tanzanian forests and woodlands. In 2001 the government endorsed the National Forest Programme (NFP) and the National Beekeeping Programme (NBKP), which have been implemented over the past three years by the Forestry and Beekeeping Division (FBD) of the Ministry of Natural Resources and Tourism (MNRT). In addition, there were to be more changes in the institutional set-up of the forest sector after the establishment of the Tanzania Forest Service (TFS) in 2009. Thus at least four years have passed. Its main goal is to provide an efficient and business-like working environment for forestry services. As a result, all key development partners have been keen on supporting technically and financially a new approach, participatory forest management (PFM). PFM aims at reducing poverty, improving governance and enhancing other democratic principles, such as participation, accountability and transparency at national, local and village levels. Currently, there is a strong drive to scale up PFM based on the best existing practices. Scaling up of PFM, as well as strengthening other development efforts such as private sector involvement in forest resource use, requires good cooperation and coordination between the government and other stakeholders. This challenge has been taken seriously in Tanzania. In 2003, the government and development partners initiated a process towards a sector-wide approach (SWAP) to reduce fragmentation and inefficiency and to get rid of parallel systems and high transaction costs inherent in the project approach.

The adoption of a SWAP implies a shift from stand-alone project-based operations towards more holistic planning, implementation, monitoring and evaluation of forestry operations. A SWAP is meant to ensure that a major part of the forestry sector's funding supports a coherent, consistent and effective sector policy and expenditure programme under government leadership. This will enable a common approach based on the national forest and beekeeping programmes, and progress towards relying on government procedures to disburse and account for funds. However, development partners may differ in how they opt to channel their funds to the government.

Table 6: Summary of financing by development programmes in forestry

Development programme	Approved budget (TZS '000)	Disbursed (TZS '000)	Difference approved & disbursed (TZS '000)	Proportion disbursed (%)	Expenditure (TZS '000)	Difference disbursed & expenditure (TZS '000)	Proportion expended (%)
1	2	3	4=2-3	5=3/2*100	6	7=3-6	8=6/3*100
Forest Resource Management	2,226,405	1,426,974	799,431	64.09	903,888	523,086	63
Institution & Human Resource Mgmt	9,872,563	8,706,869	1,165,694	88.19	9,049,247	-342,378	104
Legal and Regulatory Framework	1,182,006	431,696	750,310	36.52	551,015	-119,319	128
Forest Based Industries & Sustainable Livelihoods	576,044	513,769	62,275	89.19	465,461	48,308	91
Beekeeping Development	676,003	596,547	79,456	88.25	596,547	0.5	100
Total	14,533,021	11,675,855	2,857,166	80.34	11,566,157	109,698	99

Development programme	Implementing agency	Approved budget (TZS '000)		Disbursed (TZS '000)		Actual expenditure (TZS '000)		Difference disbursed & expenditure (TZS '000)	
		Local 3	Foreign 4	Local 5	Foreign 6	Local 7	Foreign 8	Foreign 10=4-6	Local 11=5-7
1	2	3	4	5	6	7	8	10=4-6	11=5-7
1 Forest resources conservation and management	FBD-MNRT	729,207	847,041	123,880	684,157	102,510	147,657	173,770	21,370
	PMO-RALG	-	104,374	-	75,165	-	75,165	29,209	-
	NGOs + private sector	83,882	461,901	81,869	461,903	79,619	498,936	(2)	2,250
	Subtotal	813,089	1,413,316	205,749	1,221,225	182,129	721,758	202,977	23,620
2 Institutions and human resources	FBD-MNRT	3,928,731	5,344,015	3,029,183	5,083,708	3,009,559	5,494,036	260,306	19,624
	PMO-RALG	-	199,436	-	203,739	-	190,521	(4,304)	-
	NGOs + private sector	144,621	255,761	141,834	248,404	141,301	213,830	7,357	533
	Subtotal	4,073,352	5,799,212	3,171,017	5,535,852	3,150,860	5,898,387	263,360	20,157
3 Legal and regulatory framework and law enforcement	FBD-MNRT	664,783	468,364	234,834	148,950	232,434	276,669	319,414	2,400
	PMO-RALG	-	15,789	-	14,842	-	14,842	947	-
	NGOs + private sector	8,070	25,000	8,070	25,000	8,070	19,000	-	-
	Subtotal	672,853	509,153	242,904	188,792	240,504	310,511	320,361	2,400
4 Forestry based industries and sustainable livelihoods	FBD-MNRT	23,026	185,788	11,010	185,788	200	158,226	-	10,810
	PMO-RALG	-	4,370	-	760	-	760	3,610	-
	NGOs + private sector	311,928	50,932	265,279	50,932	265,279	40,996	-	-
	Subtotal	334,954	241,090	276,289	237,480	265,479	199,982	3,610	10,810
5 Beekeeping development	FBD-MNRT	75,610	-	2,200	-	2,200	-	-	-
	PMO-RALG	-	5,688	-	2,371	-	2,371	3,317	-
	NGOs + private sector	594,705	-	591,976	-	591,976	-	-	-
	Subtotal	670,315	5,688	594,176	2,371	594,176	2,371	3,317	-
Total		6,564,563	7,968,458	4,490,136	7,185,719	4,433,149	793,624	793,624	56,987

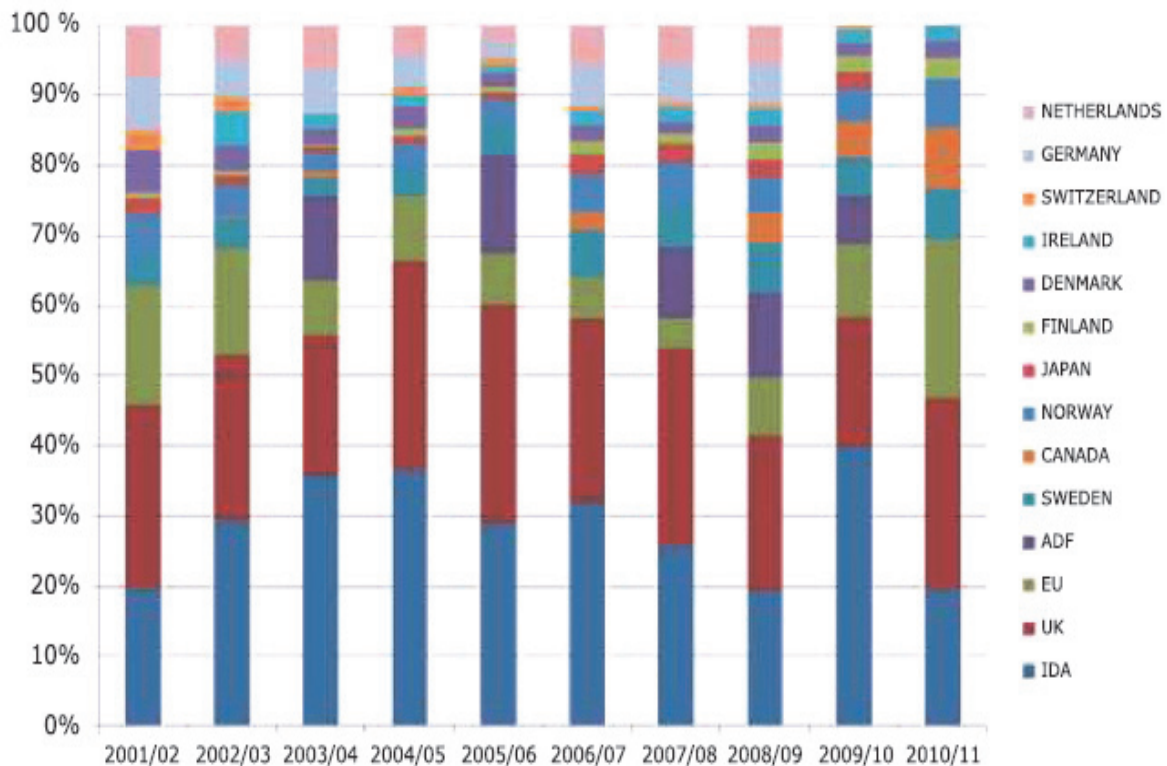
Source: Compiled by the author from Ministry of Finance documentation (various years).

## 4 Main donors of Tanzania

Given its considerable fiscal deficit, Tanzania—like many other similar African countries—depends on donor money to a significant extent to finance various development projects. Currently twelve donors provide general budget support to Tanzania. They are the African Development Bank, Canada, Denmark, the European Union, Finland, Germany, Ireland, Japan, Norway, Sweden, the United Kingdom and the World Bank. Recently, Switzerland and Holland pulled out from GBS; the United Kingdom (DfID) has decreased its GBS and is shifting funds to sector support instead. Finland has indicated that it will decrease the proportion of GBS in its official development assistance (ODA) from half to a quarter in coming years. However, as the total amount of Finland’s ODA to Tanzania will rise, the level of approximately €15 million is likely to remain constant.

Figure 1: Percentage contribution of donors to Tanzania’s external financing

SS



Source: Ministry of Finance (External Financing 2013).

### 4.1 Aid channels and mechanisms in Tanzania

There are three channels through which Tanzania receives aid from its development partners: budget support, common basket funds and project funds. In 2001 nine development partners (DPs) started to provide budget support for the implementation of the poverty reduction strategy. In the FY 2007/8 budget support made up 15 per cent of Tanzania’s budget. Budget support is provided by 11 bilateral and three multilateral donors and the budget support contribution for FY 2007/8 is expected to be around US\$673 million compared to US\$277 million in FY 2002/03. IDA and DFID are the main budget support development partners, contributing 57 per cent of the total budget

support funds (Table 3). FY 2006/7 was noted to be good year for budget support disbursement predictability, unlike basket and project funding where the disbursement are consistently less than the budget estimates (Gerster and Mutakyahwa 2006: 20). The ‘joint assistance strategy for Tanzania’ (JAST) advocates a shift away from individual country programmes and area-based projects towards budget support. However, the share of budget support has remained relatively unchanged over the last few years.

Table 7: Budget support from different donors in 2006

	Amount TZS (millions)	%
Denmark	16,816.77	1.91
DFID	261,751.45	29.70
EU	65,340.17	7.41
Finland	18,568.52	2.11
IDA	246,295.65	27.95
Ireland	20,495.44	2.33
Japan	31,625.36	3.59
Germany/KfW	14,013.98	1.59
Netherlands	87,587.36	9.94
Norway	44,847.04	6.09
SDC	6,763.08	0.77
Sweden	67,215.19	7.63
Total	881,320.00	100.00

Source: Computed by the author based on data from the Ministry of Finance (2007).

Since the mid-2004, the government of Tanzania has led a process to develop a Tanzania joint assistance strategy (JAS). Set in the global context of the Rome and Paris Declarations on aid effectiveness, this initiative is intended to deepen the impact of the relationship between GoT and its many development partners (DPs). In particular, the JAS aims to embed fundamental principles that strengthen national ownership of the development process, and harmonize donor and government processes and procedures in ways that make aid more effective, and simpler to manage. In July 2006, the government established a national medium-term framework for managing development cooperation with its DPs to improve collaboration in achieving national development and poverty reduction goals. The framework also outlines the roles of various stakeholders, including non-state actors, and outlines principles on how financial and technical assistance should be provided. This framework is known as the JAST (or joint assistance strategy for Tanzania). The official launch of JAST took place on 5th December. During the official launch a memorandum of understanding signed between government (government of United Republic of Tanzania and Revolutionary Government of Zanzibar) and 19 development partners, including AfDB, Belgium, Canada, Denmark, European Commission, Finland, France, Ireland, Germany, Japan, Netherlands, Norway, Spain, Sweden, Switzerland, the UK, the UN, the USA, and the World Bank.

The development partner group (DPG) has prepared a joint programme document (JPD) as a response to Tanzania’s second generation, results-based poverty reduction strategies (MKUKUTA for mainland Tanzania, MKUZA for Zanzibar), and the JAST. For many development partners, the JPD provides a common frame in which their individual agency programmes are embedded. The JPD reflects DPG planned support and aid effectiveness commitments to Tanzania over the four

remaining years of MKUKUTA (FY2006/07-2009/10). The JAST should be seen as Part I. The current document contains Part II, which is a joint country analysis describing Tanzania's development achievements and challenges; and Part III, which is the joint programme part, reflects the concurrence of the development partners' plans with MKUKUTA and JAST. The JPD does not explicitly include discussions on Zanzibar, but it is expected that over the next two or three years, new work under JAST will see a convergence of the principles of harmonization and aid effectiveness on both the mainland and in Zanzibar. Some development partners will use Parts II and III verbatim as core elements of their own programme documents; others may use Part II and III as reference documents. Individual development partners might develop Part IV as a supplement to address agency-specific issues, including more detailed descriptions of their specific assistance programmes, etc. It is expected that Part IV programmes will be founded on the analysis, commitments and undertakings in outlined in Parts II and III, and that they may not need substantial consultation with the government to ensure that the joint programming exercise does indeed reduce transaction costs for the government. A number of sector coordination groups have been formed to work on both macro and sectoral issues. Some are combined government and donor mechanisms while others are comprised only of DAC members. Some groups also included NGOs amongst their numbers. A survey is currently underway to identify which groups function, their composition, etc. so that their work can be structured and linked to national priorities (such as the MKUKUTA and the JAS, etc.) and the work of the main DPG.

Tanzania is one of the largest recipients of aid in sub-Saharan Africa. In the financial year 2010/11, approximately 33 per cent of government spending was financed through foreign aid. The largest aid contributors to Tanzania are the World Bank, USA, UK and EU.

Table 8: Aid disbursed, 2006–13

	2006/07	2007/08	2008/09	2009/10	2010/11	2011/12	2012/13
Disbursed GBS (current US\$)	605.93	776.106	737.781	766.763	534.317	597.047	496
Disbursed GBS(constant US\$)	605.93	731.092	694.989	722.29	503.327	562.418	467.232

Source: Computed by the author based on data from the Ministry of Finance (various years).

### *Project support*

With regard to direct project support, the government of Tanzania (or the government of Zanzibar when the project is in Zanzibar) negotiates directly with the development partners to agree on the areas that need assistance, and when agreed, the two parties enter into agreement to implement the project.

Direct project funds have been an important source to finance development expenditures in Tanzania. However, when it comes to aid effectiveness, direct project support has demonstrated the following disadvantages:

- The persistent high volume of off-budget project-financing arrangements has provided many government agencies with continued access to financing channels that largely bypass and therefore undermine the national budget process.
- The dominance of foreign project financing which continues to predominantly reflect the priorities of development partners has limited and undermined the government's discretion to

allocate funds in accordance with national priorities. This, in turn, has prevented the government from taking full and effective ownership and leadership in managing the development process.

- Projects have often lacked transparency, and the development partners supporting the projects have been better informed about their implantation than the government and other domestic stakeholders. Hence, accountability to DPs has been given priority over domestic accountability.
- Project funding has been more unpredictable than other modalities, as it depends on implementation progress of a project that is difficult to bring in line with the national budget calendar.

The setting up of costly project implementation units (PIUs) parallel to government systems and structures has undermined these mechanisms and prevented project sustainability. Despite the fact that project funding is the least preferred aid modality (according to the JAST), many projects have had great impact on the ground in Tanzania.

#### *Baskets*

Basket funds allow a bundle of activities to be financed by a number of donors through pooled funding aimed towards a strategic plan. This has significant benefits: it allows great flexibility in financing activities as and when they are needed; it maximizes coordination of activities within the sector and it is much easier to align to government public financial and economic management. Basket funds have played a big role in financing core public reform programmes and development activities at the sector level.

Table 9: Aid modalities by sector and source

Basket	Lead
Agriculture Sector Development Programme (ASDP)	World Bank
Water Basket	Germany
Health Basket	Ireland
Public Financial Management Reform Programme (PFMRP)	CIDA/DFID
Legal Sector Reform Programme (LSRP)	Canada
Local Government Reform Programme (LGRP)	Belgium
Tanzania Statistical Master Plan (TSMP)	World Bank
Public Service Reform Programme (TPSRP)	
Business Environment Strengthening in Tanzania-Advocacy Component	Danida

Source: Computed by the author based on data from the Ministry of Finance (External Financing),

#### *Budget support*

- Takes the form of general budget support (GBS) when non-earmarked financial contribution is delivered directly to the recipient government budget, or sector budget support (SBS) when earmarked to a specific sector.

- Makes the government accountable for development outputs.
- Usually associated with mechanisms to improve coordination and dialogue on overall systems and policies between recipient governments and donors.
- Gives recipient governments greater discretion in allocating resources towards their policy priorities.; and
- Often paired with approaches to conditionality that link policy dialogue to domestically owned policies and strategies.

In Tanzania, general budget support is financed by 11 bilateral development partners: Norway, UK, Japan, Sweden, Denmark, Ireland, Canada, Germany, Finland, Netherlands and Switzerland, together with the European Commission, the World Bank and the African Development Bank. The group is led by the ‘troika’ (the chairperson, the incoming chair and the outgoing chair) which rotates every year.

## **5 Effectiveness of aid in Tanzania**

### **5.1 Country initiatives to ensure effectiveness of aid**

Aid effectiveness initiatives began during 1994/5 when a team of independent development cooperation advisors led by G. K. Helleiner was commissioned to evaluate development cooperation relationships and propose measures to improve the aid relationship in Tanzania. The team, commissioned during a period of difficult relations between Tanzania and its development partners during the early 1990s, came up with recommendations that were discussed and jointly adopted for action by the government and its development partners at a major conference in Dar es Salaam in January 1997. The adoption of the recommendations in ‘18 Agreed Notes’ based on the Helleiner Report set in motion a process of redefining the development cooperation to normalize relations between the government and its development partners.

The longer-term objectives outlined a more ambitious agenda for redefining the government-donor relationships in the conception and management of the development process. This created greater transparency and accountability in aid delivery and utilization as well as a broader definition of local ownership to include other stakeholders in the process of development management. The redefinition of aid relationships meant that the government would take the necessary steps to provide leadership in designing and managing the development process and in enhancing aid effectiveness and other public resources. It was recognized that both the government and the development partners had a role to play not only in the aid effectiveness agenda, but also in the development management process. These roles were defined and refined in the ‘Tanzania Assistance Strategy’ (TAS) launched in June 2002.

Under the TAS the government and development partners agreed to institutionalize an independent monitoring group (IMG) in which progress in the aid relationships was reviewed and evaluated. The task was to review developments in implementing the principles of best practices and provide an up dated analysis of the partnership process and formulate recommendations for improving the effectiveness of aid and development cooperation in general. The IMG places the development partners under the same degree of scrutiny to which it subjects the government, to facilitate mutual



accountability. In order to take the aid effectiveness agenda even further, the government in collaboration with its development partners and other stakeholders formulated the 'Joint Assistance Strategy for Tanzania' (JAST). JAST is a national medium-term framework (with renewable 5-year cycle) for managing development cooperation between the government and development partners.

## 5.2 Other initiatives on aid effectiveness

Tanzania has featured prominently in the global efforts striving for aid effectiveness via the Paris Declaration. The 2005 Paris Declaration,<sup>1</sup> together with its review, the 2008 Accra Agenda for Action, represents a determined and collective commitment to strengthen aid effectiveness. The Declaration takes into account the changing development landscape particularly the evolution in development thinking and the rapid increase in the number of organizations and institutions involved in development. Moving beyond the development rhetoric, the Paris Declaration lays down a practical, action-orientated roadmap to improve the quality of aid and its impact on development, and calls for far-reaching action to be taken in order to achieve the harmonization of aid programmes, alignment with budget and reporting systems of recipient countries, supported by the principles of country ownership and mutual accountability. The development partner group (DPG) in Tanzania promotes the implementation of the Paris Declaration by working closely with the government to ensure that the principles of aid effectiveness are fully embedded in the national development process.

### *Ownership*

Effective national ownership of the development process is vital for achieving sustainable economic growth and greater development results, but national ownership cannot be achieved without the full participation of all national stakeholders in the implementation of development initiatives. Both MKUKUTA and MKUZA were conducted through an extensive national consultative process involving parliamentarians, non-state actors, media, academicians and research institutions. The DPG acts as the apex of the development partner structure as the main interlocutor with the government of Tanzania in support of a strong and assertive national ownership. The DPG structure also ensures that development partners can speak with 'one voice' in its dialogue with the government. Sustained capacity development programmes have been implemented across all levels of government and across the society (national social actions) with the view of further strengthening national ownership and government leadership.

### *Alignment*

Regardless of the source of funding (general budget support, basket support and project/programme support), the DPG promotes greater alignment of donor support with government priorities and MKUKUTA/MKUZA goals. In the 2007/08 FY approximately 35 per cent of the total foreign aid assistance was provided under the general budget support modality. Preference for the general budget support modality is large because it enables the government to allocate funds according to the national development priorities which are subjected to the same degree of contestability as domestic resources within the budget process, both at sector and national

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<sup>1</sup> The Paris Declaration was signed by ministers from over 100 countries, heads of international development organizations and civil society organizations.

level, so that they are fully aligned with the national and sector priorities. Beyond progressively shifting to the GBS, efforts to ensure that aid is on budget and through national systems further support the government in its determination to enhance aid effectiveness and efficiency, particularly as the largest share of the aid portfolio stems from project/programme interventions.

#### *Harmonization*

Substantial efforts have been directed towards harmonizing development processes not only because harmonization has the potential to reduce the cost of aid, but also to improve the quality of aid and increase the impact of all government expenditures. At a broader level, a number of development partners now rely on ‘single framework, single assessment’ notably the ‘public expenditure and financial accountability review’ (PEFAR) and PEFA for fiduciary risk assessment. At the sectoral level, harmonization evolves around the sector-wide approaches (SWAs) which observe complementarities of various modalities in the sectors under a single government-led coordinating framework. Considerable improvement has been noted in key sectors such as health, agriculture, water, HIV/AIDS, the education sector, and most recently the forestry sector where the harmonization initiative has been implemented. Currently, the DPG is actively engaged in establishing a ‘division of labour’ for sector and thematic area dialogue based on the concept of ‘lead, active and contributing partners’ in order to rationalize the DPs participation in policy dialogue with the government in support of enhancing quality of aid and reducing transaction costs. The division of labour process builds on the new endorsed dialogue structure which combined a number of the previous, parallel dialogue structures into one structure as a means of reducing duplication and parallel processes.

#### *Mutual accountability*

The mutual accountability frameworks in Tanzania are embodied in the independent monitoring group and joint reviews in the context of MKUKUTA-PER process, and JAST implementation. The IMG has been designated as the official body through which improvement in shared commitments, in development cooperation relationships and the country’s progress towards meeting the international objectives on aid effectiveness, are reviewed. In support of the international monitoring with regard to progress made in implementation of and adherence to the principles of the Paris Declaration, Tanzania also backs the Paris Declaration Survey initiative. Government and development partners jointly review progress made in relation to the indicators established for the monitoring of the Paris Declaration. The most recent survey was conducted in 2008, building on the first survey from 2006.

### **5.3 Tanzania’s progress towards the implementation of the Paris Declaration on aid effectiveness**

Progress on the Paris Declaration indicators is based on improvements by both donors and partner governments. The government and donors have taken considerable steps towards the implementation of the global aid effectiveness agenda. Out of 13 indicators with applicable targets, six had been met by 2010, while seven were still below target. Tanzania’s operational development strategies have improved since 2005, receiving the maximum score of ‘A’. There has been mixed progress on alignment, with three out of seven indicators meeting applicable targets while considerable setbacks have been noted in coordinated support for strengthened capacity and in the reliability of country PFM systems. However, there are concerns over the consistent measuring of the coordinated support for the strengthened capacity indicator, due to different definitions used in

previous surveys. Little progress has been made on harmonization, with all three dimensions failing to meet the target.

Performance on results-oriented frameworks and mutual accountability has more or less remained static since 2005, although targets were met for both indicators.

Table 11: Aid effectiveness survey results

Indicators	2005 Reference	2007	2010 Actual	2010 Target
1 Operational development strategies	B	B	A	B or A
2a Reliable public financial management (PFM) systems	4.5	4.0	3.5	5.0
2b Reliable procurement systems	n/a	B	n/a	No target
3 Aid flows are aligned on national priorities	90%	84%	92%	95%
4 Strengthen capacity by coordinated support	50%	61%	26%	50%
5a Use of country PFM systems	66%	71%	79%	77%
5b Use of country procurement systems	61%	69%	72%	No target
6 Strengthen capacity by avoiding parallel PIUs	56	28	18	19
7 Aid is more predictable	70%	61	97%	85%
8 Aid is untied	97%	97%	96%	more than 97%
9 Use of common arrangements or procedures	55%	61%	60%	66%
10a Joint missions	17%	16%	26%	40% <sup>a</sup>
10b Joint country analytic work	38%	65%	48%	66%
11 Results-oriented frameworks	B	B	B	B or A
12 Mutual accountability	Y	Y	Y	Y

Source: Computed by the author based on data from the Ministry of Finance (External Funding).

Tanzania participated in all three rounds of the Survey on Monitoring the Paris Declaration (SMPD). This paper assesses progress against the quantitative indicators provided by the SMPD, drawing on data provided by the government and donors, the OECD and the World Bank. In addition, it draws on the qualitative evidence submitted to the OECD by the government of Tanzania which incorporates feedback from donors and other country stakeholders. Stakeholders note that it is possible that in some instances definitions and concepts were interpreted differently by survey respondents in 2011 versus previous years. The responses to the 2011 survey cover 22 donors and 80 per cent of Tanzania's country programmable aid. A degree of caution should be taken when analysing the trends shown by some of the indicators, as the survey process encountered some difficulties in definitional issues regarding indicator measurement, and the Tanzanian government has underlined that the conclusions regarding the performance of some indicators may be compromised in this respect, particularly in regard to coordinated support for capacity development, for which comparisons across years are not reliable.

#### 5.4 Survey-based results of effectiveness of aid

Aid is most effective when it supports a country-owned approach to development. It is less effective when aid policies and approaches are driven by donors. In the context of the Paris Declaration, ownership concerns a country's ability to carry out two inter-linked activities: (i) exercise effective leadership over its development policies and strategies and (ii) coordinate the efforts of various

development actors working in the country. In 2010, Tanzania received a rating of ‘A’ for ownership, an improvement from its previous score (‘B’) in 2005. This indicates that Tanzania has a strongly unified strategic framework with a prioritization of targets and clear strategic links to the budget. The NSGRP represents Tanzania’s national development strategy for the 2010-15 period. It is underpinned by a long-term development strategy, the *National Vision 2025 for the Tanzanian Mainland* and *Vision 2020 for Zanzibar*. The national development strategy is used to identify programme and project priorities and to prepare a medium-term expenditure framework (MTEF). Furthermore, the national development strategy is linked to sector priorities and strategies through operational targets, and the budget process is accordingly performance-oriented. Policies are prioritized in line with the objectives of the national development strategy. Priorities are identified through a strategic planning process to realize the desired outcomes in accordance with line items in the government’s harmonized medium-term expenditure framework.

Table 12: Challenges and lessons of implementing aid effectiveness programme in Tanzania

	Achievement or challenge	Lesson or priority action
Ownership	<b>Achievement:</b> The national development strategy (NDS) is unified and strategically linked to the budget.	<b>Lesson:</b> Priorities are clearly set out, and a medium-term fiscal framework links the NDS to the budget.
Alignment	<b>Challenge:</b> Coordinated support remains weak among donors.	<b>Priority action:</b> Government and donors should continue supporting capacity-building programmes regarding general budget support, basket funds, and project modalities.
Harmonization	<b>Achievement:</b> An increase in joint missions among donors, although this remains below target.	<b>Lesson:</b> The increase in joint missions has been facilitated by the capacity of the development partner group (DPG) which has coordinated donors and shared information on mission calendars, although there is still room for improvement.
Managing for results	<b>Achievement:</b> Establishment of a comprehensive monitoring and evaluation system based on a reporting framework which provides frequent and accessible reports.	<b>Lesson:</b> Actions and dialogue between government and donors under the DPG have been directed at strengthening national ownership of development programmes, aligning donor support to national priorities and reducing transaction costs.
Mutual accountability	<b>Achievement:</b> Establishment of a mutual accountability system.	<b>Lesson:</b> An independent monitoring group has been put in place to periodically assess aid delivery and contribute to guiding mutual accountability.

Source: Compiled by author from various reports of Ministry of Finance (External Funding).

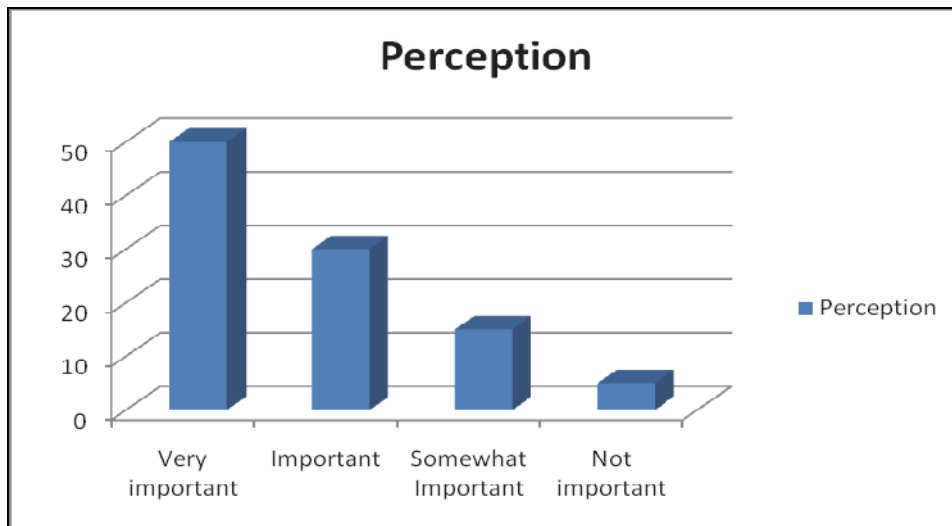
The other important observation is that donor-driven and fragmented aid is less effective. For aid to be effective, it must make use of national development strategies, and use and help strengthen capacity in national systems, such as those for procurement and public financial management. The Paris Declaration envisions donors basing their support fully on partner countries’ aims and objectives. Indicators 2 through 8 of the Paris Declaration assess several different dimensions of

alignment. In terms of alignment, Tanzania has made mixed progress. Out of the seven indicators with applicable targets, three have been met: use of country PFM systems, the number of parallel PIUs and aid predictability. With regard to the latter, the proportion of disbursed aid recorded in public accounts has exhibited notable increases since 2007. Of the remaining indicators with applicable targets, progress has been static on two (alignment of aid to national priorities and untied aid), while there have been considerable setbacks in coordinated technical assistance for capacity development and in the reliability of country PFM systems. However, there are also concerns about the consistent measuring of this indicator across the different surveys due to a change in the definition over different years. In 2010, Tanzania was rated 3.5 on the reliability of its PFM systems, a setback from previous surveys and below the 2010 target. Tanzania has experienced a steady decline in the performance of country PFM systems since 2005, when it was rated at 4.5. The challenges and lessons of implementing the aid effectiveness programme in Tanzania are shown in Table 12.

### 5.5 How highly do you rate the environmental sectors need for aid?

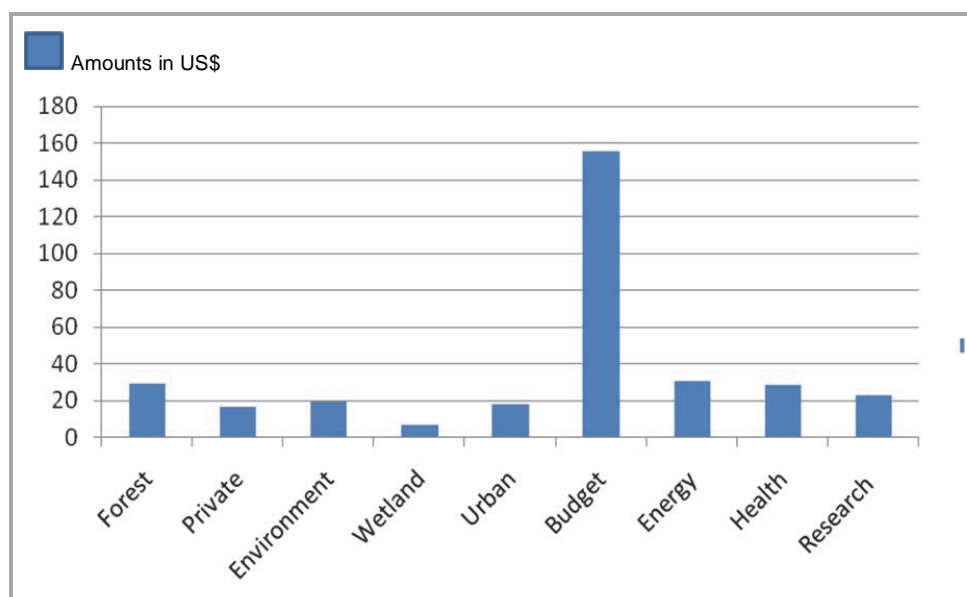
The other key issue was to examine the level of perception as to whether the environmental sector is in need of financial aid. The question ranked perception according to four levels: (i) very important; (ii) important; (iii) somewhat important, and (iv) not important. As the figure below indicates, half of the respondents felt it was very important for the environmental sector (however defined) to be considered for financial aid. About a third of the respondents felt that financing the environmental sector was ‘important’. Only a small proportion mentioned that it was not important. Based on these results, it is easy to conclude that donors have acknowledged the importance of financially supporting the environmental sector.

Figure 1: Importance of financial aid to the environmental sector



Source: Computed by the author based on data from the Ministry of Finance (External Financing).

Figure 2: Sector allocation of aid in Tanzania



Source: Computed by the author based on the results of his field work.

Below is a summary of opinions offered by the interviewed donors with respect to the issue of effectiveness in selected projects.

- experiences of mismanagement of projects, e.g., corruption and misuse of funds;
- problems related to poor governance, corruption, mismanagement of funds, inefficiency; and
- inability of project managers to comprehend that wealth is an attitude, not something that is brought to people.

Interviewed donors concluded that all individuals and institutions need to realize the assets at their disposal in order to work with them and increase them without destroying them or destroying assets of others. Aid can facilitate this process by showing options to the different stakeholders, facilitating better communication between stakeholders by showing them ways to improve their self-governance. But if some of the stakeholders lack positive or self-empowerment/pro-active attitude with regard to their own possibilities to improve the situation, aid will not have the same impact as when all participating people and institutions give their best.

## 6 Case study of projects through aid in environment in Tanzania

### 6.1 Project in participatory forest management

Participatory forest management (PFM) was introduced into law with the passing of the Forest Act of 2003, which provides a clear legal basis for communities, groups or individuals across mainland Tanzania to own, manage or co-manage forests under a wide range of conditions. The law recognizes two different types of PFM which:

- enable local communities to declare, and ultimately gazette, village, group or private forest reserves (commonly referred to as ‘community based forest management’); and
- allow communities to sign joint forest management agreements with the government and other forest owners (commonly referred to as ‘joint forest management’).

This difference is extremely important but not widely understood. The first form of PFM takes place on village land (or private land) and the trees are owned and managed by either a village council (through a village natural resource committee), a group, or an individual. Most of the costs and benefits relating to management and utilization are carried by the owner. The role of central government is minimal, and districts only have a role in monitoring. The second form of PFM, joint forest management, takes place on ‘reserved land’, land that is owned and managed by either central or local government. Villagers typically enter into management agreements to share responsibilities for the management with the forest owner. Different models of PFM have been supported by projects, NGOs, districts and national government since the early 1990s, but they were first formalized following the passing the Forest Act in 2002. Over the past ten years, PFM has been implemented in a wide range of circumstances and in most of the districts of Tanzania. Communities involved in PFM report improvements in forest condition, including factors such as improved water flow from water sources or streams, reduced illegal activities, and boundary consolidation due to a reduction in agricultural encroachment. There has also been some positive impact on revenues collected from areas under PFM, particularly in catchment forests. One important source of revenue from village forest management is the fines levied by the village council on those found undertaking unauthorized activities. However, as law enforcement efforts by local communities increase and as illegal activities decrease, revenue from fines diminishes.

## **6.2 Project on awareness campaigns to sensitize forest protection**

The *Mama Misitu* programme is a campaign initiated by Tanzania Natural Resources Forums, as one of the efforts to address the problems raised in the TRAFFIC report. The TRAFFIC report highlighted that Tanzania was losing its forest revenues, and that it had not realized the true value of its forests. *Mama Misitu* thus emerged as a communication and advocacy campaign on forestry, governance and national development in Tanzania. Its main objectives are to help communities adjacent to forest areas recognize the economic value of forests resources and to increase stakeholder awareness so that they can take action to halt the illegal timber trade and promote best practices in forestry management. The campaign started with a three-month preparatory and launching phase, followed by a one-year pilot implementation phase.

Implementing a wide range of activities, the campaign targeted forest adjacent communities, general public district staff, civil servants, and senior government leaders. The final results, as summarized in the project factsheet, include increased stakeholder awareness of the economic value of forests and acknowledgement of the need for improved forest governance. Measurable results include increased recognition of forest governance issues by the government and donor community, of forestry abuse by the anti-corruption bureau, and increased interest among top government leaders on forest governance issues. Access for the relevant communities to documentation on licensing procedures and non-compliance measures is another important output. Anticipated campaign results are the reported cases of illegal activities, streamlining of national harvesting guidelines for timber, and added awareness of the PFM. Whether these project objectives have been realized is a major preoccupation of this evaluation.

Evidence of the impact of *Mama Misitu* includes increased reporting of illegal activities such as harvesting the forests for timber/logs or transporting of logs from project-covered communities. But most interestingly, there was also evidence of spillover to villages not included in the project. Villagers, participating in group discussions conducted during the field trips to Kilwa and Rufiji districts, said that they had conveyed the *Mama Misitu* message to relatives in villages beyond the project area. Signboards had also attracted interest beyond the project area, as these were generally located among the main roads, visible to all. The village leaders interviewed by the evaluation team appeared to have adequate knowledge of the legal harvesting requirements, the procedures to be followed to take village-level matters to central government, and the necessary legal papers, including licenses. As a result of the campaign, communities have managed to intercept suspicious or illegal trafficking of forest products simply with a telephone call to the *Mama Misitu* head office in Dar es Salaam, which relayed the message to the Forestry and Beekeeping Division of the ministry for action. A number of arrests were made through this approach. The key concept of the campaign was to inspire community confidence and encouragement to do their part in forest conservation. Evidence from the field visits to Kilwa and Rufiji district suggested that even though villagers had taken similar action to report illegal activities prior to the *Mama Misitu* campaign, there had been inadequate support from the ministry. For these communities, the *Mama Misitu* campaign was a big plus.

## 7 Environmental support to Tanzania

This section gives a brief review of the environmental support given to Tanzania. Table 13 indicates the financing amounts of the major donors.

Table 13: Total disbursement to Tanzania's environmental sector (US\$ millions)

Donor	Project name	Sector	2010/11	2011/12
Denmark	Danida Climate Change – Vice President's Office	Environment	236.604	0
EU	Dev. of rural finance windows (RFW), to expand adapted financial services to small farmers & rural poor households in Tanzania	Natural resources	-	1,311,237
EU	Improvement of food security & nutritional status in Maasai Steppes of northern Tanzania by applying sustainable farming technologies	Natural resources	-	1,898,754
EU	Tanzania smallholder sesame production & marketing project	Natural resources	-	1,050,878
Finland	Greater Mahale ecosystem livelihoods & forest conservation	Resources & tourism	0	129.517
Finland	Mama Misitu community and advocacy campaign	NR&T	54.354	496,483
Norway	Management of natural resources, remaining funds under TAN 017323	NR&T	-1,136,296	0
Norway	TFCG community REDD Programme	Environment	1,543,964	416,647
Norway	Consultancy on environment and climate change	Environment	73,467	0
Norway	Climate change impacts, adaptation	Environment	1,751,437	1,758,717
Norway	Facilitation for REDD strategy	Environment	750,941	-35,405
Norway	REDD pilot project: Africa Wildlife Foundation	Environment	698.098	253.765

Table 13 continues



Table 13: Total disbursement to Tanzania's environmental sector (continued)

Donor	Project name	Sector	2010/11	2011/12
Norway	REDD pilot project: Jane Goodall Institute	Environment	708,964	805,882
Norway	REDD pilot project: Mpingo Conservation Project (MCP)	Environment	385,356	143,848
Norway	Review delineation of the Continental Shelf	Environment	2,588	0
Norway	Climate Change in Tanzania booklet	Environment	9,496	0
Norway	Facilitate organization of REDD SADC workshop in Tanzania	Environment	-54,907	0
Norway	REDD pilot project: TaTEDO	Environment	467,821	268,636
Norway	REDD Pilot project: CARE International in Zanzibar	Environment	654,850	731,064
Norway	Climate Change Adaption	NR&T	5,244	-
Norway	REDD pilot project: WWF	NR&T	463,062	-
Norway	Monitoring REDD pre-project	NR&T	119,086	-
Norway	Preparation for dev. of national carbon monitoring centre	NR&T	85,667	0
UK	Climate change programme	Environment	669,732	116,321
UK	Tanzania climate change institution	Environment	0	738,043
USA	Increase of small farmer income in selected agriculture commodities	Agriculture	15,295,773	40,822,978
USA	Improved biodiversity conservation	NR&T	6,356,254	11,000,000
USA	Cash for work to enhance community based tourism : WWF	NR&T	5,800,000	3,000,000
USA	Cash for work to enhance community based tourism: US Department of International	NR&T	2,000,000	0

Source: Ministry of Finance (various years).

## 7.1 Comparing environmental support and general budget support

Planned commitments in the national budget amounted to US\$598.4 million and 562.1 million during the financial years 2010/11 and 2011/12, respectively, indicating a decline of US\$36 in two consecutive years shown in this analysis. The trend was relative similar for FY 2010/12. In the FY 2010/11, the government received loans and grants for GBS totalling US\$586.4 million. This represents an underperformance of 2 per cent which is attributed to the exchange rate, performance tranches and the fact that Japan, following the March 2011 earthquake, was not able to honour its commitment (which was 4 per cent of the total committed GBS). Japan normally provides the GBS during the fourth quarter. However, during the same fiscal year there was an additional GBS contribution from CIDA, accounting for 2 per cent of total GBS commitment.

For these reasons stated above, Table 15 clearly shows that major variances between commitments and disbursements are mainly attributed to the project modality. It is government's view that while part of this variance might be a result of implementation delays experienced in key projects, development partner adherence to timely reporting of all disbursement data constitutes a primary challenge that needs to be addressed.

Table14: Trend of GBS by source for FY 2010/11 (US\$)

	Fiscal year 2010/11		% of donor disbursement over total	Variance	% of disbursement over budgeted amount
	Budget	Actual disbursements			
1 AfDB	0	0	7	0	177
2 Canada	29,369,032	51,886,257	3	9,473,293	92
3 Denmark	17,780,000	16,393,417	20	(1,386,583)	94
4 EC	122,674,774	115,428,311	20	(7,246,463)	95
5 Finland	19,850,000	18,817,405	3	(1,032,595)	104
6 Germany	13,230,000	13,801,979	2	571,979	102
7 IDA	115,000,000	117,644,632	20	2,644,632	98
8 Ireland	14,550,000	14,226,300	2	(323,700)	0
9 Japan	21,300,000	-		(21,300,000)	9
10 Norway	44,490,000	42,509,635	7	(1,980,365)	96
11 Sweden	43,260,000	45,810,434	8	2,550,434	106
12 UK	156,890,000	162,919,453	28	6,029,453	104
Total	598,393,806.06	623,243,376		(11,999,915)	98

Source: Ministry of Finance (Aid Management Platform).

Table 15: Summary of data for FY 2010/11 and 2011/12

S/N	Modality	2011/12		2011/12	
		Commitments US\$	Actual disbursements US\$	Commitments US\$	Actual disbursements US\$
1	General budget support	598,393,806	623,243,376	562,090,544	576,948,315
2	Basket funds	366,380,124	381,122,429	430,000,000	292,196,131
3	Direct projects funds	1,478,835,604	878,398,250	1,284,213,264	865,273,976
	Subtotal (Govnt implementation)	2,443,609,5534	1,845,914,572	2,276,303,908	1,734,382,422
4	NGOs	***	504,431,523	***	744,807,641
	Total ODA		2,350,346,093		2,479,190,063

Source: Ministry of Finance (Aid Management Platform).

## 8 Summary and conclusion

This paper sets out to determine the effectiveness of aid flows in Tanzania's environmental sector. In doing so, it also highlights the dynamics of aid in the context of the modalities on national aid management. The paper confirms that funds targeted for the environment, and aid in general, are an important aspect of Tanzania's fiscal regime, as over 90 per cent of environmental funding comes from donor money. The recent trend towards funding environmental protection adds more importance to the aid-versus-environment nexus. Various studies have estimated that this expenditure accounts for less than 0.05 per cent of GDP. Tanzania is one of the largest recipients of aid in sub-Saharan Africa, and approximately 33 per cent of government spending in the financial year 2010-11 was financed by foreign aid. The largest contributors of aid are the World Bank, the USA, the UK and EU. Hence, given its wide fiscal deficit, Tanzania depends to a significant extent

on donor money to fund various development projects. Currently twelve donors are prominent: the African Development Bank, Canada, Denmark, the European Union, Finland, Germany, Ireland, Japan, Norway, Sweden, the United Kingdom and the World Bank.

Aid is most relevant when it is well managed to ensure maximum effectiveness, and since mid-2004, the government of Tanzania has led a process to develop a joint assistance strategy known as JAS. Based on the Rome and Paris Declarations on aid effectiveness, this initiative is aimed at deepening the relationship between the government and its many development partners. In particular, the JAS is aimed at embedding the fundamental principles that strengthen national ownership of the development process, and harmonizing donor and government processes and procedures to make aid more effective, and simpler to manage. In Tanzania, aid effectiveness initiatives began during 1994/5 when a team of independent advisors in development cooperation led by Professor G. K. Helleiner was commissioned to evaluate development cooperation relationships and propose measures for improvement.

Our examination of Tanzania's progress in the implementation of the Paris Declaration indicators for aid effectiveness indicates that the government and donors has taken considerable steps towards the implementation of the global aid effectiveness agenda. Out of 13 indicators with applicable targets in 2010, six were met, albeit seven were below target. On the other hand, Tanzania's operational development strategies have improved since 2005. There has been mixed progress on alignment (with three out of seven indicators meeting applicable targets) while considerable setbacks were experienced in coordinated support for strengthened capacity and in the reliability of country PFM systems. In 2010, Tanzania's rating in ownership rose to 'A', an improvement of the 2005 score of 'B'. This indicates that Tanzania has a strongly unified strategic framework with a prioritization of targets and clear strategic links to the budget. The 'national strategy for growth and reduction of poverty' document represents Tanzania's national development strategy for the 2010-15 period. It is underpinned by a long-term development strategy *National Vision 2025 for the Tanzanian Mainland* and *Vision 2020 for Zanzibar*.

An important observation is that aid that is donor driven and fragmented is less effective. For aid to be effective, it must make use of national development strategies, and use and help strengthen capacity in national systems, such as those for procurement and public financial management. The Paris Declaration envisions donors basing their support fully on the aims and objectives of the partner countries. This is endorsed by indicators 2 through 8 of the Paris Declaration which assess several different dimensions of alignment, and here the government of Tanzania has made mixed progress. Out of seven indicators with applicable targets, three have been met—the use of country PFM systems, the number of parallel PIUs and aid predictability. The paper concludes that environmental funding in Tanzania is heavily dependent on donor money. This situation will not be sustainable as, with time, moral hazard will develop to the extent that environmental protection obligations will to be integrated with economic activities. This calls for reinforcement of the principle 'polluter pays'.

## Acronyms

DPG	development partner group
FCMP	forest conservation management programme
IMG	independent monitoring group
JAST	joint assistance strategy for Tanzania
MDGs	Millennium Development Goals
MUTKUT	<i>Mkakati wa. Kukuza Uchumi na Kupunguza Umaskini Tanzania</i>
NBKP	National Beekeeping Programme
NEMC	National Environment Management Council
NFP	National Forest Programme
NSGRP	National Strategy for Growth and Reduction of Poverty
PFM	participatory forest management
PIUs	project implementation units
PJD	Joint Programme Document
SBS	sector budget support
SWAP	sector-wide approach
TAS	Tanzania Assistance Strategy
VNRC	village natural resource committee

## Annex

The data below have been generated through the OECD-DAC Creditor Reporting System for 2010 and 2011.

<b>Recipient</b>	Tanzania	
<b>Sector</b>	1000: Total All Sectors	
<b>Flow</b>	Official development assistance	
<b>Channel</b>	100: ALL Channels	
<b>Amount type</b>	Current prices (USD millions)	
<b>Flow type</b>	Gross disbursements	
	2010	2011
All Development partners, total	2,946,311,293	2,495,158,499
All DAC countries, total	1,658,807,521	1,714,338,823
Australia	5,973818	13,5480063
Austria		
Belgium	25,531,355	29,155,892
Canada	11,156,119	94,719,674
Denmark	129,446,703	126,359,226
Finland	479,193,325	54,535,011
France	22,376,843	2,103,718
Germany	134,482,588	93,510,554
Greece	0.056834	0.033718
Ireland	49,496,309	492,747,786
Italy	5,207,972	92,508
Japan	104,603,196	119,439,298
Korea	21,46,191	20,941,284
Luxembourg	0.029289	0.015575
Netherlands	59,214,804	66,824,611
New Zealand	0.938796	0.723974
Norway	123,947,368	114,255,421
Portugal	–	–
Spain	3,209,148	13,433,485
Sweden	95,805,002	125,245,839
Switzerland	17,239,786	28,943,365
United Kingdom	241,944,954	196,361,875
United States	457,419,356	53,520,435
Multilateral, total	1,280,587,659	772,280,184
AfDB	0.880312	0.933386
Arab Fund (AFESD)	–	–
AsDB	–	–
AsDB Special Funds	–	–
BADEA	–	4.673837
EBRD	–	–
EU Institutions	19,2599,784	149,687,931
GAVI	2,718,225	9,977,591
GEF	–	–

Annex 1 continues

## Annex 1 (con't)

	2010	2011
Global Fund	142,693,898	129,326,405
IBRD	0.843813	1,679,569
IDA	696,299,857	263,781,627
IDB	–	–
IDB Sp. Fund	–	–
Ifad	–	–
IMF (Concessional Trust Funds)	3,034,649	–
Isl. Dev. Bank	–	–
Nordic Dev. Fund	0.198675	–
OFID	4,257,866	5,247,672
OSCE	–	–
UNAIDS	0.718937	0.0979466
UNDP	13,657,109	8,727,347
UNECE	–	–
UNFPA	459,752	439,475
UNHCR	–	91,522
UNICEF	2,114,081	20,184,562
UNSBF	–	–
UNRWA	–	–
WFP	2,677,517	1,614,304
WHO	–	1,354,918
Non-DAC countries, total	6,936,114	8,539,494
Czech Republic	–	–
Iceland	–	–
Kuwait (KFAED)	–	–
United Arab Emirates	6,936,114	8,514,629
Memo: Private donors, total		
Bill & Melinda Gates Foundation	–	–

Source: Data from OECD Stat (extracted on 19 Feb 2013).

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