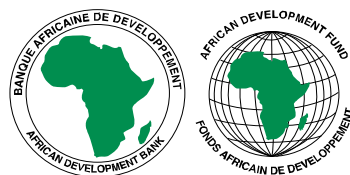


# **AFRICAN DEVELOPEMENT BANK GROUP**



**OPERATIONS EVALUATION DEPARTMENT  
(OPEV)**

**Evaluation of Policy Based Operations in the African  
Development Bank, 1999-2009  
Country Case Study: Tanzania**

**High Level Evaluations Division (OPEV.2)**

**March 2011**



## **Executive Summary**

### **Introduction**

Tanzania has been one of the largest recipients of foreign aid in Africa since the 1970s. During the evaluation period there has been an increase in aid disbursements from USD 925 million in 1999 to USD 2330 million in 2008. The way in which aid has been delivered has changed over the past ten years. At the start of the evaluation period most aid was through structural adjustment support or projects. When Tanzania qualified for HIPC debt relief during 2001 and its first Poverty Reduction and Strategy Paper (PRSP) was approved in late 2000 this changed. There followed a marked shift towards using general budget support (GBS). Budget support is now the Government of Tanzania's (GoT's) preferred aid modality while at the sectoral level there has been a move towards the use of basket funds or sector budget support.

There is a well-established aid architecture in Tanzania which emerged from the Helleiner Report in 1995. Donor partner (DP) harmonisation and alignment have been facilitated through the Development Partners Group (DPG) which comprises seventeen bilateral DPs and five multilaterals. Unfortunately, relations between DPs and the GoT have deteriorated over the past few years because of dissatisfaction on the part of DPs with the pace of the government reform programme and the handling by the GoT of three corruption scandals that emerged. Demands by DPs have also caused the GoT to engage less in dialogue processes. This has led to frustration on the part both of DPs and of the GoT and has resulted in a deterioration of the dialogue process, particularly concerning GBS which has become more formalised and less effective.

Tanzania is seen as a good macroeconomic performer. It has achieved high levels of economic growth from the mid-1990s up until the present, with reasonably low levels of inflation. Social outcomes have also improved and Tanzania is currently on track to achieve about half of the MDGs. Tanzania's overall development framework and long-term social and economic development goals are laid out in the National Vision 2025 and Zanzibar Vision 2020. The National Poverty Eradication Strategy (NPES) provides the framework for guiding development and poverty eradication efforts.

### **Overall Assessment**

The Bank's use of policy based operations (PBOs) in Tanzania has evolved over the evaluation period. Over the evaluation period there have been eight PBOs undertaken by the AfDB in Tanzania. The first were two multi-sectoral structural adjustment loans (SALs), SAL I and SAL II, which began in 1997 and 2001 respectively. In 2004 the first Poverty Reduction Support Loan (PRSL I), which supported the Tanzanian Poverty Reduction Strategy Paper (PRSP), was signed. This was followed by two more operations, the PRSL II in 2006 and PRSL III in 2008. There have been three sector PBOs, to support the Secondary Education Development Plan (SEDP) from 2008–2010, the Agricultural Sector Development Programme (ASDP) which is on-going from 2007–2012, and the Rural Water Supply and Sanitation Programme (RWSSP) also from 2007–2012.

Significant implementation delays were encountered during the Bank's use of Structural Adjustment support. However, there were no disbursement delays under PRSL I for which the African Development Fund (ADF) provided 15% of the total donor resources. This was a single tranche operation like PRSL II, however the latter encountered a six month disbursement delay and a Board waiver was required for seven out of ten conditions. PRSL

III was a two tranche operation and encountered only short delays for each tranche - less than two months but with no delays in the meeting of conditions.

Two of the three sector budget support operations (Agriculture, Rural Water Supply and Sanitation) are based around multi-donor pooled fund arrangements in support of government sector strategies. The ADF provides around 20% of the financial support in each case. The Bank has not been able to participate in pooled funding arrangements because of the restriction on this posed by the ADF rules of origin although this restriction has now been removed. Therefore AfDB provided tranches of annual funding in parallel to the basket funding, against government plans and reports on past actions. The Secondary Education Development Plan is predominantly funded by IDA (UA 100 million) with ADF (UA 20 million) as the only other donor. Other donors provide support to the education sector as a whole. Delays in disbursement of each of the first two tranches were encountered as a result of delays in the provision of appropriate reporting by the Government of Tanzania. The Bank has not played an active role in policy dialogue or participation in sector working groups because of a lack of specialist capacity.

## **Findings**

### **Performance and Impact:**

#### **There has been a clear trend towards greater use of GoT systems and more harmonisation with other DPs activities**

This is evident both in the shift towards sector PBOs, where previously it was mainly projects that were implemented, and in the co-financing of general budget support (GBS). All AfDB PBOs use government financial, reporting, monitoring and evaluation and audit systems. This decreases the administrative burden for the GoT and reduces transaction costs. The AfDB has made significant progress in harmonisation and alignment over the evaluation period. The objectives of PBOs have also been aligned with GoT plans and have been harmonised with those of other DPs. The main deviations have been the use of special accounts, earmarking to subsectors and the fact that the AfDB is not allowed by its procurement regulations to join pooled funds.

#### **Decentralisation has increased the efficiency of the PBO implementation, but decision-making authority is still limited at country level**

The establishment of the Tanzanian office in 2004 was important in speeding up transactions and making working with the AfDB easier for both the GoT and the other DPs. It has improved planning and delivery of PBOs and increased interactions between the government, local stakeholders and the AfDB. However, many decisions still have to be referred back to Tunis; more decentralised responsibility and local decision-making with increased professional staff would greatly assist the country office in working more efficiently and engaging more effectively in PBOs.

#### **There is a limited focus on delivering results in PBOs**

There appears to be limited focus on delivering results in AfDB PBOs due to the long time that it takes to complete Project Completion Reports (PCRs), frontloading of funding and a lack of policy engagement. By frontloading funds disbursement occurs before the end of the PBO cycle, so there is less incentive to produce results in the later stages of the PBO as the majority of the funding has already been given. This led to all the funds being disbursed for the RWSSP when basket fund donors were holding back their funding because of concerns over the quality of reporting. The lack of engagement in policy dialogue and analytical work that could underpin these discussions also suggests an institutional lack of interest in strengthening results.

**The value-added of AfDB participation in PBOs has primarily been through additional funding and a focus on procurement and infrastructure**

The main value-added from AfDB's participation in PBOs has been the additional funding that it has provided to the government budget in conjunction with other DPs. There is evidence that budget support (GBS and Sector Budget Support – SBS) has increased the discretionary spending of the GoT significantly, leading to substantial increases in spending from the Tanzania Budget to the priority sectors. AfDB's focus on procurement reforms through complementary activities in the Institutional Support Project for Good Governance (ISP), such as those focused on improving the capacity to implement procurement systems effectively was also recognised. AfDB's expertise on infrastructure has been appreciated in sector PBOs where AfDB inputs have been helpful in the design of components related to it.

**A lack of capacity in the TZFO constrains AfDB capacity to implement PBOs effectively**

The Tanzania Field Office (TZFO) has lacked capacity to engage fully in budget support processes. There has been a lack of professional staff in key positions with both technical and policy expertise in areas such as PFM and transport also it has taken a long time to fill vacant posts. This has led to resources being spread too thinly and a mismatch between skills required and staff recruited. In addition, some professional staff have been responsible for multiple sectors, requiring a spread of different skills and qualifications that (understandably) few people have been able to command. This has led to an uneven and mixed engagement of the AfDB in the different policy platforms for its priority sectors.

**Predictability of disbursement from year to year and in-year remains a problem**

Efforts have been made by the TZFO to improve performance in this area, but predictability both from year to year and in-year remains an issue due to the conditions applied and changes in donor plans. Recently, predictability has been affected by frontloading of the current GBS AfDB cycle due to the economic crisis. This resulted in no funds being provided for the 2010/2011 fiscal year. This was unfortunate as it coincided with the AfDB being outgoing Chair of the GBS group and with other DPs reducing their GBS allocations. The result was a large fall in GBS funds of c.US\$200 million, this impacted upon the GoT's budget.

**Strategic Issues**

**Capacity to engage in effective policy dialogue and engage strategically in PBOs is constrained**

A key characteristic of TZFO PBOs is that there has been limited effort to influence policy or engage in policy dialogue by the AfDB itself, as there is little engagement by the TZFO on policy issues in the GBS or sector working groups except when AfDB was chairing the GBS. In the three PRSLs there has been limited participation by TZFO sector staff or advisors from HQ in the relevant GBS working groups. There is also a lack of investment in analytical work which would underpin and give credibility to engagement in policy dialogue.

**Chairing of the GBS Group was also constrained by a lack of resources and ability to engage in policy dialogue strategically**

In 2008 the AfDB became the Chair of the GBS group. Overall, the AfDB was broadly perceived to have done a good job from an administrative perspective. The support given by the AfDB team was instrumental in ensuring the smooth running of the process. However, opinions differ among donors about the degree to which the AfDB was an effective intermediary between the GBS group and GoT. Whilst it was acknowledged that the AfDB's leadership in this relationship worked well on an informal basis, a widely shared view among the bilateral DPs was that the AfDB was less successful when it had to deliver difficult messages to the GoT related to corruption on behalf of the GBS group.

### **Design**

#### **There is a lack of guidance on how decisions are made on individual country PBO allocations**

There is a lack of clarity on how the formula by which funds are allocated to PBOs is calculated. Bank rules state that 25% of the total ADF portfolio can be delivered by PBOs, but no additional guidance is given on how decisions are made on individual country allocations. The Country Strategy Paper (CSP) should provide guidance on which sectors PBOs will be used in and how they will complement the rest of the programme. However, there is no overall framework in the CSP to guide how a shift to more budget support and use of country systems will occur and over what timeframe. Although the Joint Assistance Strategy for Tanzania (JAST) states that DPs should move towards greater use of budget support there is no discussion of how the AfDB country programme will implement this or assessment of which sectors may be suitable candidates for PBOs.

#### **The way in which conditionality is used has improved and the design of PBOs has been strengthened**

There has been a distinct shift in the way in which policy conditionality has been used by the AfDB over the past ten years, arising from lessons learned from previous operations. This has led to a reduction in the number of conditions required and more selectivity with a focus on fewer areas. The conditions that the AfDB now requires for GBS are in line with those of bilateral DPs who use a mix of satisfactory performance in the annual review and additional indicators that reflect their particular concerns. Similarly, in sector PBOs AfDB disbursement is based on satisfactory reviews of sector plans and activities that are jointly agreed between the GoT and DPs. AfDB has also assisted in strengthening GoT processes, mainly in the area of procurement through complementary assistance to GBS through the ISP 2005–2009. This focuses on strengthening PFM, with attention paid to procurement reform, progress has been positive in this area.

### **Concluding Comments**

During the evaluation period the TZFO has made significant progress in strengthening the way in which PBOs are delivered. PBOs are now making use of government financial, reporting, monitoring and evaluation and audit systems. The objectives of PBOs have been aligned with GoT plans and priorities and have been harmonised far more with those of other DPs. However, there has not been complete alignment because of HQ rules on the use of special accounts and funding of sector baskets. But as these regulations have now been repealed it is expected that future AfDB PBOs will be completely aligned as is already happening in the RWSSP II where funding goes through the sector basket, although funds are still earmarked.

There are still areas, however, where the implementation of PBOs could be improved. Predictability has been a problem; there has been limited effort by the AfDB to influence policy, with little engagement in policy dialogue. This is compounded by a lack of investment in analytical work; and insufficient specialist staff. Greater priority to analytical work with more resources channelled into it by the AfDB would give credibility to engagement in policy dialogue. There has also not been a strong focus on results; with the impression being given that sometimes disbursement is more important. Furthermore, although PBOs are being used by the TZFO, projects are still the most prevalent aid modality, with new projects being started in some sectors where there are baskets which could be funded.

A key lesson is that the lack of effective engagement by the TZFO in policy dialogue related to PBOs is a major area of weakness. This is a missed opportunity in terms of influencing policy and strengthening the GoT focus on results: but also the AfDB's lack of visibility in these types of discussions weakens its credibility among stakeholders. The capacity of the

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AfDB to engage with the GoT and other DPs as an equal partner also needs to be addressed.

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## **Abbreviations**

AfDB	African Development Bank
ADF	African Development Fund
AMSDP	Agriculture Marketing Systems Development Programme
ASDS	Agriculture Sector Development Strategy
ASDP	Agriculture Sector Development Programme
CDS	Current Decentralisation Strategy
CFAA	Country Financial Accountability Assessment
CPI	Corruption Perception Index
CSO	Civil Society Organisation
CSP	Country Strategy Paper
DCI	Development Cooperation Ireland
DFID	Department for International Development
DP	Development Partner
DPG	Development Partners Group
EPA	External Payments Arrears
GBS	General Budget Support
ESDP	Education Sector Development Programme
EU	European Union
FY	Financial Year
GDP	Gross Domestic Product
GNP	Gross National Product
GoT	Government of Tanzania
HBS	Household Budget Survey
HIPC	Highly Indebted Poor Countries
IFAD	International Fund for Agriculture Development
IFMIS	Integrated Financial Management System
IMF	International Monetary Fund
ICB	International Competitive Bidding
JAST	Joint Assistance Strategy
LGA	Local Government Authority
MDA	Ministries, Departments & Agencies
MDF	Multi-donor Fund
MDGs	Millennium Development Goals
M & E	Monitoring and Evaluation
MoEVT	Ministry of Education and Vocational Training
MoFEA	Ministry of Finance and Economic Affairs
MTEF	Medium-Term Expenditure Framework
MKUKUTA	Local name for NSGRP
NPES	National Poverty Eradication Strategy
NRWSSP	National Rural Water and Sanitation Programme

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NSGRP	National Strategy for Growth and Reduction of Poverty
OPEV	Operations Evaluation Department
OSGE	Governance, Finance and Economic Management Department
PAF	Performance Assessment Framework
PBL	Policy Based Lending
PBOs	Policy Based Operations
PCR	Project Completion Report
PEFAR	Public Expenditure and Financial Accountability Review
PFM	Public Financial Management
PFMRP	Public Financial Management Reform Programme
PPRA	Public Procurement Regulatory Authority
PRBS	Poverty Reduction Budget Support
PRGF	Poverty Reduction Growth Facility
PSAC	Poverty Structural Adjustment Credit
PRS	Poverty Reduction Strategy
PRSL	Poverty Reduction Strategy Loan
PRSP	Poverty Reduction Strategy Paper
PSRP	Public Sector Reform Programme
RDS	Rural Development Strategy
RWSSP	Rural Water Supply and Sanitation Programme
RMC	Regional Member Country
SAL	Structural Adjustment Loan
SAC	Structural Adjustment Credit
SDC	Swiss Agency for Development Cooperation
SECO	State Economic Secretariat for Economic Affairs
SEDP	Secondary Education Development Programme
SPA	Special Programme of Assistance for Africa
SWAp	Sector Wide Approach
TZFO	Tanzania Field Office
UA	Unit of Account
USD	United States Dollar

## **Currencies and Measures**

### Currency equivalents

As of September 2010

UA 1.00 = TZS 2098.99

UA 1.00 = £ 0.979557

UA 1.00 = US\$ 1.50891

### Financial Year

1 July to 30 June

## **1 Introduction and Background**

This country case study of Tanzania is one of a series of case studies that have been undertaken as part of an independent evaluation commissioned by the African Development Bank (AfDB) of the AfDB's Policy Based Operations (PBOs). PBOs are quick-disbursing aid instruments which are defined by the AfDB (2009c) as:

*Funds that are channelled directly to the partner government's general treasury account and subject to the country's own systems for public financial management i.e., allocation, procurement, accounting and auditing procedures.<sup>1</sup>*

The aim is to support policy and institutional reforms that promote economic growth and poverty reduction. PBOs include balance of payments support, sectoral adjustment lending to support reforms in specific sectors, policy based lending for governance, general budget support and sector budget support. This evaluation has been designed to examine the application of PBOs used by the Bank over the period 1999–2009. The objectives and purpose of the evaluation are outlined in Box 1.1.

### **Box 1.1 Objectives and Purpose of the Evaluation of Policy Based Lending**

*The overarching objective of the evaluation is to examine the relevance, efficiency and effectiveness of the PBL instrument as used by the Bank in regional member countries over the period 1999 – 2009. Specific attention is being given to the evaluation of:*

- ◇ *The AfDB's institutional and policy framework for the design, appraisal and delivery of PBL:* to evaluate the Bank's formal policy framework, procedures, skills and organisational structure for the delivery of PBL. How well does this reflect emerging international (and Bank) best practice; and is the Bank organisationally equipped to deliver best practice PBL efficiently and effectively?
- ◇ *Policy and practice:* to evaluate the Bank's approach to the design, appraisal and delivery of PBL instruments in practice and how well this fits or deviates from Bank policy guidelines, with international best practice and country context and needs.
- ◇ *Choice of aid instruments:* to evaluate how choices are made about the use of aid instrument in the country programmes and how relevant it is to the partner country's problems, policies and priorities
- ◇ *Effects at country level:* To assess the contribution made by the AfDB to policy dialogue, joint processes, institutional strengthening and other relevant areas where PBL is focused.

*Source: AfDB (2009c)*

A full explanation of the evaluation, its methodology and the evaluation matrix is provided in the *Inception Report of the Evaluation of Policy Based Operations in the African Development Bank 1999-2009* (OPM and Mokoro, 2010). The country case studies have been designed to complement the work undertaken by the evaluation team at AfDB headquarters and more specifically the Institutional and Policy Review, by providing additional information on the operation of PBOs at country level. The case-studies are designed to address the questions outlined in the evaluation matrix that are relevant to the country level (see Annex B, OPM and Mokoro, 2010), with each study using the same evaluation framework in order to ensure consistency between studies. Annex A provides an

<sup>1</sup> Or, in the case of balance of payments support, funds are channelled through the central bank and consequently subject to country systems

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outline of the evaluation questions for the country case-studies with a summary of the answers for Tanzania.

Six country case studies have been undertaken to gather evidence relating to AfDB policy, processes and choices relating to PBOs from 1999–2009 in Morocco, Sierra Leone, Ethiopia, Rwanda, Burkina Faso and Rwanda. Each study involved a country visit and interviews with the AfDB in Tunis, the AfDB office in country, government, civil society organisations and development partners. This report is the output of the Tanzania country visit and includes evidence gathered both in country and at AfDB headquarters (HQ), and assesses the experience of AfDB support to PBOs in Tanzania. The country visit for this study took place from 24 August - 4 September 2010. The team was comprised of Ann Bartholomew and Emmanuel Maliti.

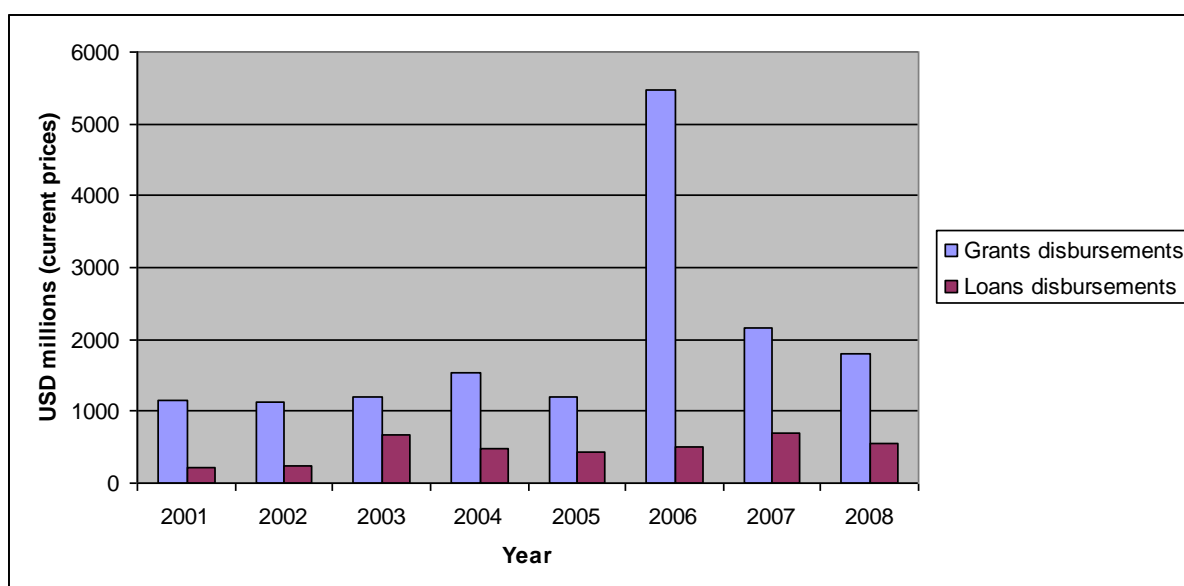
The second section of this report provides some background information on the Tanzanian context in terms of aid flows and a description of the aid architecture. The third section describes the AfDB portfolio over the evaluation period, and the fourth section describes the main PBOs that the Bank has implemented. The fifth section outlines the key findings from the evaluation, while the final section gives conclusions, lessons learned and reflections.

## 2 Tanzania context

### 2.1 Brief history of aid to Tanzania

Tanzania has been one of the largest recipients of foreign aid in Africa since the 1970s. During the evaluation period there has been an increase in aid disbursements from USD 925 million in 1999 to USD 2330 million in 2008.<sup>2</sup> As Figure 2.1 illustrates, there was a slight decline in aid flows in 2005 and 2008, but there has generally been an upward trajectory. The large increase in grant disbursements in 2006 was due to a one-off rise in World Bank grant disbursements.

Figure 2.1 Tanzania: Gross Loan and Grant Disbursements 2001–2008



DAC Statistics, [http://stats.oecd.org/Index.aspx?DatasetCode=ODA\\_RECIP](http://stats.oecd.org/Index.aspx?DatasetCode=ODA_RECIP)

The way in which aid has been delivered has changed over the past ten years. At the start of the evaluation period most aid was through structural adjustment type balance of payments support or projects. This changed when Tanzania qualified for HIPC debt relief during 2001 and its first Poverty Reduction and Strategy Paper (PRSP) was approved in late 2000. This marked a shift towards using general budget support (GBS), which has been given to Tanzania since 2001 in the form of unearmarked, direct support to the Government of Tanzania (GoT) budget.

Budget support is now the GoT's preferred aid modality and in the sectors there has been a move towards the use of basket funds or sector budget support, with this type of funding modality now used in most sectors. Despite this, a large proportion of aid still continues to be provided in the form of projects. Data from the Ministry of Finance and Economic Affairs indicate that approximately 30–40% of total ODA to Tanzania is provided as GBS, compared to 17–21% as basket funds and 37–39% as projects.<sup>3</sup> The number of projects remains high

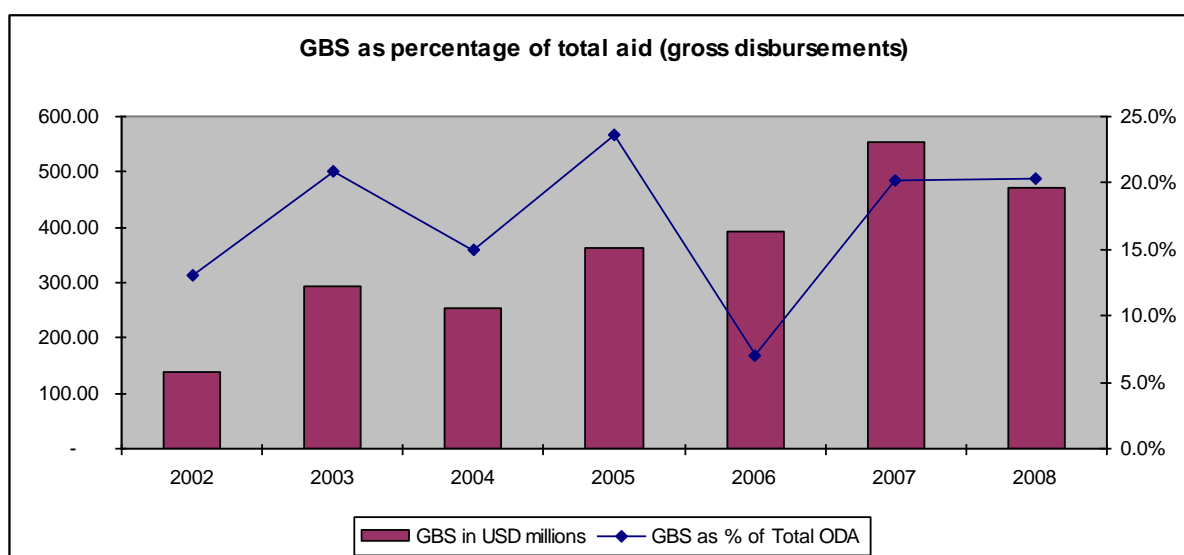
<sup>2</sup> <http://www.aideffectiveness.org/Country-Tanzania.html>

<sup>3</sup> <http://www.aideffectiveness.org/Country-Tanzania.html>

not just due to DPs' preferences, as the GoT also sends contradictory messages to DPs by continuing to accept projects and furthermore by proposing projects to DPs, in cases where interventions could have been integrated within a harmonised programme (see Section 3.2 for the case of an AfDB agricultural intervention which the Office of the Prime Minister (OPM) wanted as a project, rather than through the Ministry of Agriculture sector basket fund).

Trends in GBS and GBS as a percentage of total aid as recorded in the government budget are shown in Figure 2.2. In 2001 there were nine DPs giving GBS. These were Denmark, the European Union, Finland, Ireland, the Netherlands, Norway, Sweden, Switzerland and the UK. By 2009 the budget support group had grown to 14 including the AfDB, Canada, the European Union, Denmark, Finland, Ireland, Japan, Germany, the Netherlands, Norway, Sweden, Switzerland, UK and the World Bank. In 2010 this was reduced to 13 when the Netherlands withdrew from budget support. The AfDB joined the GBS group in the 2005/2006 fiscal year.

**Figure 2.2 GBS and GBS as a Proportion of Total Aid 2002–2008<sup>4</sup>**



Source: DAC Statistics, [http://stats.oecd.org/Index.aspx?DatasetCode=ODA\\_RECIP](http://stats.oecd.org/Index.aspx?DatasetCode=ODA_RECIP)

The level of GBS looks likely to decline in the future as DPs such as the World Bank have decreased their aid allocation to GBS because of dissatisfaction with the government's achievement of results related to economic reform and poverty reduction, while the Netherlands has withdrawn completely. Switzerland is also shifting its institutional focus away from low income countries like Tanzania to middle income countries and for this reason stopped providing support to GBS as of FY 2010/2011.<sup>5</sup> The AfDB have not had funds to disburse in 2010/11 because of the front loading of their three year GBS allocation in the first two years. This coupled with decreases from other development partners has led to a decline

<sup>4</sup> Figure 2.2 uses net ODA disbursements whereas Figure 2.1 uses gross ODA disbursements, so the figures are not directly comparable.

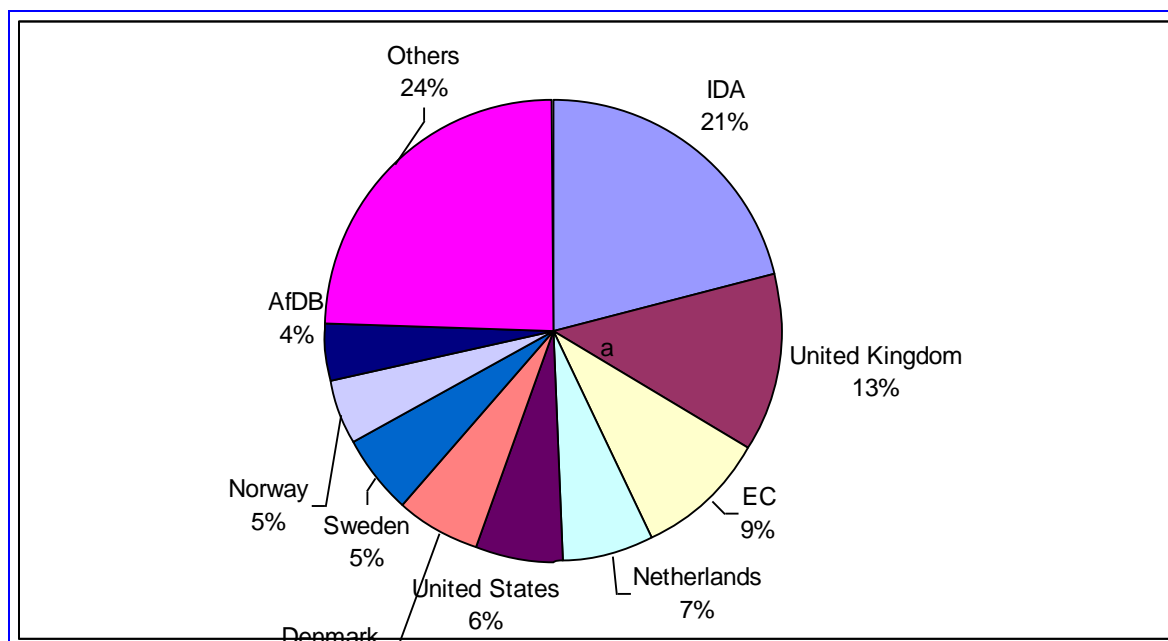
<sup>5</sup> The State Economic Secretariat for Economic Affairs (SECO) (Switzerland's aid agency which has the mandate to give GBS) is shifting its focus to middle income countries, while its sister agency, the Swiss Agency for Development Cooperation (SDC), will continue to give non-GBS aid to Tanzania.



in GBS funding for the FY 2010/2011 by some USD 200 million than in the previous fiscal year.

Overall, the AfDB has been one of the top ten donors to Tanzania during the evaluation period, contributing around 4.1% of total aid between 1999 and 2008, as indicated in Figure 2.3. This figure remained more or less consistent throughout the ten-year period. The largest donor has been the World Bank, followed by the United Kingdom, the EC and the Netherlands.

**Figure 2.3 Share of ODA to Tanzania by Development Partner: 1999–2009**



Source: DAC Statistics, [http://stats.oecd.org/Index.aspx?DatasetCode=ODA\\_RECIP](http://stats.oecd.org/Index.aspx?DatasetCode=ODA_RECIP)

## 2.2 Aid relationships

There is well established aid architecture in Tanzania which emerged from the Helleiner Report in 1995, drawn up as a response to deterioration in DP-government relations which were at a low in the 1990s.<sup>6</sup> This was mainly due to a slippages in revenue collection, rising corruption and problems with DP behaviour. The report and the subsequent “Agreed Notes” in January 1997 put forward a process for building a new relationship.

This led to the GoT developing the Tanzania Assistance Strategy in 2002, whereby progress towards achieving objectives was monitored annually by the Independent Monitoring Group, resulting in a number of recommendations for both GoT and DPs. This was superseded by the Joint Assistance Strategy for Tanzania (JAST) which was developed jointly in 2006 by the government and development partners and formulated in the spirit of national and international commitments and initiatives on aid effectiveness. It covers a five-year cycle and outlines the main objectives, principles and broad arrangements of Tanzania’s development partnership. It is complemented by an Action Plan which specifies concrete activities and

<sup>6</sup> Professor Helleiner was chosen to mediate between the GOT and DPs as he had substantial experience of working in Tanzania and was trusted by both sides.

timeframes for implementing the JAST and a monitoring framework with indicators to measure government and DP performance.

DP harmonisation and alignment have been facilitated through the Development Partners Group (DPG). This group comprises 17 bilateral DPs and 5 multilaterals.<sup>7</sup>

The principles for engagement and dialogue between DPs internally and with the GoT are organised around the structure of the national development framework for Mainland Tanzania, the MKUKUTA. In 2008, the Government endorsed a new Dialogue Structure that is led by the Government and guides coordination between the Government, DPs and domestic stakeholders by integrating all major national and sectoral development interventions into a single structure. The structure covers four main levels: Sector and Thematic Area Working Groups, Cluster Working Groups, MKUKUTA-PER Main Group and a Joint Coordinating Group.<sup>8</sup>

Unfortunately, relations between DPs and the GoT have deteriorated over the past few years because of dissatisfaction on the part of DPs with the pace of the government reform programme and the handling by the GoT of three corruption scandals that emerged. The first was EPA, which related to the External Payments Arrears (EPA) account facility at the Bank of Tanzania (BoT). This involved the fraudulent payment of around Tshs 133 billion (USD 96 million) from the account to 22 companies in 2005/06. The second was BAE in 2008 in which a government minister resigned over allegations of taking bribes from the British company, BAE Systems. The third was Richmond in 2008, in which two ministers and the prime minister resigned over allegations of fraud and corruption in connection with a contract with American firm Richmond Development Company.

Demands by DPs have also caused the GoT to engage less in dialogue processes. This has led to frustration on the part both of DPs and of the GoT and has resulted in a deterioration of the dialogue process, particularly in GBS which has become more formalised and less effective. This dissatisfaction has led a decrease in GBS commitments and a withdrawal by some DPs from sector baskets such as the PFMRP basket, where GoT engagement is not high and the mechanism is perceived not to be working effectively.

## **2.3 National Development Strategy and Economic Performance**

### **2.3.1 National Development Strategy**

Tanzania's overall development framework and long-term social and economic development goals are laid out in the National Vision 2025 and Zanzibar Vision 2020. The National Poverty Eradication Strategy (NPES) provides the framework for guiding development and poverty eradication efforts. The medium-term objectives for Mainland Tanzania were outlined in the first PRSP, which ran from 2002–2004 and are now part of the National Strategy for Growth and Reduction of Poverty (NSGRP) or MKUKUTA, which ran from 2005/06 to 2009/10 and will be superseded by the MKUKUTA II 2010–2015 which was completed in

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<sup>7</sup> <http://www.tzdpdg.or.tz/external/dpg-tanzania/about-dpg-in-tanzania.html>

<sup>8</sup> For further details on the different levels in the Dialogue Structure see <http://www.tzdpdg.or.tz/external/dpg-tanzania/aid-coordination-and-national-dialogue-structure.html> (01/07/10)

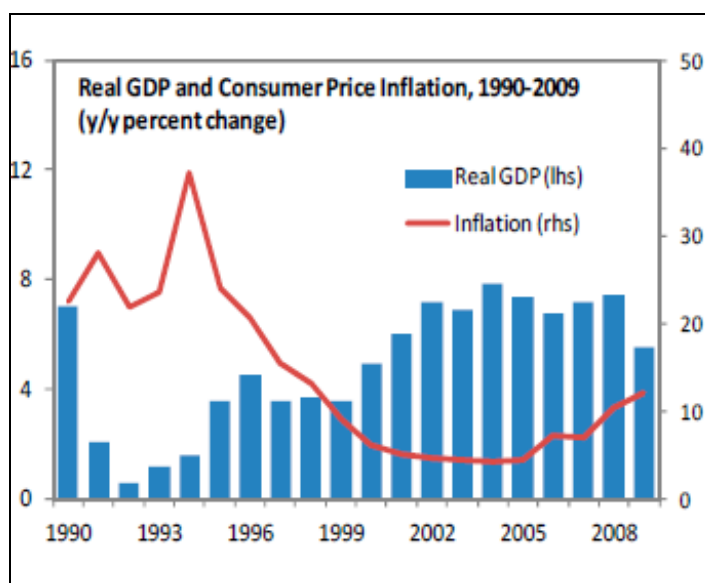
October 2010.<sup>9</sup> For Zanzibar, there is the Zanzibar Strategy for Growth and Reduction of Poverty (ZSGRP) or MKUZA II for the same time period.

The MKUKUTA focuses on three broad clusters: growth and reduction of income poverty; improvement of quality of life and social wellbeing; and governance and accountability. The strategy is aligned with the Millennium Development Goals (MDGs), and draws from the Vision 2025 for Tanzania. The MKUKUTA is monitored on an annual basis and information from the MKUKUTA monitoring systems is used for the annual review of the GBS performance assessment framework (PAF).

### 2.3.2 Economic Performance and Poverty Reduction

Tanzania is seen as a good macroeconomic performer. As Figure 2.4 indicates, it has achieved high levels of economic growth from the mid-1990s up until the present, with reasonably low levels of inflation. Real GDP growth increased from 3.3% in the early 1990s to an average of 7% per year in the mid-1990s. This slowed down in 2009 because of the financial crisis, with GDP growth at 5.5%, but it is expected to recover to 6.2% in 2010.<sup>10</sup>

**Figure 2.4 Tanzania: Real GDP and Consumer Price Inflation, 1990–2009**



Source: IMF (2010)

Social outcomes have also improved and Tanzania is currently on track to achieve about half of the MDGs (see Table 2.1). There have been substantial improvements in access to basic health and education services, and under-five infant mortality rates have also fallen significantly. On the other hand, these improvements have not been translated into significant reductions in income poverty and there has been limited progress in addressing malnutrition, while the maternal mortality rate has risen.<sup>11</sup>

<sup>9</sup> <http://www.tzdpd.or.tz/external/dpg-tanzania/national-development-framework.html>

<sup>10</sup> IMF (2010)

<sup>11</sup> IMF (2010)

**Table 2.1 Tanzania: Millennium Development Goals**

Millennium Development Goal	1990	2000	2008	2015	Likely to be achieved?
Proportion of population below basic needs poverty line	39.0	36.0	33.6	19.5	N
Under-five underweight (%)	28.5	29.5	22.0	14.4	N
Under-five stunted (%)	46.6	44.4	38.0	23.3	N
Primary school net enrollment rate	54.2	58.7	97.2	100.0	Y
Under-five mortality rate (per 1,000 live births)	191.0	153.0	112.0	64.0	Y
Infant mortality rate (per 1,000 live births)	115.0	99.0	68.0	38.0	Y
Maternal mortality rate (per 100,000 live births)	529.0	-	578.0	133.0	N
Births attended by skilled health personnel (%)	43.9	35.8	63.0	90.0	N
HIV prevalence, 15-24 years	6.0	-	2.5	<6	Y
Access to potable water (% of rural population)	51.0	42.0	57.1	74.0	N
Access to potable water (% of urban population)	68.0	85.0	83.0	84.0	Y

*Note: 1990–2008 are actual figures while 2015 is a target*  
*Source: IMF (2010)*

Although the GoT made good progress in implementing the economic reform programme in the first half of the 2000s, there is concern that progress has been limited more recently. Although revenue collection has risen, supporting increased expenditure in the priority social sectors, the pace of public financial management (PFM) reform has slowed. This has caused particular concern to DPs, as Tanzania's good macroeconomic performance has not been translated into falls in income poverty. National Accounts data show that between 2001 and 2007, Tanzania had an average seven percent GDP growth rate. Despite this growth, the Household Budget Survey depicts mixed progress in poverty reduction. Between 2001 and 2007 basic-needs income poverty fell slightly by 2.2 percentage points from 35.7 percent in 2000/01 to 33.5 percent in 2007. Given population growth, this means an increase in the total number of poor of around 1.3 million and it is unlikely that the NSGRP objective of reducing income poverty to 19 percent will be reached.

### **2.3.3 Public Financial Management Reform**

The main programme for improving PFM in Tanzania is the Public Financial Management Reform Programme (PFMRP), which has been in place since 1998 and is currently in its third phase. The first phase (PFMRP I, 1998–2003) focused on minimizing resource leakages, strengthening financial controls and enhancing accountability, by reforming budget processes and introducing the computerised Integrated Financial Management System (IFMS). The second phase (PFMRP II, 2004–2008) focused on modernising systems and tools to promote strategically prioritised resource allocation, while the third phase (PFMRP III, 2008–2010) is aimed at enhancing predictability and availability of medium-term resources for ministries, departments and agencies (MDAs) and local government authorities (LGAs).

The view that PFM reform is slowing down is confirmed by donor assessments which have highlighted fiduciary risk and corruption as issues of increasing importance over the evaluation period. Tanzania's Public Expenditure and Financial Accountability Review (PEFAR) score worsened from B- in 2004 to C+ in 2005 and 2006 and C in 2007 and 2008.<sup>12</sup> DFID's Fiduciary Risk Assessment of 2008 concluded that the risk of corruption in Tanzania was 'substantial' in mainland Tanzania and 'substantial to high' in Zanzibar. Tanzania's score

<sup>12</sup> This was an external assessment.

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on Transparency International's Corruption Perception Index (CPI)<sup>13</sup> improved between 1998 and 2007, both in absolute and relative terms from 1.9 to 3.2 (out of a maximum score of 10 indicating no corruption). But by 2009 Tanzania's score was back to 2002 levels. The World Bank Governance indicators for 2010 show that Tanzania has improved in five out of six dimensions (voice and accountability, political stability, regulatory quality, rule of law and control of corruption), with the exception being Government Effectiveness, which worsened between 2003 and 2008.<sup>14</sup>

The credibility of the PFM system was put into question in 2007 after a special audit of the EPA discovered irregular payments from the EPA account in the BoT. This discovery led to the resignation of the Prime Minister and three Ministers. Despite high profile resignations and sackings, there have been no convictions to date in any of the three corruption scandals that have emerged (see Section 2.2 above). The 2009 GBS Annual Review meeting pointed to the need for improvements to be made in relation to financial management and in combating corruption (MoF, 2009).

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<sup>13</sup> CPI and WBI scores are derived from surveys or assessments from a number of data sources including for example the African Development Bank and the Economist Intelligence Unit.

<sup>14</sup> See [http://info.worldbank.org/governance/wgi/pdf\\_country.asp](http://info.worldbank.org/governance/wgi/pdf_country.asp)

## **3 AfDB Operations in Tanzania**

### **3.1 Brief history of AfDB operations and country strategy**

The AfDB began operations in Tanzania in 1971, deepening its engagement with the establishment of a field office in 2004. The Bank strategy was articulated in three Country Strategy Papers (CSPs) over the evaluation period, which all had poverty reduction as the overarching objective. The CSP for 1999–2001 focused on the social sector, public utilities and agriculture as priority sectors for intervention. This was revised in the 2001 CSP most notably with the inclusion of the transport sector, specifically the rehabilitation of rural roads to support agricultural growth.

The 2002–2004 CSP focused on interventions aimed at pro-poor growth and fostering human development. Interventions to achieve this focused on agriculture, rural development, human development and institutional development and structural reforms. A new strategy was produced for 2007–2010 when the Joint Assistance Strategy for Tanzania (JAST) was completed in 2006 in order to align the AfDB strategy with the JAST. AfDB support focused on sectors of intervention comprising i) infrastructure; ii) public utilities; iii) social sectors; and iv) multi-sector budget support operations.

### **3.2 Overview of portfolio and aid instruments used**

Tanzania is the largest beneficiary of ADF XI resources amounting to UA 407 million over the three- year period. This commitment by the Bank was influenced by the country's 2005 Country Policy and Institutional Assessment (CPIA) score which placed it in the first quintile of countries, mainly because of good scores on macroeconomic management and fiscal and debt policy. Of the on-going portfolio (see **Error! Reference source not found.**) in August 2010, the AfDB has 14% focused on the agricultural sector, 45.3% in transport, 28% in public utilities, 13% in the social sector and none in multi-sector lending.<sup>15</sup> Multi-sector lending is not represented in the 2010 lending portfolio as the PRSL III was disbursed in two tranches, even though it ran over a three-year cycle to 2010, and the loan is now closed and so not included in the current portfolio.

A mix of aid instruments has been used by the AfDB with a shift occurring over the evaluation period to greater use of PBOs. This is illustrated in Annex D, Table D.1 that shows that AfDB annual approvals for PBOs stood at 0% of all approvals in 1999 but made up 100% of approvals in 2009. At the same time there are still on-going projects, which were 82% of the portfolio in August 2010, although as noted earlier these shares are skewed because there were no PRSL operations in 2010. In June 2009, 63% of the AfDB portfolio comprised projects, a lower figure due to UA 100 million being allocated to general budget support. Therefore projects still make up the majority of the AfDB portfolio.

There has been a series of PBOs with the first three loans commencing before the start of the evaluation period. These were provided in support of sector adjustment operations, which comprised the Sector Rehabilitation Loan, the Industrial Rehabilitation and Trade Adjustment Loan and the Financial Sector Adjustment Loan. The first PBOs that fell within the evaluation period were two multi-sectoral structural adjustment loans (SALs): SAL I and the SAL II, which commenced in 1997 and 2001 respectively. In 2004 the first Poverty

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<sup>15</sup> This calculation omits four multinational operations which are regional and a private sector loan which is an SME Partial Credit Guarantee Facility.

Reduction Support Loan (PRSL I) was signed, supporting the Tanzanian Poverty Reduction Strategy Paper (PRSP). This was followed by two more operations, the PRSL II in 2006 and PRSL III in 2008.

There has also been a trend towards greater use of sector PBOs. Before 2006 there had only been three sector PBOs, which were completed before 1999, but recently there have been three PBOs, in education, water and sanitation and agriculture.

At the same time there has always been a considerable number of projects in the AfDB portfolio, including in the sectors in which there are PBOs. For instance, in the education sector during the evaluation period, there have been two education sector operations. The first was a project for UA 20 million approved in 2003, which was completed in 2008. This was followed by a PBO to support the secondary education plan (SEDP) from 2008–2010 which has also been completed, but it is not yet clear what will follow and whether any further support will be in the form of a project or a PBO.

In agriculture there have been three loans during the evaluation period. The Agricultural Marketing Systems Development Programme (AMSDP), which began in 2003, the District Agricultural Sector Investment Programme which started in 2005 and the Agricultural Sector Development Programme (ASDP) which was effective from 2007. The latter is a PBO while the other two are projects. There will be a follow-on project to the AMSDP which the AfDB is undertaking with IFAD. This has caused concern among other donors in the sector as it will be a project rather than funded through the agricultural sector basket. This situation occurred as a project was proposed by the OPM who wanted to implement the intervention, even though this was opposed by the Ministry of Agriculture who would have preferred the funds to go through the sector basket.

In the public utilities sector there have been five projects/programmes. The Rural Water Supply and Sanitation Programme (RWSSP) is a PBO which began in 2006/07, while the other four are projects which all began before the water sector PBO. A new phase for the RWSSP was approved in 2010 and will continue to be a PBO.

In the transport sector there have not been any PBOs to date and there are currently three projects on-going. The most recent transport loan approved in 2009 was in the form of a project. There was no reason given for this decision apart from the comment that *'the modality of operation is typical of this nature of intervention as opposed to budget support'* (AfDB 2009a).

Under multi-sector loans there have been five PBOs with the first and second Structural Adjustment Loans (SAL I and II) and the three Poverty Reduction Support Loans (PRSL I–III). The Institutional Support Project for Good Governance was undertaken as a project and began in 2005; this is to support the PRSL and works in parallel with GBS, but is outside the sector basket for PFMRP. It is intended that the next phase of this project will also be outside the basket because of concerns over the performance of the PFMRP which have been voiced by a number of DPs.

### **3.3 Performance of the portfolio**

The 2006 OPEV evaluation of country assistance to Tanzania from 1996–2004 (AfDB, 2006d) assessed the performance of the country portfolio during the first half of the period of the current evaluation. During this time the portfolio was characterised by slow implementation. Out of 34 operations, five were completed, of which two were PBOs (SAL I and II), and the rest were projects which were subject to substantial delays in disbursement

due to non-fulfilment of conditions. Because of this, the evaluation judged that the portfolio was *'relevant and efficacious, but inefficient overall'*. It also noted that although the three pillars of intervention during this period were support to macroeconomic stabilisation through reforms, acceleration of pro-poor growth and fostering human development, inefficient implementation prevented the Bank from achieving its objectives in most of these areas. The exception was for the two PBOs which were found to have had a satisfactory performance despite long delays in implementation, leading to the achievement of macroeconomic stabilisation objectives.

The 2006 OPEV Tanzania portfolio review (AfDB, 2006b) indicates an improvement in the performance of the portfolio; it provides an overview of on-going operations and indicates a satisfactory performance with an average portfolio rating of 2.3 out of 3. By the 2009 portfolio review the portfolio performance score had increased marginally to 2.4 (AfDB, 2009b). The disbursement to commitment record had improved with the disbursement ratio rising from 16.3% in 2006 to 24.3% in 2007 and being at 21.7% in 2008, but it remained below the AfDB's overall disbursement average of 25%.

### **3.4 Engagement in joint donor initiatives**

Over the period of this evaluation, the TZFO has become more harmonised in its operations in line with the Paris Declaration and the Accra Agenda for Action. As noted above, there has been a shift from SAL operations to GBS and more harmonised working in sectors through aligning support with DPs funding sector baskets.

The AfDB is a member of the Development Partners Group (DPG) and in 2008 chaired the GBS donor group. Under the DPG/GBS there is a well established structure for dialogue which consists of four clusters, 26 thematic working groups and seven sector working groups. There are also sector working groups associated with the basket funding in each sector. AfDB engagement in the thematic working groups has not been very active and the same is true in most of the sector working groups, as AfDB staff do not regularly attend them. This is discussed further in Section 4 below.

A joint assistance strategy was developed in 2006 as described in Section 3.1 above. The AfDB has aligned its support with this strategy and has based its latest CSP on the key principles outlined in the JAST. However, the AfDB is still not fully aligned with the spirit of the JAST as the majority of its portfolio is still project based, and funding to the sectors even when it is in the form of PBOs is earmarked and not through joint aid delivery modalities such as sector baskets or sector budget support (SBS). This is mainly due to AfDB restrictions that prevent the pooling of funds

The latest portfolio review was carried out in conjunction with the World Bank, but most other AfDB activities, including appraisal missions and project completion reviews, are done independently. In the RWSSP and the ASDP AfDB staff have participated in joint mid-term reviews.



## 4 Features of AfDB PBOs

### 4.1 Introduction

There have been eight PBOs undertaken by the AfDB in Tanzania during the evaluation period. Table 4.1 illustrates the disbursements of each PBO by year and the share of each in total annual disbursements. It shows that disbursements have fluctuated from year to year and have not been very predictable in terms of timing or the amounts given through PBOs, which also have varied from year to year. Further details of each PBO undertaken during the evaluation period are given in the following sections.<sup>16</sup>

**Table 4.1 AfDB Annual Disbursements of PBOs (UA millions)**

	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	Total Loan
SAL I	15	15	-	-	-	-	-	-	-	-	-	-	45*
SAL II	-	-	-	-	20	20	-	-	-	-	-	-	20
PRSL I	-	-	-	-	-	-	50	-	-	-	-	-	50
PRSL II	-	-	-	-	-	-	-	-	50	-	-	-	50
PRSL III	-	-	-	-	-	-	-	-	-	-	100	-	100
SEDP	-	-	-	-	-	-	-	-	-	9.8	10.2	-	20.0
RWSSP	-	-	-	-	-	-	-	-	10.1	6.4	10.1	18.3	45
ASDP	-	-	-	-	-	-	-	-	-	7.4	13.6	15.1	40**
<b>Total PBO</b>	15	15	0	0	20	20	50	0	60.1	23.6	133.9	33.4	414.9
<i>PBOs % of total prog disbursement</i>	45.7 %	65.7 %	0%	0%	64.2 %	48.8 %	-	0%	7.3 %	30.7 %	85.7 %	-	
<b>Total Prog Disbursement</b>	32.8	22.8	8.2	15.9	31.1	41.0	-	37.40	82.1	76.9	156.2	-	

\* The first disbursement of UA15 million was in 1998

\*\* A further small disbursement will be made in 2010 of UA 2.2 m

### 4.2 Structural Adjustment Loans I and II

The first AfDB SAL was approved at the end of 1997 and had the objective of promoting growth and poverty reduction through a comprehensive package of structural and institutional policy reforms. It was designed to be disbursed in three tranches of UA 15 million each to provide balance of payment support to (i) restructuring public expenditure; (ii) social sector rationalisation; (iii) diversification of strategic parastatals; and (iv) banking sector

<sup>16</sup> As each PBO has a grace period of ten years, with repayments then spread over forty or fifty years, it is not yet possible to assess how successful these loans have been in terms of being repaid.

reforms. The operation was co-financed with the World Bank's Structural Adjustment Credit (SAC) and funding from the IMF and Norway. The AfDB financed 14.6% of the loan (see Table 4.2).

**Table 4.2 Sources of Financing for the SAC**

Source	Amount	Percentage
IDA	UA 90m/ USD125m	29.4
ADF	UA 45m/ USD 62 m	14.6
IMF	UA 169m/ USD 235m	55.2
Norway	UA 2.48/ USD 3.38m	0.8
Total		100

Source: ADF (2007a)

The loan had 23 conditions overall. The first tranche release was tied to five conditions, which were all satisfied by the end of 1997, as most conditions had already been implemented by the GoT. The release of the second tranche was delayed by almost 15 months because of delays in fulfilling the condition relating to the award of the concession for the container terminal. To facilitate disbursement this second tranche condition was shifted to the third tranche, while some social sector conditions were switched to the second tranche. The third tranche conditions then became (i) the privatisation of the Tanzanian Telecommunications Company Ltd; ii) the award of the concession for the container terminal; and (iii) the transfer of the management of primary schools to legally constituted local school committees. These conditions were still not fulfilled and an extension of the closing date was requested from 31 December 1998 to 30 June 2000 when the final disbursement took place. Overall the programme was rated as satisfactory in the PCR (ADF, 2007a).

The second SAL was approved in 2001 and was designed to support financing of the PRSP for the 2001/02–2003/04 fiscal years. SAL II was disbursed in two tranches of UA 20 million to provide budget of payments support to finance the PRSP in the areas of (i) private sector development; (ii) economic governance; and (iii) rural development. The SAL II provided co-financing to support the PRSP and was parallel financed by the World Bank Poverty Structural Adjustment Credit (PSAC), the IMF and the nine-member GBS group who were giving direct budget support. Information on the co-financiers is given in Table 4.3.

**Table 4.3 Financing Sources for PRSP/PSAC**

Financing Source	Amount USDm (actual)	Percentage
ADF	51 million	5.9
MDF/PRBS	446.7 million	21.6
World Bank PSAC	190 million	50.5
IMF	168 million	19.0
Others	26.6 million	3.0
Total	882.3 million	100

Source: ADF (2007c)

The AfDB provided 5% of the co-financing for the PSAC, while the SAL II was one of the first budget support instruments that was programmed in the same way as domestic resources and transferred to a special account at the BoT and then to the Treasury.

**Box 4.1 Lessons from SAL I and II and PRSL I–III**

<b>SAL I</b>	
i)	The bank was not involved in policy design. In future it would be beneficial for the Bank to be directly involved so as to influence the policy content of the programme.
ii)	The scope of future PBLs should be limited to those policies that are critical for poverty reduction and could be effectively monitored by the Bank.
iii)	It is important to harmonise loan conditions with other donors, and the ADF needs to demonstrate its involvement is adding value to the programmes supported by other donors whilst ensuring it is fully harmonised.
iv)	The amount of conditionalities used should be limited in order to reduce disbursement delays.
v)	The Bank should develop key pieces of Economic Sector Work to strengthen its policy dialogue with the GoT and support future policy based operations
vi)	The Bank should consider shifting from balance of payments to budgetary and basket funding.
<b>SAL II</b>	
i)	Budget support should address structural impediments in the economy that hinder macroeconomic stability, investment, growth and poverty reduction.
ii)	To minimise the risks of delayed disbursement and implementation, multi-tranche Bank loans should be assigned flexible triggers or the Bank should move to multi-year single tranche operations to avoid cascading conditionalities.
iii)	Structural conditionalities in key sectors do not necessarily lead to outcomes in specific sectors. Supply responses take time, but a prolonged series of macro-stabilising interventions without comparable results on the real sectors pose the risk of eventually derailing macro-stability itself.
iv)	The principal lesson learned is that macro-stability and GOT commitment must be maintained, but in addition, attention must in future focus on the quality and progress of the program outcomes.

Source: ADF (2007a and 2007c)

The first tranche of SAL II had seven conditions. All but two were satisfied: these related to a condition for the GoT to enact a new Companies Act and prepare draft regulations to govern its implementation and adopt cash flow planning and management. The latter condition could not be implemented without the AfDB first tranche disbursement as the proceeds were programmed to support that condition in the budget of FY 2002/03. To resolve this problem the GoT drew down the equivalent of the SAL II first tranche from its deposits at the BoT to meet condition (iii) and make progress on the PRSP. It then applied for the condition relating to the Companies Act to be moved into second tranche conditions.

This led to very substantial delays in disbursement, despite the fact that quite a few conditions had already been fulfilled before the programme began. Overall the loan effectiveness was delayed by 10 months, the release of the first tranche by 23 months and of the second tranche by 19 months. Despite this, the loan was rated as having performed satisfactorily in the project completion report (PCR). A comparison of the design and performance of SAL I and II and PRSL I–III is given in Annex D, Table D.2.

There were a variety of lessons that emerged from the experience of SAL I and II that were highlighted in the PCRs. These are outlined in Box 4.1 and come from internal AfDB documents rather than from independent evaluators, but mainly relate to the high number of conditions, the fact that multi-tranche operations with cascading triggers led to disbursement delays, and the need to be more involved in the design of policy and policy dialogue with government, which should be supported by analytical economic and sector work to underpin dialogue.

### **4.3 Poverty Reducing Support Loan (PRSL) I–III**

There have been three Poverty Reduction Support Loans. PRSL I was approved in 2004 for the GoT fiscal year 2005/2006 and was a one-tranche budget support operation of UA 50 million to finance: i) promotion of an enabling environment for private sector development; (ii) the development of microfinance; and (iii) strengthening of PFM. There were eight conditions, which related to these three areas and were drawn from the GBS PAF and a satisfactory assessment of PAF implementation at the Annual Review. Out of a total of USD 515 million disbursed, the AfDB contribution was USD 75.6 million,<sup>17</sup> which meant that AfDB financed around 15% of the total funding (see Annex D, Table D.6). At this time there were 14 GBS donors and the AfDB disbursement was released on time. This led to the PCR rating the loan as better than satisfactory with a rating of 2.2 compared to 1.9 and 2.0 for SAL II and I respectively.

PRSL II was a one-tranche operation from 2005/06 of UA 50 million to support i) the promotion of an enabling environment for rural development; (ii) the promotion of an enabling environment for private sector development; and (iii) improving the quality of life and social well-being. There were ten conditions relating to these three areas and to the satisfactory assessment of PAF implementation at the Annual Review. Because there was only partial fulfilment of three of the loan conditions the AfDB board had to provide a waiver to allow the loan to be disbursed. This was on the basis that the change of government in 2005 had resulted in the restructuring of some ministries, which had an impact on results achieved. This led to conditions related to a review in 2006 of the infrastructure sector not being fulfilled, revised water sector legislation not being submitted to Parliament, and the National Water Sector Strategy not being submitted to Cabinet. This resulted in the funds being disbursed six months late at the end of the financial year (2007/8). The AfDB contributed to around 8% of total GBS and the loan was rated as satisfactory. PRSL III was a two-tranche operation over three years from 2008/2009–2010/11 of UA 60 million in the first fiscal year and UA 40 million in the second fiscal year. The focus of AfDB lending was on (i) Enhanced Public Financial Management and (ii) Improved Performance of Infrastructure through better governance in the roads sector. The first tranche had two conditions and the second had three conditions. The AfDB contributed to around 6.7% of total GBS financing. The funds were front-loaded as a response to the global crisis, but this led to no AfDB PRSL disbursements in 2010/2011. The AfDB attempted to rectify this by applying to the Board to shift funds from an under-performing roads project to PRSL III, but was unsuccessful in this. This was because of a problem with transferring financing between different funding modalities. It was also justified as an on-going response to the financial crisis, but this was seen by the Board as no longer relevant and so was not approved.

There were no problems with the fulfilment of triggers, but the first tranche of PRSL III was still disbursed two months late at the beginning of February 2009 rather than at the end of November 2008, while the second tranche was disbursed in the first quarter of the fiscal year (AfDB, 2010a). The operation was rated as 4 in the PCR which means that it was fully achieved with no shortcomings (the PCR format changed between PRSL II and III as it was tailored specifically for PBOs).

There were a variety of lessons that emerged in the implementation of PRSL I–III, which are outlined in Box 4.2. Among others these relate to the need to consider borrowers'

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<sup>17</sup> This figure differs slightly from the disbursement figure given in Annex D Table D.6 of USD 73.66 million because of exchange rate differences.

implementation capacity when designing conditionalities, to limit the number of conditions and to be more selective in areas of intervention.

#### **Box 4.2 Lessons from PRSL I–III PCRs**

##### **PRSL I**

- (i) The identification /preparation/appraisal phase could have achieved the purpose of a quick budget support yet avoided the perception of the use of prior action conditions by employing the PRBS framework to pursue more credible and more helpful post-disbursement policy conditions within the PRBS annual reviews; and
- (ii) The improvement in disbursement and effectiveness suggests the Bank must engage early in any joint budget support frameworks and contemplate multi-year single tranche budget support operations as favoured by other multilaterals.

##### **PRSL II**

- (iii) The need to reduce the number of conditions and to closely follow-up their fulfilment to ensure that disbursement is made in good time during the planned implementation of the program;
- (iv) The need for the funding/coordination function of the Public Expenditure and Financial Accountability Review (PEFAR) to be reviewed to ensure that PEFAR report is made available on a timely basis and widely, so that the GBS Annual Reviews benefit from it by making reference to it.

##### **PRSL III**

- (v) Frontloading in the first two years of a three year ADF cycle is not advisable.
- (vi) More specialised expertise (PFM and governance) should have been seconded to the AfDB field office during the GBS chairmanship.

*Source: AfDB (2010a, 2008a and 2007b)*

## **4.4 Agricultural Sector Development Programme**

The ASDP is a programme designed to support the GoT Agriculture Sector Development Strategy. The ASDP consists of two components which are:

Component 1: Local Level Support – This supports sector activities at village, ward and district levels and focuses on i) Agricultural investments; ii) Agricultural services; and iii) Agricultural capacity building and reform.

Component 2: National Level Support – This focuses on five sub-components: i) Agricultural Services; ii) National Irrigation Development; iii) Marketing and Private Sector Development; iv) Food Security; and v) Coordination, monitoring and evaluation.

The objective of the programme is to enable farmers to have access to and use of agricultural knowledge, technologies, marketing systems and infrastructure and to promote agricultural private investment based on an improved regulatory and policy environment.

The ASDP began in 2006/07 and runs for six years, although the AfDB support started in September 2007 and will run for five years. The total cost of the programme is USD 315.56

million, with an AfDB contribution of USD 59.87 million (see Table 4.4 below). AfDB funding is through a Sector Development Budget Support Loan. Most DPs fund the ASDP through a sector basket, which finances the whole of the ASDP, but the AfDB remains outside of this because of ADF rules. The AfDB has not signed the agricultural sector Memorandum of Understanding (MoU) for the same reason. Funds are channelled to a Special Account at the BoT and are earmarked to a subsector of the ADSP. This covers local agricultural investment, local agricultural services and capacity building and reform, as well as agricultural services, irrigation development, marketing and private sector development.

**Table 4.4 Sources of Finance for the ASDP**

Source of Finance	Amount
ADF	UA 40 m (USD 59m)
World Bank	UA 60 m (USD 90m)
European Union	UA 5.6m (USD 8.5m)
Japanese Embassy	UA 2.0m (USD 3.0m)
DCI	UA 0.6m (USD 1.0m)
IFAD	UA 24.0m (USD 36.0m)
GoT	UA 19.2m (USD 28.7m)
Beneficiaries	UA 15.4m (USD 23.2m)
Shortfall	UA 43.6m (USD (65.2)
<b>Total</b>	<b>UA 210.4 (USD 314.6m)</b>

The AfDB funding uses government systems, including procurement systems, with the Ministry of Finance channelling the funds through the local Government Capital Development Grant to the LGA.<sup>18</sup> Performance is monitored through the rural poverty and growth indicators in the MKUKUTA and progress towards the programme's key outcome indicators in the programme logframe. An audit is carried out by the National Audit Office (NAO) with an audit report submitted within six months of the end of the financial year.

Conditions prior to the disbursement of the loan were that (i) the borrower must open a Special Account in foreign currency with the Bank of Tanzania; (ii) there is satisfactory implementation in the preceding fiscal year of the programme as agreed by the Annual Joint Implementation Review; and (iii) there is submission to the fund of the approved annual work plan and budget for the current year, consistent with the MTEF for the programme for each year. In the following years, conditions were to be based on satisfactory compliance with (ii) and (iii). The ASDP disbursement schedule was for the majority of the loan to be given in the first three years with a nominal amount left to be drawn down in the final year (see Annex D, Table D.3).

## **4.5 Secondary Education Development Plan**

The Secondary Education Development Plan (SEDP) emerged from the GoT Education and Training Policy for the Education Sector Development Plan (ESDP). This provides direction on education in Tanzania and from this a Primary Education Plan was developed for 2002–2006 and a secondary education plan for 2004–2009. The AfDB was requested by the GoT to fund the SEDP; this financing began in April 2008 and was completed in 2010. The funds

<sup>18</sup> All PBOs use GoT procurement systems as these have been judged compatible with AfDB rules.

were disbursed in two tranches of UA 10 million each to support SEDP work plans for 2008 and 2009. The funds were transferred into a Special Account at the BoT and transferred to the Treasury, earmarked to the SEDP. The conditions for disbursement were similar to the ASDP and depended on the opening of a special account, a satisfactory performance assessment review and agreed work plans for the following year. Procurement was according to GoT procurement procedures and monitoring and evaluation was undertaken according to progress against SEDP operational targets. The NAO was responsible for external audits.

The total cost was UA 754 million with UA 20 million contributed by the AfDB, UA 100 million by the World Bank and UA 634 million by the GoT and community (see Table 4.5 below). The programme aims to support efforts to increase access and improve quality and equity of secondary education in Mainland Tanzania.

**Table 4.5 Sources of Finance for the SEDP**

Source of Finance	Amount
ADF Loan	UA 20 million
IDA Loan	UA 100 million
GOT/Community	UA 634 million

*Source: AfDB (2007a)*

There were some delays in AfDB disbursement, of two months for the first tranche and eight months for the second (see Annex D, Table D.4), but this was due to delays by the GoT in producing required reports. Other major donors to the education sector such as DFID and Sida give support to the whole of the education sector plan, through GBS in the case of DFID and through SBS by Sida. There is no basket fund in education.

## **4.6 Rural Water Supply and Sanitation Program**

The Rural Water Supply and Sanitation Programme (RWSSP) is an AfDB programme which began in 2006/2007 and comprises an ADF loan of UA 45 million and grant of UA 10 million. The AfDB support is based on the GoT National Rural Water and Sanitation Programme (NRWSSP), which comprises three components which are: (i) Construction of Rural Water Supply & Sanitation facilities; ii) District Management Support; and (iii) Institutional Strengthening & Development.

The NRWSSP is a multi-donor-funded programme with a sector basket that contributes funding to all three components of the NRWSSP. The AfDB does not contribute to this basket and has not signed the MoU because of the procurement rules which prevent them using pooled funding. The AfDB funds are disbursed into a Special Account and are then earmarked for the rural water supply component of the NRWSSP. However, the AfDB does use the same reports as the ones sent to DPs in the basket.

The AfDB is the largest contributor to the water sector and has financed 23% of the NRWSSP costs overall. Other sources of finance are shown in Table 4.6 below.

**Table 4.6 Sources of Finance for the NRWSSP**

Source of Funding	Amount (UA)
ADF	55 million
IDA	51 million
Netherlands	27 million
FRG	16 million
Other development partners	44 million
Communities	7.4 million
Government of Tanzania	23.3 million
Total	223.7 million

*Source: AfDB (2006a)*

The AfDB contribution was designed to be disbursed in four tranches, but no specific financial commitments were given for each year. Commitments were dependent on GoT performance in the previous year and the financing needs outlined in the work plan for the next financial year, with the amount to be disbursed agreed with the GoT. This programme was 100% disbursed (in four tranches) before the end of the programme which will finish in December 2011 (see Annex D, Table D.4).

The RWSSP uses government financial management systems with GoT procurement procedures. On receipt of the disbursement request from the GoT, AfDB funds are disbursed into a Special Account at the BoT and are then disbursed by the Ministry of Finance according to the agreed formula to qualifying LGAs on a quarterly basis.

The programme is monitored through a results monitoring framework with an Annual State of the Water Sector Report produced by the Ministry of Water. The programme is audited by the NAO, with an annual technical/value for money audit undertaken by a private firm in collaboration with the NAO. These are the same arrangements as for the basket funders.

AfDB Board has approved the next phase of the programme. As procurement restrictions which prevented funding through baskets have been lifted, the AfDB will fund the NRWSSP basket, with the RWSSP II programme running from 2011–2014. Funds are still earmarked to the rural water sector, but apart from this the AfDB will follow agreed procedures for disbursement, procurement, reporting, monitoring and auditing. This means that the AfDB will be more harmonised with other DPs and more aligned with GoT systems than in the first phase.



## **5 Key Findings**

This section looks at key findings from the evaluation and discusses the main issues which are relevant to the AfDB design and implementation of PBOs. These relate to trends in the AfDB portfolio, guidance on the choice of aid modality, harmonisation and alignment, policy dialogue and strategic engagement, impact on policy and processes, predictability of funding, office capacity, decentralisation of authority, focus on results, and AfDB value-added. The findings have been categorised under three headings; performance and impact, strategic issues and design.

### **Performance and Impact**

#### **There has been a clear trend towards greater use of GoT systems and more harmonisation with other DPs activities**

This is evident both in the shift towards sector PBOs where previously only projects had been implemented and in the co-financing of GBS. This appears to have been driven by changes in the aid architecture brought about by the Paris Declaration, which has led to changes in AfDB rules and procedures instituted by AfDB HQ, as well as pressure from the GoT who have stated a preference for aid to be delivered through budget support. Other DPs have also pushed for the AfDB to join joint donor financing modalities and be more engaged in joint donor initiatives. Problems with delayed disbursements in SALs and projects have also played a role in the shift towards using more effective funding mechanisms. This has led to the AfDB joining the GBS group and aligning funding to support government plans in the education, agriculture and water and sanitation sectors.

This is a positive move as the AfDB now makes much greater use of GoT systems than earlier in the evaluation period. All AfDB PBOs use country systems for financing interventions which means more funds are on budget and use is made of government monitoring and evaluation systems, reporting and audits. This is significant as the AfDB, like other DPs, does not require any additional reporting to that supplied by the GoT, which decreases the administrative burden on the GoT.

Despite this, the majority of the portfolio is still project based and the AfDB is often perceived by other DPs as not being completely aligned and harmonised because of its use of Special Accounts and because its funding to the sectors is not through established sector baskets or SBS. A lack of participation in policy dialogue also gives the impression that the AfDB is only partially engaging in these processes and is not fully adhering to best practice in the design and implementation of PBOs. This is due to a number of factors related to corporate incentives, capacity constraints, HQ regulations and a lack of coherent guidance on when to use PBOs. These are discussed in greater detail below.

#### **Decentralisation has increased the efficiency of the PBO implementation, but decision-making authority is still limited at country level**

AfDB's Boards of Directors approved the Current Decentralization Strategy (CDS) on September 8, 2004 (AfDB, 2006e). The primary features of the CDS include the opening of 25 field offices in Regional Member Countries (RMC) including Tanzania which also opened in 2004. The AfDB refers to decentralisation as the deconcentration of functions from headquarters to various country offices in the region and changes in the Bank's human

resource and financial management systems and procurement systems to allow increased devolution of authority to the field office level.

The establishment of the Tanzanian office in 2004 was important in speeding up transactions and making working with the AfDB easier. It has improved planning and delivery of PBOs and increased interactions between the government, local stakeholders and the AfDB. The AfDB has benefited from analytical work undertaken by other DPs which assist with the planning and delivery of PBOs, increasing AfDB understanding of the specific needs of the country. Loan agreements are signed in Tanzania, speeding up the starting of PBOs as well as resolving queries arising at different stages of programme implementation or initiation; and more and more loan negotiations are being done via Video Conference from the TZFO. It has also led to a reduction of transaction costs for both parties. Though there are still clearance requirements from HQ, disbursements for PBOs are processed at country level with the presence of the procurement specialist facilitating procurement activities; this is more the case for projects than for GBS and SBS which entirely use government systems.

At the moment the office is in place mainly to implement rather than make decisions, and compared to other multilaterals and bilateral DPs, the AfDB is heavily centralised. In general, multilaterals are considered to have more technical capacity than bilateral DPs in Tanzania. The World Bank has a Country Director with authority to allocate the aid budget between sectors. Though some clearance is still needed, the WB has a procurement specialist, lead economist and lawyers at the country office all with much more authority than in AfDB's TZFO. There is also a dual reporting structure in the AfDB with sector specialists finding themselves having to report both to the Resident Representative and to the sector department at HQ, with each claiming authority.

In the case of the EU, the Tanzanian office has 15 professional staff working on development issues with the office having full responsibility for project choice and implementation while programming is still being done at HQ. Though some clearance from HQ is required, all contracts and payments are done locally with a maximum of Euro 10,000 of consultancy which can be approved locally without approval from HQ (in the case of AfDB this is UA 2,000). They also have a multi-year plan to guide strategy and decide priorities, and engagement in different working groups. Though TZFO provides inputs, budget allocation between sectors is heavily influenced by HQ with supervision missions being monopolised by HQ. Most sector specialists are not task managers, with resistance from HQ to reallocating experts to field offices. Limited authority exists for the Resident Representative in several areas, for instance recruitment of short-term staff.

The TZFO needs to seek permission from HQ even on communicating informally with other DPs at country level on matters relating to PBOs. This limits the ability of the TZFO to get information that could either improve the formulation of the programme or avoid an intervention that is misguided at the beginning. Many decisions still have to be referred to Tunis and more decentralised responsibility with increased staffing would assist the country office in working more efficiently and engaging more effectively in PBOs.

### **There is a limited focus on delivering results in PBOs**

This is due to the long time that it takes to complete PCRs, frontloading of funding, lack of policy engagement and the fact that the AfDB seems to be out of step with other DPs in terms of disbursement decisions. In all PBOs an assessment on whether progress has been made according to the PAF for each sector is used to judge whether disbursements should be made. In the case of GBS the AfDB has additional conditions which are drawn from the PAF. An assessment is then made based on government reports on whether indicators in

the PAF have been met. This is done at HQ level with the TZFO providing the relevant information. PCRs have also historically tended to be completed a long time after the project has been finished which indicates a lack of interest in results. For example, the PCRs for SAL I and II were undertaken in 2007, more than five years after they were finished. This was acknowledged by staff who noted that there was pressure to complete PCRs when there were likely to be follow-on programmes, although there is now a move from HQ level to undertake PCRs more quickly with OPEV validating these reports.

The frontloading of funds for PBOs as discussed above means that funds are disbursed before the end of the PBO cycle, so there is less incentive to produce results in the later stages of the PBO as the majority of the funding has already been given. This led to all the funds being disbursed for the RWSSP when basket funders are currently holding back their financing because of concerns over the quality of reporting. There is also no GBS allocation for the current fiscal year. The lack of engagement in policy dialogue and analytical work that could underpin these discussions also suggests an institutional lack of interest in strengthening results.

The AfDB is also out of step with other DPs in relation to GBS. The World Bank has reduced its contribution to GBS as Tanzania has achieved a lower CPIA score in recent years while other DPs are reassessing current contributions and future commitments over concerns about the lack of progress in the reform programme and the quality of dialogue with the GoT, which is not good from the DP perspective. In contrast the AfDB is considering raising its support for the next three-year cycle. The basis for this appears to be political and related to a desire as an African institution to support the GoT budget as there is likely to be a shortfall of funding due to other DPs' reductions in GBS. There has not been any economic, financial or policy analysis undertaken to support this move.

In terms of monitoring and evaluation (M & E) of PBOs, the AfDB bases its own frameworks on the PAFs agreed by DPs and the GoT in each sector and does not appear to have been very involved in the design of reform programmes. A subset of indicators is then taken from these PAFs to develop its own programme matrices with a combination of performance indicators, objective indicators and expected outcomes and impact. These are evaluated through the annual review processes for each sector support programme and the GBS annual review. Task managers will often attend these reviews, as will staff in the TZFO, although this does not always occur in the sector PBOs. The outputs from these reviews and the government reports which provide the basis for information and any other analytical work are sent back to the relevant task managers at HQ who then make their own judgments on the extent to which targets have been met. It is noteworthy that the 2009 Country Portfolio Review found that monitoring arrangements, capacity and utilisation of M & E information was the weakest area in the AfDB portfolio in Tanzania and AfDB M & E systems performed less well than the World Bank's. It also pointed out that national sectoral M & E systems were not performing adequately and needed to be strengthened.

### **The value-added of AfDB participation in PBOs has primarily been through additional funding and a focus on procurement and infrastructure**

The value-added from AfDB's participation in PBOs has primarily been through the additional funding that it has provided to the government budget in conjunction with other DPs. There is evidence that budget support (GBS and SBS) has increased the discretionary spending of the GoT as GBS has contributed around 20% of public spending in the fiscal year 2003/03 and 18% in the fiscal year 2009/10. During this period there have been significant increases in spending to the priority sectors from the Tanzania Budget. Priority sectors are classified as

agriculture, education, health, roads and water. These priority expenditures have grown significantly faster than non-priority spending over the past five years (IMF, 2010).

Other value-added in the GBS process has been through the AfDB focus on procurement reform through complementary activities in the ISP which aim to improve the capacity to implement procurement systems. For sector PBOs there has also been some contribution from the technical expertise of staff in the TZFO which has been primarily in the water sector and more recently in agriculture, where staff members have been participating through water and agriculture sector working groups. The AfDB focus on infrastructure is also appreciated in sector PBOs where AfDB inputs have been helpful in the design of components related to this. On the other hand, it was also noted that sometimes there was a tendency for AfDB design teams to arrive with a preconceived design which was not always appropriate.

Overall the AfDB value-added has been limited, mainly because of the specific approach of AfDB to PBOs that has seen PBOs as a funding mechanism rather than a package of inputs that includes policy dialogue, technical assistance, analytical work and complementary inputs in order to achieve results.

### **A lack of capacity in the TZFO constrains AfDB capacity to implement PBOs effectively**

Many of the problems outlined above are related to a lack of capacity in the TZFO. Capacity to engage fully in PBO processes has been an issue for the TZFO as there has been a lack of professional staff with both technical and policy expertise in key positions, such as PFM and transport, while it has taken a long time to fill vacant posts.

At the time of the evaluation there were vacancies for the Resident Representative and an energy specialist (local position) was recruited in October 2010. Staffing is a problem, however, as it took eight months to replace the social development expert, while the office operated without a macroeconomist and agricultural expert for a similar amount of time. This is due to bureaucratic procedures in recruitment, as although salaries are competitive, there are delays in securing clearance from the human resource department at HQ. Staff turnover has resulted in fluctuating capacity levels at TZFO, as well as affecting TZFO's participation and contribution in joint sector working groups and has led to a loss of institutional memory. Turnover is reported to be high mainly as a result of local staff transferred to HQ which offers better remuneration compared to locally based salaries.

This has led to resources being spread too thinly and there is often a mismatch between skills required and staff recruited. In addition, some professional staff have been responsible for multiple sectors requiring different skills and qualifications. For instance, the social sector development expert covers the health, education and microfinance sectors, while the disbursement officer or macroeconomist occasionally represents AfDB in PFM policy platforms. The AfDB has fewer professional staff compared not only with multilaterals but also with bilateral DPs, and often their expertise is technical rather than policy based. Other DPs usually have two professional staff per priority sector with an international expert being complemented by a local expert.

This has led to variations in the extent to which the AfDB is active in policy platforms for its priority sectors. TZFO staff have recently been very active in the water sector and with the recruitment of national agriculture specialist in January 2010, he is now participating in all the meetings. In the social sector due to the fact there is only one person dealing with two large sectors (health and education), it has been difficult to attend these meetings on a regular basis.

The participation of the Resident Representative in GBS or even of programme staff in sector PBOs in working groups is not institutional but depends on personal interest, as evidenced by the differences in how active the past two Resident Representatives have been in GBS dialogue. This is further exacerbated by the AfDB Resident Representative combining the role of Head of Cooperation with Head of Mission, contrary to most bilateral donors or the World Bank.

There is little training for staff to support delivery of PBOs. This may well be the result of limited decentralisation, yielding no incentives for HQ to invest in this area as most of the important decisions for PBOs are being undertaken at HQ level. Although long-term capacity has not been systematically addressed, to some extent the AfDB has strengthened short-term capacity building depending on when additional resources were needed during the time the AfDB chaired GBS. TZFO's capacity was enhanced during the chairing of GBS with the recruitment of two employees, one a DFID secondee and the second an International Economist who was a Young Professional. Though these recruitments facilitated TZFO's coordination of GBS activities, it did not encourage the involvement of other staff such as the CPO or the macroeconomist on issues related to GBS. Therefore, the enhanced capacity was short-lived and AfDB missed an opportunity to institutionalise GBS experience. While this short-term strengthening of capacity is evidence of the ad-hoc way of managing development interventions in Tanzania, it also shows that the AfDB decided to chair the GBS group while the office was understaffed and not structured to engage in DP coordination and complex GBS review processes. This is contrary to other multilaterals such as the World Bank and EU who have a strong presence in terms of number of professional staff (both core and supporting staff), which means the role of chairing the GBS donor group is less of a burden for them.

### **Predictability of disbursement from year to year and in-year remains a problem**

Predictability has been a problem for AfDB PBOs. Efforts have been made by the TZFO to improve performance in this area, but predictability both from year to year and in-year remains an issue, as it is important for the GoT's budget planning. Failure to disburse committed funds on time by DPs results either in planned activities not being undertaken or the government resorting to borrowing on financial markets, which is expensive.

SAL I and II experienced lengthy disbursement delays of 18 months and 14 months respectively, which led to 67% of funds not being disbursed in the year committed for SAL I and 100% for SAL II. This was due to conditions not being fulfilled and this problem was also experienced by other DPs. The number of conditions was reduced for future AfDB PBO operations as a result.<sup>19</sup>

For PRSL I–III there were still problems, but the PRSL I disbursement was released on time, although PRSL II was released on the last day of financial year, again because of problems with non-fulfilment of conditions. PRSL III was a two-tranche operation with the first tranche disbursed two months late and the second tranche disbursed in the first quarter of the fiscal year in line with other DPs. By PRSL III there were only five conditions to fulfil as opposed to eight in PRSL I and 10 in PRSL II.

More recently, predictability has been affected by frontloading of the current GBS AfDB cycle. It was for three years from 2008–2010, but it was frontloaded because of the economic crisis with two tranches disbursed in each of the first two years, but none in the

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<sup>19</sup> SAL I and II had 23 and 16 conditions respectively.

third. This resulted in no funds for the 2010/2011 fiscal year. This was unfortunate as although it was communicated to the GoT, it coincided with the AfDB being out-going Chair of the GBS group and with other DPs reducing their GBS allocations, which led to a large decrease in GBS of around USD 200 million. This obviously has an impact on the GoT budget in the third year. The TZFO tried to rectify the situation by requesting that the funding from a non-performing road project be transferred to provide funding for GBS. This was communicated to the GoT, but it was not approved by the AfDB Board. The intention currently is to front load the next ADF XII allocation to allow disbursement in the 2010/2011 fiscal year, but it is not certain that this will be possible because of time constraints, increasing the uncertainty of aid inflows into the government budget.

Disbursing in equal instalments each year would have made the overall level of GBS more predictable. The practice of frontloading has also been followed in other PBOs; it results in perverse incentives for the GoT and sends differing signals to those of other DPs financing the same sectors. In both the ASDP and the RWSSP most of the loan was disbursed in the first two or three annual tranches, although the programmes extended longer than this. In the ASDP a small amount of funding was given in the fourth and final year tranche and in the RWSSP all funds were disbursed 20 months before the end of the programme. This means that AfDB funds in these PBOs were disbursed mainly in the first two years with less in the following years. This has been a particular issue in the RWSSP where other DPs funding the basket have held back disbursements for the past nine months as they are not satisfied with reporting. This leaves the AfDB out of line with other DPs in the sector, as all its funds were disbursed early. This gives the GoT little incentive to perform in the latter years of the programme, as the AfDB has little leverage, and gives the impression to other DPs that the AfDB is no longer engaged in sector processes.

It is also worth noting that in the RWSSP loan agreement there was a total figure given for the loan but no commitment figures for each year nor dates for disbursement. The annual tranche disbursed was designed to be dependent on GoT performance in the previous year, but how this relates to the level of disbursement was not specified.<sup>20</sup> Although this provides flexibility in being able to give the GoT additional funds if needed, if it is not stated when funds will be disbursed it does not assist in predictability and does not allow for budget planning. All sector PBOs have had a problem with in-year predictability, as disbursements have often been significantly late and often take place in June which is the end of the GoT fiscal year. This is not entirely the fault of the AfDB but is also due to late submission of reports by the GoT which has also led to other DPs making disbursements later than anticipated.

### **The AfDB has made significant progress in harmonisation and alignment over the evaluation period**

PBOs implemented by the AfDB use government financial, procurement, reporting, monitoring and evaluation and audit systems. The objectives of PBOs have also been aligned with GoT plans and have been harmonised with those of other DPs. Despite the AfDB not being able to fund sector baskets it has followed the same procurement, planning and reporting procedures and funded the same activities as the baskets. This is broadly in line with other DPs as according to the 2008 OECD Survey on Monitoring the Paris

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<sup>20</sup> In the ASDP there are maximum levels of funds to be disbursed each year if the GoT performs, but again there is not a clear link between performance and level of disbursement. There are, however, dates given for annual disbursements.

**EVALUATION OF POLICY BASED LENDING IN THE AFRICAN DEVELOPMENT BANK**  
**Country case study: Tanzania**

Declaration, 71% of DPs use country systems in Tanzania and 61% use programme-based approaches.

In GBS the AfDB has become more aligned by moving to using the same PAF as other DPs, based on GoT reports and GoT financial and procurement procedures, although in PRSL III there was an additional trigger on PFM in addition to what was in the PAF. The main deviation is that the AfDB does not pay GBS funds into the same account as other GBS funders, which is the same for all PBOs where a separate account is used. This account is then audited to show that funds were transferred to the Ministry of Finance. Until recently HQ procedures have not allowed funds to be directly pooled and this creates mistrust of the TZFO among other DPs who assume that the AfDB has a separate account as it is requesting additional reports and audits, when in practice this is not the case. This was acknowledged by staff in the TZFO, but as they do not design PBOs they felt there was little they could do about this.

This requirement for separate accounts and specific AfDB procedures that mean funds cannot be mixed with other DPs has now been abandoned by the AfDB and the new RWSSP II will be funded through the water sector basket. This is a positive move and it is assumed that new PBOs will follow suit and the use of a Special Account for PRSLs will also be abandoned.

Although the RWSSP II will now be completely aligned with GoT systems and harmonised with DPs, funds will still be earmarked to the rural water sub-sector. Earmarking is an issue as although the AfDB could have chosen to fund the whole sector when sector PBOs have been used in accordance with agreed sector plans, funds have been earmarked to specific subsectors. In education the higher education plan was funded, in agriculture funds were earmarked for rural development, and in water for the rural water supply component. This earmarking is only nominal, but still goes against the spirit of sector support and is out of step with other donors, as most do not earmark. This gives the impression that the AfDB is only partially engaged in the sector and it is in effect seen to be undertaking project support through GoT systems, as most other donors are giving unearmarked support through basket funding.

There is also the issue of the establishment of parallel projects which undermines the move to greater harmonisation and alignment and negatively affects AfDB's reputation with other DPs. An example of this is the continuance of the second phase of a project in agriculture which could easily have been funded through the agriculture sector basket; this has caused concern among other DPs although it was requested by the government.

Finally, there is little coordination with other donors in terms of joint work or missions. The last TZFO portfolio review was done jointly with the WB, but appraisal missions tend to be separate, although sector reviews are undertaken jointly with the GoT and DPs. Although it should be noted that this trend is changing as in 2010 there was a joint review for the electricity sector and for an agricultural project. In the past key DPs in the sector were not consulted on new projects and as the AfDB does not always attend working groups there has been a feeling among DPs that little is known about TZFO activities. However, this is not very different to other DPs, as the OECD 2008 Survey found that only 16% of DPs coordinated missions in Tanzania. On the other hand, this is also changing as appraisal mission now meet with all DPs in the sector.

## **Strategic Issues**

### **Capacity to engage in effective policy dialogue and engage strategically in PBOs is constrained**

A key characteristic of Tanzanian PBOs is that although both SALs and PRSLs have the objective of lending to support policy change, there has been very little effort to influence policy or engage in policy dialogue by the AfDB itself. SAL was based on substantive policy reform, but the programme was taken from the GoT Policy Framework Paper and there was little engagement by the AfDB in policy dialogue with the government. There was also no complementarity between the rest of the AfDB programme and the SALs. This is in contrast to the World Bank SAC, which was complemented by institutional development projects in sectors covered by the programme. This meant that the AfDB had very little leverage over whether the policy conditions were undertaken or not.

This lack of engagement in policy dialogue is highlighted in the PCRs for SAL I and II which note that the *'AfDB needs to demonstrate its involvement is adding value to the programmes, supported by other donors'*, and that *'the Bank should develop key pieces of economic and sector work to strengthen its policy dialogue with the government and support future policy based operations'* and *'the bank should adopt a sector or issues based strategy for engagement on ongoing donor/GoT policy dialogue'* (ADF 2007a and 2007c).

This problem has not been addressed, as there is still very little engagement by the TZFO on policy issues in the GBS or sector working groups. In the three PRSLs there has been limited participation by TZFO sector staff or advisors from HQ in the relevant GBS working groups. This is the case even where the AfDB has a specific focus, such as PFM or transport, and also occurs in sector working groups where there are PBOs.

The reason for this is that there is little incentive for sector staff in the TZFO to participate in sector working groups or GBS discussions as their performance is not assessed on engagement in policy dialogue, but on the performance of the programmes that they oversee. They also report to their relevant sector departments and the PRSLs are run by OSGE, so there is little pressure from their own departments to participate in GBS dialogue and sector staff often have technical skills rather than policy experience. Staff are also overstretched with little time to devote to these working groups.

This has resulted in limited effort by the AfDB to influence policy, as there has been little engagement in policy dialogue and no strategy developed to ensure that the AfDB uses its influence to greater effect. There is also a lack of investment in analytical work which would underpin and give credibility to engagement in policy dialogue. TZFO entirely depends on analytical work undertaken either by other DPs or in joint working groups. This has unfortunately given the impression to others that the AfDB is not interested in this element of PBOs and is rather focusing on disbursement, and that it contributes little to PBOs other than funding.

### **Chairing of the GBS Group was also constrained by a lack of resources and ability to engage in policy dialogue strategically**

In 2008 the AfDB became the Chair of the GBS group which gave it the opportunity to raise its profile among stakeholders in Tanzania and become more influential over the process, addressing some of the criticisms described above, in particular the perception that the AfDB is not very engaged in policy dialogue or wider budget support processes. The initiative came from within the GBS group in Tanzania; choosing AfDB as the chair of the GBS group



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was seen as experimental (previously only bilateral DPs had chaired the group) and it was an intention of other DPs to push AfDB to take a more prominent role in coordinated DP relationships with the government.<sup>21</sup>

The AfDB chaired the GBS group at a time when DP and GoT relations were fraught because of the emergence of three corruption scandals into the public domain and DP concerns over perceived slow progress by the GoT in achieving reform. The expectation among the GBS group was that having an African institution as Chair would assist in going some way to repairing relations with the GoT and ensuring that dialogue on issues of concern made progress.

Overall, the AfDB was generally perceived to have done a good job in chairing the GBS group from an administrative perspective, and the support given by the AfDB team was instrumental in ensuring the smooth running of the process. The team consisted of the Resident Representative, the International Economist and an Aid Effectiveness Advisor seconded from DFID. The latter was seen as a particularly valuable contribution by DFID as the AfDB did not have sufficient resources in-house to oversee the running of the GBS process itself.

Opinions differ among donors about the degree to which the AfDB was able to be a useful intermediary between the GBS group and the GoT. This is due to donor politics within the group and different perspectives on how corruption should be dealt with. Some DPs thought that a strength of the AfDB's chairing was that it was able to deal sensitively with the concerns of both DPs and the GoT. The relationship that the AfDB already had with the GoT allowed it to deliver difficult messages to the GoT and get agreement on issues which were always difficult, such as the content of the PAF. Not all donors agreed with this view, but generally it was perceived that this relationship worked well on an informal basis, but was less successful when the AfDB had to deliver difficult messages to the GoT. However, in terms of content the AfDB is credited for pushing for a slimmer and better structured PAF. But given the complexity of the process, there is always limited room for innovations.

There was reluctance on the part of the Resident Representative to engage in political dialogue with the GoT and send formal messages to the GoT relating to corruption issues. The particular instance that caused a problem was when the GBS group requested the Chair to send a letter to the GoT asking the GoT to address certain issues related to corruption in the 2009 Annual Review session. The Resident Representative was reluctant to do this; the letter was sent after some delay, but in remarks made at the 2009 GBS Annual Review she then distanced herself from the content of the letter and hence from the GBS group stance. This was not well received by the rest of the GBS group and led to bad feeling among some bilaterals towards the AfDB.

The government was more positive about the facilitative role played by AfDB as the Chair, but considered that the main failing of the AfDB was that it was not able to prevent a reduction in GBS commitments which followed the 2009 GBS Annual Review. The GoT considered that it was the AfDB's role to maintain the cohesion of the group and ensure that these reductions did not occur. Its perception was that the AfDB had not made sufficient effort to prevent this.

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<sup>21</sup> It should be noted that although there was an expectation by some DPs that through chairing the GBS group the AfDB would become more engaged, there were also other agendas at play with it being reported that the AfDB was chosen in order to prevent another DP becoming Chair.

In practice the TZFO argued that it was AfDB's institutional structure and the very fact that it is an African institution that made it difficult for the Resident Representative to send strong messages on corruption to the GoT. The TZFO argued that its role was to support the GoT and not be confrontational. It was reported that the Resident Representative saw the Minister of Finance as part of the AfDB, given that Tanzania is a member of the AfDB and on the Board, and in a higher position institutionally than herself, and she therefore felt that she could not confront him on these issues. The possibility that this might occur was not considered when the AfDB was given the Chair and this conflict of interest only emerged later.

Chairing the group is a three-year commitment (there is an in-coming Chair, a Chair and an outgoing Chair) and currently the AfDB is the outgoing Chair. The AfDB now has little visibility in the process as staff changes have led to the departure of the Resident Representative and the International Economist, and the Aid Effectiveness Advisor seconded from DFID is now working with the Norwegians who are the new Chair. This is an issue as the AfDB should have committed resources to the process for the whole three-year period when agreeing to be Chair. Currently as out-going Chair it has limited capacity to assist because of staff changes, the fact that there is no Resident Representative in place and because there was a lack of involvement of other staff in the GBS process. This does not present a good image to other DPs or to the GoT and it should be noted that little visibility also existed when AfDB was the incoming Chair, missing an opportunity to enhance capacity as well as taking up some roles as a learning exercise prior to assuming the role of the chair.

Another issue is that the AfDB gained little from the experience of chairing the GBS group as there was no specific AfDB agenda or area that it wished to influence. Engagement could have been more strategic and better planned, with a focus on areas where it had an interest in influencing the dialogue, such as in PFM and infrastructure. Because of the lack of linkage between the rest of the country programme and the chairing of GBS this did not occur.

Finally the TZFO felt that they had no support from HQ in undertaking the role of Chair and received no appreciation or extra resources for having carried out the task. There was also no participation in the annual review of 2009 from manager level or above from HQ. The initiative to chair came from other DPs in country, rather than from within AfDB, and there was a need for more resources to be provided by HQ for the task to be undertaken successfully. This was one reason why DFID provided support. It was noted that having a PFM and governance expert for the period that the AfDB was chair would have allowed it to have greater influence over the agenda in these areas. Although the office employed an intern, the process was extremely bureaucratic and lengthy, as was accessing the Japanese trust fund designed to support GBS. This proved to be too complicated to access so the majority of the funds have not been spent. There is also a feeling that the office could have learned lessons from other countries' experience, but there was no mechanism through which they could access this type of information or get additional support.

### **Design**

#### **There is a lack of guidance on how decisions are made on individual country PBO allocations**

This results from a lack of clarity on how the formula by which funds are allocated to PBOs is calculated. AfDB rules state that 25% of the overall bank portfolio can be delivered by PBOs, but no additional guidance is given on how decisions are made on individual country allocations. It is unclear to the TZFO how the percentage of the portfolio allocation to PBOs in Tanzania is calculated. As there does not appear to be a clear and transparent process for

this, it makes it difficult for the TZFO to know how much of their portfolio can be in the form of PBOs.

The CSP should be the main document providing guidance on which sectors PBOs will be used in and how PBOs will complement the rest of the programme. This should be aligned with the JAST. In practice the CSP does not do this and is not able to provide the strategic framework, which should drive the use of PBOs and guide the mix of aid instruments necessary to achieve bank and country objectives. This is because although the JAST states that DPs should move towards using more budget support and this is reiterated in the CSP, there is no discussion of how the AfDB country programme will implement this nor any assessment of which sectors may be suitable candidates for PBOs. It appears that decisions on aid modalities are made by appraisal missions that decide for each individual lending instrument whether it should be in the form of a project or a PBO. There is no overall framework in the CSP which guides how a shift to more budget support and use of country systems will occur.

One consequence of this is that there does not seem to be awareness at HQ level of where PBOs are being used in Tanzania and it is difficult to get an accurate list of all PBOs being used in the TZFO. It is also hard to identify PBOs unless project appraisal documents are examined and the TZFO were not always aware which lending instruments were PBOs and which were not. For example, the team discovered an AfDB PBO in the water sector while in country which had not been identified as such before the field visit. This suggests that AfDB systems cannot accurately identify PBOs, while the CSP does not provide a useful framework for making choices between different aid instruments.

### **The way in which conditionality is used has improved and the design of PBOs has been strengthened**

Although the AfDB has had limited engagement in policy dialogue, there is an implicit impact on GoT policy through the conditions that are attached to PBOs. It is useful to consider whether these were the right ones and what effects they had on GoT systems (see Section 4 for a description of these conditions).

There has been a distinct shift in the way in which conditions have been used by the AfDB over the evaluation period, which has resulted from lessons learned from previous operations. This has led to a reduction in the number of conditions used and more selectivity with a focus on fewer areas, which in turn has led to disbursements in the PRSL III being dependent on the overall satisfactory performance of the PAF and the opening of a Special Bank account for the first tranche and for the second tranche a satisfactory performance of the PAF and two additional triggers related to procurement and appointment of TANROADS board members. There were also three benchmarks added as indicators of progress rather than for disbursement. This is in contrast to PRSL I, where there were eight conditions related to PFM, private sector development and microfinance. This means that the conditions that the AfDB uses for GBS are now in line with those of other bilateral DPs who use a mix of satisfactory performance in the annual review and additional indicators that reflect their particular concerns.<sup>22</sup> Similarly in sector PBOs AfDB disbursement is based on satisfactory sector reviews of sector plans and activities that are jointly agreed between the GoT and DPs.

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<sup>22</sup> The only area where the AfDB was out of line with other DPs was that the PRSL III condition on procurement was not from the PAF.

This shift in the way conditionality is used by the AfDB reflects changes in conditionality among other bilateral DPs and the more general change which has occurred in the aid environment from using conditions to leverage policy change to supporting government plans and priorities. Overall, the trend in the way that AfDB uses conditions has been in the right direction and has been in line with other DPs, with a shift to focusing on overall progress and results, rather than just specific policy actions. On the other hand, the GBS PAF itself is still very focused on bringing about policy change and some DPs argue that it is over-ambitious in scope. In terms of bringing about reform, the GBS process has been less successful in recent years as annual review assessments shown in Table 5.1 indicate a decline in process actions and indicators achieved.

**Table 5.1 GBS Annual Review Assessment/Ratings: 2006–2009**

	2006		2007		2008		2009	
<b>Underlying Process – (Satisfactory/Unsatisfactory)</b>	21/24	87.5%	14/22	63.6%	19/24	79.2%	15/20	75.0%
<b>Temporary Process Actions – (Achieved/Unachieved) – Achieved/Total</b>	15/19	78.9%	11/21	52.4%	17/31	54.8%	13/25	52.0%
<b>Outcome indicators – (On-track/Off track) – track/total</b>	13/20	65.0%	19/24	79.2%	15/26	57.7%	18/34	52.9%
<b>Overall Average</b>		78%		66%		63%		58%
<b>Overall rating</b>	Generally satisfactory		Moderately satisfactory		Moderately satisfactory		Moderately satisfactory	

Source: GBS Annual Review 2006–2009

There is also an expectation that PBOs and any complementary support should strengthen government systems. There is evidence that the AfDB support has assisted in this process in the area of procurement through complementary assistance to GBS. Although there has been little progress generally in Tanzania on PFM, the AfDB has supported the Institutional Support Project for Good Governance (ISP) 2005–2009 which is designed to complement GBS support and focuses on strengthening PFM, with attention paid to procurement reform. There are temporary process actions in the GBS PAF which relate to procurement and are supported by this project. The outcome indicator for procurement ‘*average level of compliance of procuring entities with the procurement act 2004 to reach 80% by 2010*’ is marginally off track according to the 2009 Annual GBS Review, but it shows a positive trajectory which can be attributed to AfDB support in this area (see Table 5.2).

**Table 5.2 Performance of Procurement Reform**

Outcome indicator	Baseline	2007	2008	Target 2009	2009	Target 2010	Target 2011	PRSP target
<i>‘average level of compliance of procuring entities with the procurement act 2004 to reach 80% by 2010’</i>	39% (2006/7)	39%	43%	55%	50%	65%	80%	80%

Source: Public Procurement Regulatory Authority

Sector PBOs focused primarily on providing infrastructure and although there are smaller components aimed at institutional strengthening, these PBOs are still under way or have only just been completed which means that PCRs have not been produced and independent evaluations have not been undertaken. It is therefore difficult to evaluate what they have achieved in terms of strengthening policy and processes.

## **6 Issues**

During the evaluation period the TZFO has made significant progress in strengthening the way in which PBOs are delivered, through making greater use of government systems, aligning with government plans and systems, reducing conditionality, and harmonising activities with other DPs. This is evident in the move from SAL to participation in the GBS group and in the use of PBOs rather than projects in some sectors. The establishment of the Tanzanian office in 2004 was also important in speeding up transactions and making working with the AfDB simpler. It has improved planning and delivery of PBOs and increased interactions between the government, local stakeholders and the AfDB.

More specifically the AfDB has achieved significant progress in harmonisation and alignment over the evaluation period. PBOs are now implemented by the AfDB using government financial, procurement, reporting, monitoring and evaluation and audit systems. The objectives of PBOs have also been aligned with GoT plans and have been harmonised with those of other DPs. There has not been complete alignment because of HQ rules on the use of special accounts and funding of sector baskets, but as these regulations have now been lifted it is expected that future AfDB PBOs will be completely aligned. This is already happening in the RWSSP II where funding will be through the sector basket.

There has also been a distinct shift in the way in which conditions have been used by the AfDB over the evaluation period, which has resulted from lessons learned from previous operations. The number of conditions has been reduced, the area of focus has been limited, and there is an increasing reliance on making disbursement decisions based on overall performance rather than on specific actions. This makes the AfDB more in line with bilateral DPs and international best practice.

Support given by the AfDB is now based more strongly on GoT priorities than in the past. It has been prepared to respond to GoT requests for support in areas such as funding higher education when other donors have been more focused on primary education. Funding of the GoT budget through GBS has also been critical in allowing for an expansion in government expenditure in priority sectors and sustained support has been crucial during the recent financial crisis.

The value-added of AfDB participation in PBOs has not been as great as it could have been, but there is evidence that complementary support in the ISP project focused on procurement has strengthened procurement processes. In addition, the AfDB is also valued for its expertise in infrastructure, which has been the focal point of sector PBOs.

There are still areas, however, where the implementation of PBOs could be improved. Predictability has been a problem for AfDB PBOs, although efforts have been made by the TZFO to improve performance in this area, but predictability both from year to year and in-year remains an issue. There has been limited effort by the AfDB to influence policy, as there has been little engagement in policy dialogue and there has been no strategy developed to ensure that the AfDB uses its influence to greater effect. There is also a lack of investment in analytical work which would underpin and give credibility to engagement in policy dialogue. This is a missed opportunity for the AfDB to influence policy and raise its visibility.

There has not been a strong focus on results, which is evidenced by the long time that it takes to complete PCRs, frontloading of funding, lack of policy engagement and the fact that the AfDB seems to be out of step with other DPs in terms of disbursement decisions. This occurred in the RWSSP I where other DPs stopped funding because of concerns over

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reporting, but the AfDB disbursed all funds early, while a new phase of the RWSSP II has been designed before the PCR has been completed. The practice of frontloading PBOs means that there is little incentive for the GoT to produce results.

It is also worth noting that although PBOs are being used by the TZFO, there has not been a complete shift towards their use and projects are still the most prevalent aid modality with new projects being started in some sectors where there are PBOs or baskets which could be funded. This is probably due to a lack of corporate guidance on when PBOs should be used, and the fact that the CSP does not provide a steer on how much of the country programme should be PBOs. In practice, the decision to use PBOs appears to originate in the sector departments and there does not seem to be a joined up, holistic approach to the use of PBOs by the Bank.

There are a variety of lessons that can be drawn from the evaluation that are important for guiding the design and implementation of future PBOs. The first is that the lack of effective engagement by the TZFO in policy dialogue related to PBOs is a major area of weakness. This is not only a missed opportunity in terms of influencing policy and strengthening the GoT focus on results, but the AfDB's invisibility in these types of discussions also weakens its credibility among stakeholders. This lack of participation arises for a number of reasons: constraints on staff time, limited expertise in policy discussions as sector experts often have only technical expertise, and staff incentives that are linked to disbursements rather than to engagement in policy dialogue or in a wider range of results.

The capacity of the AfDB to engage with the GoT and other DPs as an equal partner is also an issue that needs to be addressed. At present the AfDB has insufficient staff in the TZFO to engage effectively in working groups and in the recent past suffered from a lack of specialist staff to support areas that are AfDB priorities, particularly when the AfDB took on the role of the GBS chair. The provision of a PFM or governance expert would have given the TZFO more expertise and made it better equipped to lead in this priority area. This type of engagement also needs to be underpinned by the capacity to undertake analytical work in key areas in order to add value to policy discussions. This would help to address the widely-held perception that the AfDB contributes little other than funding.

Frontloading of disbursements for GBS and the water and agriculture PBOs was undertaken to ease GoT budget constraints. In practice this has had a negative effect on predictability, which has had major consequences in the case of GBS as not having funds to disburse in the fiscal year 2010/2011 coincides with other DPs reducing support. This has resulted in a considerable reduction in GBS funding with a consequent effect on the GoT budget. It also weakens incentives for the GoT to perform in the latter stages of a PBO and means that the AfDB is out of line with other DPs' disbursement schedules.

Further decentralisation of authority and staff to the TZFO will also help to enhance the effectiveness of future PBOs. Currently, because the Resident Representative has little decision-making authority, it is difficult to chair working groups and take the lead in addressing current problems or developing new approaches because reference has continually to be made back to HQ and because it is not possible to fund additional resources to support sector or GBS work through technical assistance or analytical work. To support this wider process a full complement of staff will also be needed.

The following reflections with potential implications for the Bank emerge from the Tanzania case study. These reflections will feed into the country case study synthesis, and into the overall evaluation report, which will include recommendations derived from the whole body of evidence collected for the evaluation:

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1. Greater clarity needs to be given to the criteria for allocation of PBOs to the Tanzania country programme and how the country allocation is calculated. This would give staff a better idea of how much funding within the programme is likely to be allocated to PBOs. This type of decision should be better articulated in the CSP which should provide the strategic framework for the country programme.
2. Front loading of the funding for PBOs should be avoided in order to make year to year financing more predictable and provide greater incentives to achieve results. There should also be greater efforts made to ensure that disbursement of funding is towards the beginning of the GoT fiscal year.
3. The use of Special Accounts should be abandoned given that there are now no requirements from HQ to use these and funding should be through sector baskets/SBS where possible, or the most aligned financing modality. The practice of earmarking should be reconsidered as due to the fungibility of financing such earmarking makes little difference to sector funding allocations.
4. More support needs to be given in terms of staff resources so that the country office can engage more effectively in policy dialogue with the GoT. This is particularly crucial when the country office is chairing working groups, and there should be staff with specific sector expertise in areas where the sectors are AfDB priorities. One way for the AfDB to enhance capacity in development policy engagement is to make the country programme officer (CPO) more prominent in development policy matters as a back up to the Resident Representative.
5. Greater delegation of authority from HQ to the TZFO would assist in making the implementation of PBOs more efficient. Currently, staff in the TZFO who oversee PBOs have very little authority, but in practice they could undertake some of the functions of the Task Manager based in HQ. More authority for the Resident Representative in areas such as appointing staff and budgets would also make the TZFO less of an implementing office and allow the office to be more flexible and involved at country level.
6. For the AfDB to be credible in development policy matters, there is also a need to invest more in analytical work in sectors where PBOs are operational.
7. There should be greater participation by TZFO staff in the relevant GBS working groups and sector working groups. However, to maximise the benefit of engaging in PBOs there should be a strategy developed for participation which outlines which working groups to direct staff time and resources to, depending on TZFO priorities and the policy outcomes which the office would like to achieve.
8. Before taking the Chair of GBS or other working groups an assessment of the capacity to undertake the necessary administrative and support functions needs to be undertaken and a realistic assessment of whether this is feasible and what additional support will be needed.

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## **Annex A Evaluation Matrix**

<b>Main evaluation questions</b>
<b>C. Has AfDB developed the organisational capacity and capability to deliver PBOs efficiently and effectively?</b>
<p>C1. Has AfDB adopted an explicit in-house capacity building programme to support delivery of PBOs? If so describe it.</p> <p>C2. Has AfDB been appropriately structured and staffed to deliver PBOs? What was done?</p> <p>C3. How have successive efforts to reorganise the AfDB and decentralise affected the planning and delivery of PBOs?</p> <p>C4. In what ways have internal business processes helped or hindered the processing, approval and disbursement of PBOs? Specify examples.</p> <p>C5. Have the AfDB's corporate systems for knowledge sharing, results monitoring and financial management support effectively contributed to PBOs' delivery? Has anything been weak or missing?</p>
<p><b>Answers</b></p> <p>C1: There was no explicit in-house capacity building programme to support delivery of PBOs. <i>Capacity was enhanced during the chairing of GBS with the recruitment of two short-term employees.</i> These recruitments facilitated (successfully) TZFO's coordination of GBS activities. This enhanced capacity was short-lived so the AfDB missed an opportunity to institutionalise GBS experience. <i>Positions for social sector development, water and agriculture experts were created and filled with local staff.</i> However, due to staff turnover and delays in filling vacancies, capacity level has fluctuated. This affects TZFO's participation and contribution in joint sector working groups as well as resulting in a loss of institutional memory. The turnover results reportedly from local staff vying for AfDB vacancies at HQ which offer better remuneration. There was <i>no systematic training to support delivery of PBL.</i> There are no incentives for HQ to invest in this area as most of decisions on project activities are being undertaken at HQ level. However, sporadic training took place e.g. a seminar on GBS for TZFO; training events at HQ attended by some TZFO staff.</p> <p>C2: <i>Limited resources are spread too thinly.</i> Staff engage in policy processes which are not within AfDB's priority areas and there is mismatch between staff recruited and skills required. Some professional staff are responsible for distinct multiple sectors requiring different skills and qualifications. For instance, the Social Sector Development Specialist covers health, education and microfinance sectors and the water expert is in a regional post so is often not in country. The AfDB has fewer staff compared to other multilaterals and bilateral DPs. There is no expertise in PFM or governance which would be useful given the AfDB focus in this area.</p> <p>C3: <i>Opening up a field office in Tanzania has improved planning and delivery of PBLs.</i> The AfDB appears local, rather than foreign, as it did when everything was done in Tunis with high transaction costs for both sides. Queries are quickly resolved and monitoring reports are easily accessed. Though there are still clearance requirements from HQ, disbursements for PBOs are processed at TZFO, while the presence of the procurement specialist facilitates procurement activities, more so for projects than for GBS and SBS which entirely use government systems. <i>In comparison to other multilaterals and bilateral DPs AfDB is heavily centralized.</i> Though TZFO provides inputs, budget allocation between sectors is heavily influenced by HQ. Programme supervision missions are also heavily monopolized by HQ. Most sector specialists are not task managers, with resistance from HQ on reallocating experts to the field. There is limited authority for the Resident Representative, for instance on recruiting short-term staff.</p> <p>C4: <i>Internal business processes do not impede approval and disbursement of PBLs.</i> Intranet facility facilitates flow of information during processing and approval of PBLs as well as reporting between AfDB and implementing agencies, while the presence of disbursement staff has facilitated disbursement. <i>Internal business processes are not flexible enough for PBOs.</i> This was mostly experienced during AfDB chairing of the GBS group. There are lengthy clearance procedures on recruitment of short-term staff; lack of support from sector departments at HQ as well as absence of technical missions, for instance</p>

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on PFM and governance during the GBS review.

*C5: Knowledge sharing and result monitoring functions well between HQ and TZFO.* Field office regularly receives documented experience on projects being implemented elsewhere. Every 3 months, TZFO shares with HQ status report on portfolio performance. Professional networks exist e.g. between economists within field office (including the chief economist). The internal systems DARM and SAP provide field offices with several sets of information, among others loan management by tracking the process from identification to PCR. *Knowledge sharing from TZFO to fellow DPs in Tanzania is weak.* It is unclear to local stakeholders (DPs and CSOs) what activities AfDB is implementing or their priorities and areas of expertise. Also caused by limited and sporadic participation in policy platforms as well as visibility not being among the priorities when engaging in dialogue.

#### **E. How well has AfDB matched the PBO to the needs and situation of individual RMCs?**

E1. What steps did AfDB take in the PBO operation to analyse the problems and understand the political context and level of stakeholder support? Who was consulted in the appraisal and design phase?

E2. What actions did the AfDB take to effectively appraise PBO operations to identify the key policy options and constraints on growth and poverty reduction?

E3. Was fiduciary risk systematically assessed and compared to potential benefits of PBO? What did this involve?

E4. Was AfDB appraisal work typically based on sufficient knowledge of recipient countries and take into account past reform experience?

E5. How flexible has AfDB been in appraising and selecting the PBO instrument and conditions to match the local context?

E6. Have PBL log frames provided a coherent and robust basis for tracing results and measuring outputs achieved?

E.7. To what extent did the design of PBO impose additional reporting and accountability requirements on the partner Government? Was the design informed by prior discussions with the RMC and with development partners already contributing to the PBO?

#### **Answers**

E1. *There is very little analysis of the political context and level of stakeholder support* in PBO appraisal documents, although there is always an assessment of the main constraints and issues that the sector faces. For each PBO the AfDB consults with the GoT and sometimes development partners. Civil society organisations are not consulted and the level of stakeholder support was not assessed.

E2. In the appraisal documents the constraints *on growth and poverty reduction in the specific sector are discussed extensively based* on the research available in country. This type of analysis is not undertaken at the TZFO, but by the appraisal team from HQ that undertakes the initial analysis using available documentation in-country. Nearly all of this is taken from other donors and government reports. Analysis of key policy options is not undertaken.

E3. Fiduciary risk was assessed through using Public Expenditure and Financial Accountability Reviews (PEFAR), fiduciary risk assessments, Country Financial Accountability Assessments (CFAA) and Country Procurement Assessment Reviews (CPAR). This was used to demonstrate in project appraisal documents that public financial management systems were reasonably sound, but *there is no analysis of the potential benefits of PBOs in comparison to fiduciary risk.* In fact there is no analysis in any PBO documents, as to why a PBO was chosen and what other options were considered apart from saying it is in line with GoT preferences for aid to be delivered through budget support.

E4. Yes, the appraisal documents *indicate an assessment based on an in-depth knowledge of the country context*, taking into account lessons learned from previous reforms.

E5. *The AfDB has made an effort where possible to fit with the local context and use country systems and align with other donors in the sector.* This has been constrained by the lack of institutional flexibility which has resulted in the AfDB not being able to match completely what other DPs are doing in sectors or to move entirely to SBS and GBS which are what the GoT would like. HQ restrictions have prevented the AfDB funding through baskets, and earmarking of sector support and Special Accounts have set the AfDB apart from other DPs.

E6. *There have been problems with the logframes used in PBOs, which is a general issue with sector and budget support in Tanzania.* The AfDB has used

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indicators for logframes taken from the PAFs jointly agreed by GoT and development partners for each PBO, but in the PRBS there have been doubts about the rigorousness of the indicators used for the PAF, as sometimes they are difficult to measure or the baseline data is not available. There is also concern regarding the way in which the indicators are assessed, with some donors arguing that they need to be tightened up and focus on a smaller set of issues. In the sector PBOs there tends to be a focus on outputs rather than quality indicators in PAFs (e.g. SEDP) and concerns regarding the capacity of the GoT to report accurately on indicators that are used for PAF/Logframe monitoring (e.g. RWSSP)

E7. In all PBOs *there were no additional reporting and accountability requirements than for other DPs*, apart from an audit of the AfDB Special Account.

#### **F. How efficiently and effectively has AfDB planned and designed PBOs?**

F1. How are allocations for PBL made within the AfDB and country programmes?

F2. What are the key design features of the PBOs used?

F3. How does the approach to PBO design compare with other major providers such as the World Bank?

F4. What have been the trends in the use of multiple or single tranches?

F5. How has the approach to conditionality evolved over time and how did AfDB seek to exert policy leverage? Have current conditionalities been informed and shaped by discussions with the RMC?

F6. How effectively has AfDB dealt with non-compliance with PBL conditions by partner countries?

F7. What steps were taken to ensure that the monitoring and reporting requirements of PBOs were appropriate?

F.8 Has there been an adequate M&E framework in place? Is it aligned with other development partners and designed in consultation with government? Have lessons learned been fed back into PBO design?

#### **Answers**

F1. There is a 25% cap on PBOs for the AfDB overall, *but it is not known how decisions are made on allocations to each field office*. At the TZFO they are not clear how allocations for PBO are made and would appreciate some clarity on this issue. The perception is that these decisions are made at regional department level and the allocation for PBOs at country level is not made clear in the CSP.

F.2. All SAL, PRSL and sector PBOs use similar financing mechanisms. SAL funds were paid into a special account that the BoT held in the Federal Reserve Bank of New York, with the counter value funds deposited in the GoT account at the BoT to be used for supporting the budget in priority areas. *All PRSL and sector PBO funds are paid into a Special Account in the Tanzanian Treasury and transferred to the Treasury and unearmarked. In all the sector PBOs the funds are earmarked to specific sub-sectors although this earmarking is nominal. All PBOs use GoT reporting and procurement procedures.*

F3. Design differs from the WB in PRSL as the WB operates through triggers which have to be achieved in order for disbursement to take place. The AfDB decides on disbursement based on the annual review of the PAF and achievement of a few additional conditions taken from the PAF which act as triggers for the subsequent year. This means that it operates somewhere between a bilateral donor and the World Bank; there has been a gradual shift away from SAL I and II which were more in accord with the World Bank, to PRSL where conditionality has decreased and in PRSL there were benchmarks included as well as triggers. In sector support the AfDB is in line with other DPs who operate in each sector and only require satisfactory performance from the previous year, work plans for the subsequent year and audit reports.

F4. *There has been a shift from multiple tranches to single tranches*. SAL I and Sal II were 3 and 2 tranche operations respectively, but PRSL I and II were designed as one-tranche operations to avoid the disbursement delays that were a problem in the SAL, while PRSL III was a multi-year single tranche operation. Education has been a two-tranche operation to be in line with the annual work plans of the SEDP, while the ASDP has a four-tranche operation to support disbursement in line with annual work plans, as was the case with RWSSP.

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F5. *Conditions have changed over time with a reduction in the number of conditions and a move towards focusing on fewer areas in the PAF.* The SAL I and II loans had 23 and 16 conditions respectively. There were 8 conditions in PRSL I, 10 in PRSL II and in PRSL III there were 5 conditions. This is a reaction to the non-disbursement of loans due to non-compliance with conditions and the lesson learned that focusing conditions on a few key important areas is more effective than having many conditions. This is also reflected in sector PBOs where conditions are process conditions based on satisfactory annual reviews and completion of required audits, reporting and work plans. Overall, the trend in the way that AfDB uses conditions has been in the right direction and has been in line with other donors. The conditions are discussed with the GoT, but in the case of the GBS PAF have become increasingly difficult to get agreement on.

F6. *Non-compliance with conditions has delayed disbursement and has been dealt with by seeking waivers from the AfDB Board.* Both SALs experienced delays in disbursement due to non-compliance which resulted in conditions being moved into a later tranche and the loans extended. In PRSL I all 8 conditions were achieved. The loan for PRSL II was subject to ten conditions and three had to be waived as a result of changes in the government that led to a restructuring of key ministries. PRSL III met all the necessary conditions. In education non-compliance with conditions led to one late disbursement after the condition had been achieved. This was because the GoT was unable to produce a required report on time.

F7. *Monitoring and reporting requirements of PBOs are appropriate as they are aligned with other donors.* For the PRSL monitoring has been undertaken based on an agreed PAF, which is assessed in the Annual Review each year. In sector PBOs the monitoring and reporting requirements are again the same as for other donors and linked to sector processes.

F8. *Monitoring and evaluation frameworks have been designed in conjunction with other donors and the AfDB uses the same frameworks as other donors in that sector.* These have been in consultation with GoT, although it is argued that they are more DP than GoT owned.

#### **G. What has been achieved by AfDB through the provision of PBLs?**

G1. What has been the disbursement record of PBL?

G2. What has been the record of achievement of policy targets set by the AfDB and agreed with RMCs?

G3. To what extent is AfDB perceived by partner governments and donors as playing an active part in policy dialogue and adding value to the process?

G4. To what extent has AfDB demonstrated to the donor community the benefits of PBL in new and difficult environments such as fragile states?

#### **Answers**

G1. *The record on disbursement has improved over the evaluation period.* SAL I and II experienced delays in disbursement of 18 months and 14 months respectively. This led to 67% of funds not being disbursed in the programme's fiscal year and 100% in SAL II. There were no disbursement delays in PRSL I, but PRSL II had a disbursement delay of 9 months which meant the tranche slipped into the next fiscal year as it was disbursed in June 2007 rather than Sept 2006. This meant that it was disbursed on the last day of the fiscal year. There were no delays for PRSL III and a greater effort was made to disburse in the first quarter of the GoT fiscal year. In the sector PBOs there have been some disbursement delays, but often this is due to the GoT not producing the required reports on time.

G2. *In SAL I and II all the conditions were achieved eventually despite long delays. In PRSL the record is mixed and the Annual Review reports indicate that progress has always been satisfactory for the PAF of overall performance and the cluster performance from 2005 to 2009.* In terms of progress in policy and institutional reforms, over these five years the result has always been positive, with the best performance given as 'satisfactory'. The least positive review was in 2007 with all clusters being judged as 'moderately satisfactory'. Despite the majority of individual clusters having a 'satisfactory' rating in any one year the overall assessment is less positive with overall performance only being rated as 'satisfactory' in 2006. The main areas where performance has been poor is in implementation of PFM reforms, the continued inability to redress the imbalances in the allocation of financial and human resources to disadvantaged districts, the slow implementation of anti-corruption measures and the slow progress in improving the business environment. Because of this, there is

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dissatisfaction among donors as to the progress achieved in the reform process.

G3. *The AfDB is not generally perceived as having played an active role in policy dialogue.* In the PRSL the sector experts do not attend the sector working groups; the economist attended some of the working groups when the AfDB was chair, but since then has not been able to due to a heavy workload. This non-attendance is due to incentives as sector staff performance appraisals are based on disbursement and it is felt that HQ does not value engagement in policy dialogue. Staff have many other duties so they do not prioritize the participation in dialogue. It is the same with sector PBOs. As the AfDB does not do any economic or analytical work either it is perceived that the AfDB does not add any value in addition to funding as it has no ability to engage TA to support PBOs or use funding to fill gaps in sector activities.

G.4 N/A

#### **H: What did AfDB set out to achieve by providing PBOs and what factors influenced the choice of modality?**

H1. Did the country strategy provide an adequate strategic and analytical framework for choosing an appropriate mix of aid instruments?

H2. Was there a clear link and consistency between country programme and PBOs' objectives?

H3. What was the rationale for PBOs, the type chosen and the allocations made?

H4. What were the objectives (written and unwritten) and the expected outputs of the PBOs?

H5. How was the overall level of PBO determined within the country budget?

H6. How were choices between aid instruments made in practice and how was the overall level of PBOs determined within the country budget?

H7. Was the design of PBOs shaped to the specific institutional, economic and political context? Specify how.

H8. What other (unwritten) factors and incentives may have influenced decisions to select PBOs?

#### **Answers**

H1. The CSP 2007 indicates that for AfDB the new GoT and JAST will 'involve a re-orientation from the traditional project financing towards basket funding and increased contributions through general budget support'. It states that the selection of AfDB interventions should be guided by (i) alignment with the country's medium term strategy in the MUKUTA; and (ii) consistency with JAST partnership principles. The CSP notes that this will be undertaken through a mix of instruments comprising budget support and projects, but *does not give any guidance on when each modality should be used nor does it set out the proportion of the country programme which should be PBOs. For this reason, it is unclear how these types of decisions are made.*

H2. *Yes in the sense that the country programme is aligned with the GoT national plans (MUKUTA) and sector plans and each PBOs is designed to support the fulfilment of these objectives.*

H3. *The rationale for each PBO was that it is the GoT's chosen aid modality and given that other donors are using them the AfDB should align its support.* There is little further explanation in project documentation than this and there is no explanation of the reasons for the specific allocations made to each.

H4. For the PRSLs the stated objectives in project documents were to support the MUKUTA and hence support the reform programme and engage in policy dialogue. The unwritten reason was that there was pressure on the AfDB from GoT and donors to join the GBS group and as it became a larger group it was harder to stay outside of it. It is also a good mechanism for ensuring rapid disbursement which is the main criterion that staff performance is measured on. The expected outputs of PBOs are progress in the reform programme and ultimately poverty reduction.

H5. This is unknown to the TZFO.

H6. *The choice of aid instrument was made depending on GoT requests, the existing aid modalities operating in those sectors and what aid modality the TZFO and the appraisal team thought most appropriate.* For example, in PFM it was decided that the second phase should be a parallel project to the PFM basket, as there had been major problems with its operation and other donors were withdrawing. Where mechanisms existed for funding through government

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systems such as in agriculture and water where funds are through local authority grants this was deemed to be an appropriate mechanism and the AfDB aligned itself with the aid modalities other donors were using.

H7. Yes, it was; as noted above in *agriculture and water existing funding mechanisms were used and both use participatory mechanisms involving local communities to implement programmes*, as does the education sector. In PRSL there appears to have been less understanding of the political economy context which has led to DPs pushing for reforms across a large number of areas, with disappointment when they have not been achieved, and a major focus on corruption. Also, the formalisation of the dialogue has resulted in little substantive dialogue.

H8. *In a country where there is a large GBS operation and numerous basket funds it is difficult to remain outside these mechanisms* and the AfDB has responded by joining the GBS group and aligning itself to a certain degree with sector operations.

#### **I: How relevant was the PBOs' support to partner country problems, policies and priorities, and were policy reforms owned?**

11. Was the PBOs' support consistent with the national poverty reduction objectives and development plans of the Government? Explain how this was assessed

12. How far were the policy and institutional reforms targeted by the PBO developed by and in consultation with local stakeholders (both within and outside government) and how far did they engage in preparatory analysis?

13. In what ways did the AfDB analyse the political economy context and the potential winners and losers from policy and institutional reforms?

14. Were alternative policies and reform measures considered?

15. What inputs were actually provided and to what extent did they match the plans envisaged by the Government?

16. Explain the process by which the programme was designed to ensure it was appropriate for achieving the objectives (e.g. adequate programme logic, appropriate reform instruments, adequate tranching?)

#### **Answers**

11: *PRSL III is consistent with the NSGRP and giving GBS is part of aligning with government plans of having aid in the form of GBS.* PRSL III's priority areas i.e. PFM (procurement practices, audit functions, and enhanced revenue mobilization) and governance of infrastructure sector are consistent with the NSGRP. In NSGRP, PFM is identified as one of the key reforms under cluster 3 area – governance and accountability – while investment in road infrastructure falls under cluster 1 – growth and reduction of poverty. *The Bank's sector support is consistent with both NSGRP and the government sector programmes.* Support to the education sector is consistent with SEDP while SEDP is embedded within the second cluster of the NSGRP. The AfDB's programme aims to contribute to the SEDP's objectives for 2004–2009. *The assessments have been done through appraisal missions which consulted both the government and other DPs as well as relying on credible analytical work.* In the case of GBS, Tanzania adequately meets the general and technical prerequisites for GBS, including among other aspects strong partnership between DPs and the government; existence of well designed NDP as confirmed by Joint IMF–WB Staff Advisory Note (2006); and viable macro-economic and financial framework as confirmed by the 3<sup>rd</sup> review of IMF's three-year programme for Tanzania (2008).

12: *AfDB habitually holds regular consultations with the government during different stages of the programme cycle.* In the case of GBS, the policy and institutional reforms (embedded in the PAF) are developed jointly with heavy involvement of other DPs and government. Sector ministries have also been widely consulted during appraisals of sector support with AfDB abiding by policy and institutional reforms as stipulated in SEDP, ASDP and WSDP government programmes. *Consultation with CSOs at both appraisal and implementation stages of PBOs is weak.* This restricts a better understanding of progress on the ground in sectors being supported by the AfDB. As prominent and active CSOs exist in AfDB's priority sectors, it does not require substantial investment from AfDB to be engaged with CSOs such as TAWASA NET and Water Aid in the water sector; HAKIELIMU for the education sector; while for macro and PFM, POLICY FORUM offers this opportunity.



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13: *There is no systematic way in which PBOs analyse the political economy context and potential winners and losers of reforms.* While PRSL documents include an extensive analysis of several risks (inadequate implementation capacity, decentralization policies in recipient countries, weak PFM systems, corruption and mismanagement of public finances), appraisal documents for the AfDB's support to SEDP, RWSSP and ASDP do not explicitly and extensively cover these areas, limiting the understanding of risks associated with implementation of supported reforms. For instance, in the appraisal for SEDP, only the institutional framework for management of the education sector is highlighted while analysis of the economic and education contexts ignores issues such as trade-off in government investment when the policy priorities shift to secondary education etc.

14: *Choices of policies and reform measures are mostly guided by the Bank's comparative advantage. Because PBOs abide by government's own reform programmes, they selectively focus on reforms and policy measures stipulated within PAF & NSGRP (in the case of GBS), SEDP, RWSSP and ASDP plans for education, water and sanitation and agriculture respectively.* Therefore, PRSL paid more attention to Economic and Financial Governance and Infrastructure elements within PAF; while support to SEDP centred on three out of five areas (i.e. access, equity and quality). *The choice among competing reform programmes is mainly guided by AfDB's policies.* For instance, support to SEDP is based on AfDB's education sector policy which advocates improvement in the quality of basic and upper secondary education as a way of improving the provision of middle level skills. In the case of ASDP, AfDB's support is in line with AfDB's key policy documents such as Poverty Reduction Policy and Agriculture and Rural Development Policy (2000).

15: *Support to the education sector:* AfDB's loan amounted to UA 20mn, about 7 and 5 percent of the financing gap for 2008 and 2009 respectively (one tranche in 2008 and one in 2009 of UA 10mn). The support aimed at assisting the government in meeting some of the resource requirements for SEDP during the final two years (2008 and 2009) of the plan (WB has been the only DP supporting SEDP at the time and did not allocate funds for 2008 and 2009). However, the Ministry of Education and Vocational Training (MoEVT) considers AfDB's funds to be insufficient given the financing gap of the programme and has therefore requested scaling up. *Support to the agriculture sector (ASDP):* AfDB support to ASDP is UA 40mn which is 28 percent of the cost of financing the activities that are of priority to AfDB. AfDB's contribution covers about 48 percent of the financing gap (if the entire cost of the first phase of the programme is included).

16: The review of the fiduciary framework for sector PBOs was based on several PEFAR studies, while for GBS it was based on PEFA and CPAR. Though with limitations, these studies have shown that Tanzania has a sound fiduciary framework including some necessary improvements in budget planning, including medium-term strategic prioritization. The reform instruments are based on government programmes in place i.e. ASDP, SEDP, RWSSP and NSGRP (PAF). However, the AfDB's interventions in SEDP, RWSSP and ASDP focus more on service delivery (mainly infrastructure) and less on reforms (e.g. the management reforms component in SEDP is not included as an AfDB priority area of intervention). In the case of GBS, the interventions rest more on the reforms in the areas of financial governance and infrastructure while the overall performance of the PAF is also considered as one of the triggers. The AfDB's programme logic is consistent with its priority areas and better formulated than the government's programme logic. AfDB's programme logic for SBS in education includes clearer indicative targets compared with the ones reflected in the government programme documents. The programme log-frame adequately covers the three areas within SEDP which the AfDB is focusing on (access, equity and quality) while for the ASDP it covers three AfDB priority areas (i.e. local agricultural investment, local agricultural services, and local agricultural capacity building and reform) out of 8 ASDP priority areas.

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#### J: How efficiently and effectively did the AfDB collaborate with other donors and contribute to the harmonisation process?

J1. What were the areas of focus for AfDB conditionality and did this generate any “signalling” effects and positive incentives for implementation?

J2. In the PBO process, what steps were taken to ensure an effective dialogue with government was established which focused on key strategic priorities of Government, for example around PFM or procurement issues or other national or sector policies?

J3. Was the PBO associated with non financial forms of assistance such as economic and sector work or technical assistance or linked to other AfDB capacity building projects and programmes in areas of strategic priority for Government? If so, specify how.

J4. Explain how the AfDB provision of PBO has contributed to harmonisation and helped reduce transaction costs for Government?

J5. How well did AfDB systems support harmonisation in country-in particular what was the role of the HQ based task leaders, convenience of mission schedules, engagement and voice in joint donor groups, role of the Field Office, Field Office and HQ relations etc.

J6. If there has been non-compliance, explain what happened and specify how effectively AfDB dealt with this and was action taken and the extent to which they occurred in collaboration with development partners?

#### Answers

J1: The areas of focus for AfDB conditionality are both progress on general reforms and specific reforms within PSRL III's priority areas. Triggers included i) Overall satisfactory performance of the PAF; ii) Implementation of EPA recommendations; iii) Compliance of Procuring Entities with the Procurement Act; iv) Appointment of TANROADS Board members; v) study on non-tax revenue; and vi) Regulations for the new Public Audit Act. *Conditionality generates a positive incentive for implementation as AfDB harmonized its approach with other DPs with five out of the six triggers above coming from the joint PAF.*<sup>23</sup> However, frontloading limits the strength of incentives for implementing agreed reforms. Furthermore, AfDB's intention to scale up GBS in the next cycle is inconsistent with other DPs, especially in a situation where PFM was rated unsatisfactory in the GBS annual review 2009/10. In the case of GBS, AfDB does not use triggers to reduce disbursement at the margin. *The institutional relationship between AfDB and its member countries differentiates AfDB from other DPs, especially bilateral DPs, on signalling or approaches to sensitive issues such as corruption.* In addition, multilaterals are more tolerant than bilateral DPs, leading to divergence when it comes to consensus decisions. At the same time even if AfDB is interested in politically sensitive issues such as corruption, it has yet to build technical capacity in that area.

J2: *Appraisal and evaluation missions and participation in different macro level and sector working groups have been the basic approach undertaken by AfDB.* These consultations involve MoF as well as sector ministries. AfDB also participates in joint DP-government consultative processes such as the GBS annual review as well as water and education sector reviews. *Dialogue is also facilitated by AfDB taking a leading role in some working groups.* AfDB is the deputy co-chair of the Learning and Finance thematic group under the DPs' water sector WG as well as chairing GBS during FY 2009/10. However, lack of expertise in PFM areas has limited AfDB engagement forcing TZFO to be represented by unqualified staff in those areas. This missed opportunity on PFM dialogue was also attributed to hesitation by HQ on sending technical missions during GBS annual review 2009.

<sup>23</sup> Though the trigger “Implementation of EPA recommendations” is not part of the revised PAF, AfDB joined other DPs in a joint letter of 11 April 2008 to the MoFEA on the 2008/09 commitments, confirming that that disbursements would be subject to satisfactory progress on three action points. To harmonise the Bank's approach with the GBS partners, these would be included as benchmarks for PRSL III, to be assessed prior to disbursement of the first tranche and monitored during the GBS annual review in November 2008.

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J3: There was no evidence of PBLs being linked to non-financial forms of assistance or other AfDB capacity building projects.

J4: *Joining GBS and implementing PBOs in agriculture, education and water<sup>24</sup> is evidence of AfDB's commitment to harmonization and support to JAST principles on reducing transaction costs to the government.* The sector support uses the institutional arrangements already in place for the implementation of SEDP, ASDP and WSDP. AfDB uses the same government procurement<sup>25</sup> and monitoring systems and financial reports, with funds being channelled through government systems. AfDB also participates in joint sector reviews and joint dialogue with other DPs. In the agriculture sector AfDB is active in joint implementation processes and steering committees. Recently more DPs have joined the sector support in the water sector, including France, Norway and Japan. AfDB also relies on joint DPs' analytical work.<sup>26</sup> *However, AfDB is not full aligned and the marginal addition of performance indicators defeats the purpose of making AfDB's interventions consistent with government programmes.* AfDB is not a signatory to the basket MoU in the agriculture and water sector; with AfDB's funds in the water basket earmarked to rural water and sanitation. AfDB is the only DP operating separate holding accounts to disburse GBS and SBS. An additional trigger in PRSL III (i.e. study on non-tax revenue), indicates a similar problem.

J5: *AfDB relies on the government systems for all PBOs.* For instance, there are only two conditions in relation to AfDB support to ASDP (joint implementation review report and the government audit reports). AfDB is more engaged in policy dialogue in agriculture, water and GBS but less so in the education sector. However, because of the absence of the Resident Representative, AfDB has limited engagement in GBS donor group with AfDB not taking on any specific role; even though it is part of the troika it does not actively participate in other processes within GBS. *AfDB missions for GBS are coordinated with other DPs, but less so in the education sector.* In the agriculture sector, AfDB's missions are well coordinated with ASDP programme. In the water programme, AfDB also participate in joint monitoring missions twice a year. However, AfDB rarely participates in the education WGs and missions for specific projects e.g. projects in Monduli and DSM are not coordinated with other DPs. *Sporadic missions from HQ are common for most DPs and difficulties in harmonising them is widely acknowledged.* Our evaluation mission was criticised for being uncoordinated with similar studies from other donors. The quiet-time is not respected by almost all DPs; this evaluation mission took place on the last day of the quiet time.

J6: *Sector ministries prefer sector PBOs to GBS, hence there is no pressure on DPs to shift entirely to GBS.* AfDB is the signatory of JAST specifying GBS as the preferred modality. However, sector ministries seem to diverge from government policy as they prefer sector baskets which give assurance to sector funding rather than GBS. *AfDB is less concerned with complying with positions/assessments of other DPs regarding government performance.* AfDB is planning to increase GBS allocation in the next cycle in an environment where DPs are either reducing GBS or seriously considering their commitments because of the deteriorating policy dialogue and lack of progress in key reform areas. For instance, government performance, as assessed by PAF, is falling, from 78 percent and a "Generally Satisfactory" rating in 2006, to 58 percent and a "Moderately Satisfactory" rating in 2009. The AfDB is also in the process of establishing a new project in the agriculture sector contrary to ASDP harmonisation principles. However, in some cases AfDB followed the advice of other DPs e.g. by not joining PFMRP basket funding (with WB opting out of the basket, only two donors have committed future funding – the possible trend is for donors to move out of the basket towards project-based support)

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<sup>25</sup> Though the agreement for AfDB WSDP funding abides to government procurement system; to align with other DPs in the sector; the government is using funds WB procurement system.

<sup>26</sup> It is also because of a lack of internal capacity to undertake analytical work. The only analytical work we came across undertaken by TZFO is the Domestic Revenue Mobilisation Study 2010.

## **EVALUATION OF POLICY BASED LENDING IN THE AFRICAN DEVELOPMENT BANK**

### **Country case study: Tanzania**

#### **K: How far were the immediate objectives of PBO met and what were the effects on Government?**

- K1. Specify how AfDB contributed to an increased external resource flow into the Government budget over the period of successive PBO tranches?
- K2. Were AfDB funds disbursed as planned and in line with a timetable agreed with other donors and the Government? If not, what happened and why?
- K3. Did the PBO contribute to an increased predictability of funds going into the Government budget e.g. in year and between years as well as over the medium term budgeting cycle? If so, specify, if not explain why and what happened
- K4. To what extent did the PBO align with the Government budget cycle (financial management, accounting and procurement systems)?
- K5. Did the provision of PBO contribute to any overall reduction in transaction costs? If so, in what ways, and how was this positive outcome assessed? How did transaction costs of the Government working with the AfDB compare to those of other donors?
- K6. What did the AfDB achieve in terms of greater alignment? How did this compare with other donors?
- K7. How did AfDB systems support or limit alignment of PBOs to country systems and needs e.g. in relation to annual and multiyear budgeting, degree of AfDB flexibility to accommodate timing, and the degree to which Bank procedures support disbursement early in the financial year?

#### **Answers**

- K1. The AfDB contributed to increased resource flows to the GoT budget, as although the level of PRBS remained reasonably constant as a share of the country programme at 17–18% over the period, new sector PBOs shifted financing from projects to funding the GoT budget. As the country allocation increased under ADF XI this also allowed more funds for budget support and hence for the GoT budget.
- K2. Not always; see G1. This was due to GoT non-fulfilment of conditions.
- K3. Generally, predictability has got better over the evaluation period. Between-year predictability is still a problem as there are no funds for this 2010/11 fiscal year, although in-year predictability is still also an issue. In PRSL II the delay in achieving conditions meant that the money was received on the last day of the fiscal year. For GBS an effort has been made to disburse towards the first quarter of the year. This was achieved in 2009/2010. It has not happened in other years and in other sectors there have been problems due to the GoT not producing reports, which has led to AfDB disbursements being late in the fiscal year.
- K4. The AfDB has aligned with GoT systems and the budget cycle and has not introduced any additional procedures.
- K5. Unknown.
- K6. The AfDB is well aligned with GoT systems, although it could be more aligned with other donors' support by funding through sector baskets in the case of ASDP and RWSSP and could use SBS in the case of SEDP. Funding the whole sector plan would align the AfDB with GoT priorities rather than AfDB choosing its own priorities through earmarking to sub-sectors.
- K7. There were few reports from staff in the TZFO that Bank procedures delayed disbursement, apart from procurement where the need to get no objections from HQ led to delays. There was also a concern that delays in an appraisal mission coming from HQ might delay disbursement of PRSL IV which the office is hoping to disburse in the current fiscal year.

#### **L: What contribution has AfDB support made to improve policy, systems or institutions in the areas where PBOs were focused?**

- L1. What policy changes have been introduced over time in areas or sectors where the PBO conditionality was focused and why were these changes made?
- L2. In what ways did AfDB policy dialogue in specific areas such as PFM contribute to improved results in those areas?
- L3. What is the role of the AfDB field office in relation to the use of PBOs?
- L4. What were the type, role and use of pre conditions by the AfDB and what specific influence did they have?

## EVALUATION OF POLICY BASED LENDING IN THE AFRICAN DEVELOPMENT BANK

### Country case study: Tanzania

L5. What institutional or system changes have taken place in areas or sectors where the PBOs conditionality was concentrated?

L6. To what extent is it able to show how far can any of these institutional or system improvements be attributed to AfDB engagement and provision of PBOs?

L7. What do Government and donors think was the value added arising from AfDB involvement and provision of PBOs?

#### Answers

L1. In GBS there were policy changes introduced because of conditionality which related to reallocating budget support to the social sector, poverty reduction and development expenditure and limiting domestic financing as a tool to moderate inflation. Social sector expenditure has risen over the valuation period (see M below) and macroeconomic management has been good, suggesting conditions may have had an impact, particularly in the former. There has been greater investment in transport while domestic revenue collection has increased. There has been an expansion in the primary education sector and in the percentage of the population with access to safe water.

L2. AfDB did not engage in specific policy dialogue and was not an active member of sector working groups until recently when engagement in agriculture and water has increased. This is despite having policy reforms such as PFM highlighted as key objectives in project appraisal documents. In the sectors AfDB support focuses on sub-sectors which are mainly focused on improving infrastructure. This gives less incentive to focus on policy.

L3. The role of the TZFO is to monitor progress on PBOs and report back to HQ.

L4. As noted in section G. above there were substantial pre-conditions that had to be met in SALs. These have been reduced and in all PBOs pre-conditions are usually to establish special bank accounts, to develop work plans for the following year and have had satisfactorily annual reviews the previous year. Apart from in PRSL where a few extra conditions from the PAF are included which are of special interest to the AfDB. Increasing these usually relate to actions already undertaken or where there is a high level of confidence that they will be undertaken.

L5 The National Audit Office and the Public Procurement Office have both been strengthened.

L6 No, as the AfDB has mainly focused on infrastructure and PFM where there have been few improvements in institutions.

L7. Very little apart from funding due to a lack of engagement in policy dialogue, the fact that the AfDB does not engage in analytical or technical work and TZFO does not have authority to source TA or additional support for PBOs. The AfDB was seen by some stakeholders as doing a good job administratively in chairing budget support, but was less effective in dealing with issues such as corruption.

#### **M: Is there any evidence of a sustained improvement in pro poor spending or public services and have external donor contributions including that by AfDB, contributed to this?**

M1. What has been the total financial contribution of the donor community and what proportion of this total was financed by AfDB?

M2. Has the quantity or quality of public services improved in the areas where commitments were sought by the donors and the AfDB? If so specify how.

M3. To what extent can any improvement be attributed to the external donor support including that of the AfDB? Specify.

#### Answers

M1. *The proportion of AfDB's GBS allocation has varied over time (the same situation as with other DPs).* Over the last five years (from FY 2005/06 to FFY 2009/10), GBS from all donors averaged USD 713mn. The AfDB proportion fell from 14 percent of the total contribution in FY 2005/06 to 10 percent in FY 2007/08 ending with 7 percent during the FY 2009/10. Foreign aid in the form of grants and foreign credits finances approximately one third of government expenditures and as such amounts to 10 percent of GDP. *GBS has increased discretionary spending of the government:* Since FY 2002/03 total BS (i.e. GBS and SBS) has been approximately 20 percent per year of public spending, declining to 18 percent between FY 2008/09 and 2009/10. The growth of domestic revenues has accelerated as well over the decade; while foreign project funding has permitted further expansion of capital expenditure.

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### **Country case study: Tanzania**

*M2: Growth and income poverty:* National Accounts data show that between 2001 and 2007, Tanzania had an average 7 percent GDP growth rate. Despite this growth, The Household Budget Survey (HBS) depicts mixed progress in poverty reduction. Between 2001 and 2007 basic-needs income poverty fell slightly, by 2.2 percentage points from 35.7 percent in 2000/01 to 33.5 percent in 2007. Given the population growth, this means an increase in total number of poor of around 1.3 million. It unlikely that the NSGRP objective of reducing income poverty to 19 percent will be reached.

*Education sector:* Increasing spending on education resulted in major expansion of secondary education. In 2009, there were 4,102 secondary schools – 300 more than the previous year and 4 times as many as in 2000. In 2009, there were 1,466,000 pupils enrolled in secondary school, up from 1,220,000 in 2008 and 260,000 in 2000, with net secondary school enrolments rising from 10.3 percent in 2005 to 27.8 percent in 2009. In 2009, around 52 percent of those who left primary school in 2008 went on to start secondary school. This percentage has risen rapidly since 2002; it was only 22 percent in 2000. However, it peaked in 2006 at around 68 percent and has seen a downturn in 2007 and 2008. But most challenges have been on the quality side of education services. In secondary education, the teacher/pupil ratio was 1:43 in 2009, compared to 1:22 in 2005, before the massive roll-out of secondary education, with huge variations across regions.

*Agriculture sector:* Between 2000 and 2009 agricultural sector growth averaged 4.1 percent, far short of the NSGRP target of 10 percent with ASDP failing to make significant impact. Areas of improvements included increase in the use of fertilisers by 76 percent between 2005/2006 and 2009/2010. During the same period availability of improved seeds increased by 54.12 percent. Number of trainers for extension service staff increased by more than 400 percent while extension service staff increased by 31 percent in the same period, with the area under irrigation increasing by 25 percent.

*M3: Increasing government discretionary spending.* Government spending has been rising, from 18.3 percent of GDP in 1994/95 to 25.5 percent in 2008/09. This is the result of both external donor support (GBS, programme financing and project financing) and domestic revenues which have witnessed a remarkable sustained upward trend since the early 2000s from 12.2 percent of GDP in 2004/05 to 14.9 percent in 2008/09. However, in the FY 2007/08, the share of foreign aid in GDP declined for the first time in the last 5 years. *Increasing overall share of LGA.* Local government spending as a proportion of national expenditures rose from 17 percent in 2001 to 25 percent in 2007/8. This has enabled a dramatic expansion in the scale of service provision in education, health, infrastructure (roads) and agriculture. There has been an increase in LGA spending in the education sector; however, the situation is different in the water and agriculture sectors.

## Annex B Country Time Line

Time period	AfDB HQ Policy Changes	AfDB Tanzania lending instruments	Tanzania country context
1960s			<p><b>1961:</b> Tanganyika gained independence with Julius Nyerere as Prime Minister.</p> <p><b>1962:</b> Tanganyika became a republic with Nyerere as President.</p> <p><b>1962:</b> Tanzania joined the World Bank Group, beginning with a credit from the World Bank's International Development Association (IDA) for education in 1963.</p> <p><b>1964:</b> Union between Zanzibar and Tanganyika formed the new independent nation of Tanzania.</p> <p><b>1967:</b> Arusha Declaration outlines a policy of socialism and self reliance.</p>
1970s	<p>An economic crisis was experienced by African economies in the 1970s. This was largely attributable to endogenous factors that were embodied in inappropriate policies adopted by Governments. The first generation of Policy Based Loans (PBLs) came about partly in response to this crisis (at the end of the 1970s and in the 1980s); the loans focused on redressing short-term macro-economic imbalances.</p>		
1980s	<p>AfDB introduced Policy Based Loans (PBLs) in response to the demand by the Bank's Regional Member Countries (RMCs) for support in balance of payments as they implemented stabilization and structural reforms.</p> <p><b>1984:</b> The Board of Directors approved non-project lending to regional member countries and laid down the necessary guidelines such that the Fund would support institutional and policy reforms already being undertaken by borrowing countries and in close</p>	<p><b>November 1987:</b> a loan of UA17.67 million was approved for the TANZAM Highway Rehabilitation Project. This project aimed to rehabilitate the 1100km Tanzam road by 1990. The first disbursement took place in December 1989 and the last in August 1998. The project was completed I June 1994, four years behind schedule.</p> <p><b>December 1987:</b> loan negotiation started for the Kapunga Rice Irrigation Project. The loan was signed in January 1987. A loan of UA 40,190,631.70 was</p>	<p><b>1985:</b> Nyerere retired and was replaced by the President of Zanzibar, Ali Mwinyi.</p> <p><b>1986:</b> Tanzania signed up to a reform package with the IMF and the World Bank; this aimed to provide economic reform assistance but ran contrary to the policies of the Arusha Declaration.</p>

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**Country case study: Tanzania**

Time period	AfDB HQ Policy Changes	AfDB Tanzania lending instruments	Tanzania country context
	<p>collaboration with the WB and IDA.</p> <p><b>1986:</b> The AfDB Group decided to strengthen its interventions in the area of economic policy and policy dialogue with member states.</p> <p><b>1987:</b> Establishment of the Special Programme of Assistance to Africa (SPA).</p> <p><b>1988:</b> Publication of the AfDB's '<u>PBL Guidelines and Procedures</u>', which defined PBLs as instruments "to assist regional member countries (RMCs) in their effort to restructure their economies and to restore growth with equity and creditworthiness", with two main instruments: structural adjustment loans and sectoral adjustment loans.</p>	<p>provided by the African Development Fund (ADF) and UA 6,440,000 from the Nigeria Trust Fund<sup>27</sup> (NTF). This was given to the National Agriculture and Food Corporation (NAFCO) to implement the project. The first disbursement of funding took place in February 1989 and the final disbursement in June 1994.</p> <p><b>July 1989:</b> signature of a UA 6.17 million loan for the National Agriculture and Livestock Research Project. This project aimed to lay a foundation for an effective system of national research in Tanzania. The first disbursement took place in November 1992 and the last in December 2001. The project completion date slipped by 3 years.</p>	
<p><b>1990s</b></p>	<p><b>1990:</b> Special Programme of Assistance for Africa (SPA) discussions – it was agreed that the case for earmarking of counterpart funds for specific uses should be decreased as progress was made in effective public expenditure monitoring and periodic reviews.</p> <p>From the beginning of the 1990s a second generation of PBLs began. These were focused on long-term objectives such as sustainable growth, private sector development and poverty reduction.</p> <p><b>1992:</b> SPA report on PERs – this recognized that generally agreed aims of priority spending are not easily achieved.</p> <p><b>1993–1995:</b> The AfDB financed very few projects as a result of the non-availability of African Development Fund (ADF) resources.</p> <p><b>From 1999,</b> the governance component of reforms within the AfDB increased, including legal and judicial reforms, audit reform, and public expenditure</p>	<p><b>June 1992:</b> Telecommunications II Project – AfDB contributed UA 28.421 million to this project through an ADF loan of UA 18.421 million and an AfDB loan of UA 10 million. The project aimed to rehabilitate, modernize and expand Tanzania's telecommunications and was carried out by Tanzania Telecommunications Company Ltd. The loans were signed in December 1992 and the first disbursement took place in October 1994. The last disbursement was in December 1999 but the project activities were completed by July 1997.</p> <p><b>December 1992:</b> the loan was signed for financing of UA 27.63 million for the Financial Sector Adjustment Programme. This loan was supplemented with funding from IDA and ODA to cover the total requested USD 261 million. The first disbursement was in December 1994 and the last in June 1997.</p> <p><b>December 1992:</b> the loan was approved for the Railway Cooperation Rehabilitation Project. The loan was signed in February 1993. The project aimed to restore the Tanzanian Railway Corporation to its</p>	<p><b>1992:</b> Tanzanian constitution was amended to allow multi-party politics.</p> <p><b>1992:</b> Tanzania became a member of the Multilateral Investment Guarantee Agency (MIGA).</p> <p><b>1993:</b> the launch of the Civil Service Reform Programme (CSRP) by the Government of Tanzania. This programme of reform led to the number of civil servants declining from 355,000 in 1992 to 264, 000 by June 1999. Control over the Government wage bill improved, such that while the wage bill exceeded the budget level by 40% in 1994, it only exceeded it by 2% in 1999. The reform programme was interrupted by budget constraints, and the second phase of the reform resumed in June 2000, this time focusing on improving services and increasing salary scales.</p> <p><b>1995:</b> Benjamin Mkapa elected president in Tanzania's first multi-party election.</p> <p><b>1995:</b> Relations between the donor community and the Government of Tanzania had "deteriorated to a low</p>

<sup>27</sup> The Nigeria Trust Fund was set up in 1976 through an agreement between the Government of Nigeria and the Bank Group. It aims to assist the development efforts of the Bank's low-income regional member countries whose economic and social conditions and prospects require concessional financing.



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**Country case study: Tanzania**

Time period	AfDB HQ Policy Changes	AfDB Tanzania lending instruments	Tanzania country context
	<p>reforms. Also, PBLs started addressing some aspects of regional integration.</p>	<p>financial and operating position in 1970. The ADF contributed a loan of UA 14.95 million; the Government of Tanzania also contributed 4.2% of the project costs. The first disbursement was in July 1994 and the last in July 1999; the project was completed in December 1999.</p> <p><b>December 1992:</b> a loan was signed for the livestock marketing project; ADF loaned UA 8.49 million and the Government of Tanzania put forward UA 3.50 million. The first disbursement took place in August 1994 and the last in December 2005 after five project extensions. The project was completed in October 2005. Its aim had been to increase the contribution of livestock to GDP growth and poverty reduction.</p> <p><b>December 1992:</b> a loan agreement was signed for the Electricity IV Project; the ADF provided a loan of UA 21.011 million, and finance was also provided by the Nigerian Trust Fund (UA 4.504 million), Danida (UA 38.708 million), Nordic Development Fund (UA 3.987 million) and the Government of Tanzania (UA 3.341 million). The objective of the project was to electrify the remaining un-electrified districts in the country by 2005. ADF's first disbursement was in May 1996 and the project was completed in December 2004.</p> <p><b>June 1993:</b> a loan of UA 653,947.00 was approved for technical assistance to look at employment and technical education studies. The Grant Agreement was entered into in May 1995 but the PCR notes that during 1995 there was "very little implementation progress" (PCR, 1999: p.5). As a result the AfDB made a recommendation in May 1996 to have the study cancelled. However, after Government intervention and assurances, the recommendation for cancellation was put aside and the tendering process to recruit consultants was initiated (ibid).</p> <p><b>November 1993:</b> a loan agreement was signed for UA 21.57 million for the Madibira smallholder agriculture development project. This project aimed to increase rice production by smallholders on irrigable</p>	<p>level and there was a crisis in development co-operation" (OECD-DAC, 2003: p.12). Whilst the Arusha Declaration remained an important statement of Tanzania's principles of national unity, social cohesion, peace and stability, it did not provide an effective operational framework for the development process.</p> <p><b>1995:</b> The process of putting together the Vision 2025 document began under the Planning Commission. This was a participatory process using interviews, meetings and the mass media.</p> <p><b>1995:</b> a paper written under the leadership of Gerry Helleiner, popularly known as the Helleiner Report, examined the relationship between donors and the Government and recommended ways in which the relationship might be improved. This led to the formation of the Tanzania Assistance Strategy (TAS) in which the principles governing the relationship between donors and the Government were spelled out. The extent to which both parties had kept to their respective commitments was evaluated in advance of Consultative Group meetings by an Independent Monitoring Group (IMG).</p> <p><b>1997–1998:</b> The annual Public Expenditure Review process began. This has now evolved into a programme of improving budget management within the Medium Term Expenditure Framework (MTEF).</p> <p><b>1998:</b> the Government launched the Public Financial Management Reform Programme (PFMRP). This programme was to co-ordinate a number of complementary projects operating within the divisions, departments and agencies of the Ministry of Finance. The programme's objectives were to strengthen financial control, enhance accountability and minimize the leakage of resources.</p> <p><b>1998:</b> The National Poverty Eradication Strategy was published. This became the basis for the poverty reduction strategy paper (PRSP 2000).</p> <p><b>1998:</b> launch of the Local Government Reform Programme (LGRP) by the Government of Tanzania.</p>

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**Country case study: Tanzania**

Time period	AfDB HQ Policy Changes	AfDB Tanzania lending instruments	Tanzania country context
		<p>land in order to contribute to import substitution. The first disbursement was made in July 1997 and the last in December 2002; there was a four year delay in the project completion date.</p> <p><b>November 1997:</b> a loan was approved for the First Health Rehabilitation Project. This project aimed to expand and improve the delivery of primary health services. The ADF provided a loan of UA15.00 million and contributions were also made by the OPEC Fund (UA 7.2 million), BADEA (UA 3.60 million) and the Government of Tanzania (UA 3.11 million). The project start date in the project appraisal was June 1998 and it was supposed to last for 5 years.</p> <p><b>November 1997:</b> a structural adjustment loan of UA 45.0 million was signed. This was co-financed by the World Bank's Structural Adjustment Credit (SAC), and its objective was to promote growth and poverty reduction through a comprehensive package of structural and institutional policy reforms.</p> <p><b>December 1997:</b> a grant of UA0.91 million was provided by the Bank Group for the preparation of the Zanzibar Health Development Requirements Study.</p> <p><b>May 1998:</b> the loan agreement was signed for the Education II project. The loan totalled UA 20.00 million and its objective was to improve the quality of primary education; strengthen the quality of secondary education; and expand non-formal education. The first disbursement took place in May 1999 and the last in June 2007 when the project was completed four years late.</p> <p><b>December 1998:</b> loan of UA 8.0 million was signed for small entrepreneurs project. The aim of the project was to improve the access of the rural poor to financial services. The project provided a mix of inputs including credit fund, capacity building and technical assistance. The first disbursement of the loan took place in May 1999, the last in January 2007. The project was completed in June 2007, 2 years later than expected.</p> <p><b>November 1999:</b> a loan agreement was signed for the</p>	<p>This aimed to reform local government systems and to create good local governance based on financial accountability, democratic procedures and public participation. It was funded by donors using a basket fund.</p> <p><b>1999:</b> The Development Vision 2025 was launched to guide economic and social development efforts in Tanzania until 2025. It provided the framework for the Government's governance agenda on the mainland. Within this framework the Government aimed to achieve four broad outcomes: (i) peace, political stability, national unity and social cohesion; (ii) democracy, political and social tolerance; (iii) good governance and the rule of law; and (iv) accountability of leaders and public servants.</p> <p><b>Late 1990s:</b> the Multilateral Debt Fund (MDF), was set up by donors to help the Government meet its debt service obligations to multilateral financial institutions. Tanzania embarked on a programme of macroeconomic reforms.</p>

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**Country case study: Tanzania**

Time period	AfDB HQ Policy Changes	AfDB Tanzania lending instruments	Tanzania country context
		<p>Three Regions Health Study. ADF loaned UA1.7 million and the Government of Tanzania contributed UA 0.08 million to the project. The aim of the study was to prepare a Plan of Action for Mara, Mtwara and Tabora regions, with a view to improving the health status of all Tanzanians. The consultants selected for the job were mobilized in January 2004 and the study was finally completed in April 2006, nearly four years later than expected.</p>	
<p><b>2000</b></p>	<p><b>2000:</b> The AfDB's Board Committee for Development Effectiveness (CODE) strongly endorsed the work program of the Bank's Evaluation Department, OPEV, which included a move away from project level evaluation to the evaluation of higher-level interventions.</p>		<p><b>2000:</b> Mkapa elected for a second term, winning 72% of the vote.</p> <p><b>2000:</b> The Tanzania Development Vision 2025 was published. This was a precursor to the country's PRSP and marked a shift away from the policy of Socialism and Self Reliance as outlined in the 1967 Arusha Declaration.</p> <p><b>2000:</b> Tanzania pledged to meet the Millennium Development Goals.</p> <p><b>Late 2000:</b> endorsement by the Boards of the IMF and World Bank of Tanzania's Poverty Reduction Strategy (PRS).</p> <p><b>2000:</b> Tanzania reached the decision point for debt relief under the Heavily Indebted Poor Country (HIPC) Initiative. The meant that the MDF was surplus to requirement and so was closed down. However, contributing MDF donors set up the Poverty Reduction Budget Support (PRBS) facility instead in order to continue providing the Government with flexible assistance in support of its PRS.</p> <p><b>2000:</b> Consultative Group meeting between the Government of Tanzania and donors at which it was agreed that they would subject themselves to collective performance monitoring by an independent group. Although donors did not accept detailed quantitative indicators, there was agreement on the need to promote ownership and enhance partnership with development partners. Other broadly agreed objectives were to reduce transaction costs, improve predictability</p>

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Time period	AfDB HQ Policy Changes	AfDB Tanzania lending instruments	Tanzania country context
			<p>of aid flows, consolidate accountability and results orientation, and make technical assistance supportive of local capacity building. Donors also agreed to the establishment of an Independent Monitoring Group (IMG) (OECD-DAC, 2003).</p> <p><b>2000:</b> In 2000, the Government of Zanzibar published the Zanzibar Vision 2020, a comprehensive statement of objectives in all sectors that reinforced the objectives of ZEMAP.</p>
<p><b>2001</b></p>	<p>The AfDB introduced Development Budget Support Lending (DBSL) as one of its PBL instruments.</p> <p>The AfDB released the 'Handbook on Stakeholders Consultation and Participation in AfDB Operations' which outlined the different tools and techniques for civil society participation in Bank operations including policy formulation.</p> <p>The AfDB adopted the evaluation standards developed by the Consortium Evaluation Groups (CEG), which included a results-oriented, development effectiveness framework for all participating agencies.</p> <p><b>June:</b> OPEV led a workshop on Results-Based Management to inform and solicit viewpoints from managers and staff on the possibility of moving towards a results-based framework.</p> <p>First DBSL operations took place in Benin, Burkina Faso and Uganda.</p> <p><b>June:</b> under ADF-IX Guidelines, the Bank would finance stand-alone PBLs targeting governance and regional integration for which the IMF had deemed the macroeconomic framework satisfactory. The first one was for Zambia, focusing on Fiscal Transparency and Accountability in June 2001.</p>	<p><b>January:</b> the loan was signed for the Alternative Learning and Skills Development Project, Zanzibar. The ADF provided a loan of UA5.56 million and the Technical Assistance Fund (TAF) financed 13.8% of the project costs. The project was scheduled to last for 5 years with the final disbursement deadline being in June 2007. The aim of the project was to provide alternative education for children and youth who had missed out on school and to help integrate them into the employment market.</p> <p><b>September:</b> approval was given for the Road Rehabilitation and Upgrading Project. ADF gave a loan of UA38.65 million which was effective from June 2003. Final disbursement was planned for March 2007.</p> <p><b>October:</b> the Dar es Salaam Water Supply project was approved by AfDB. This aimed to improve the water and sanitation services in Dar es Salaam. ADF gave a loan of UA 36.94 million and a Technical Assistance Fund (TAF) grant of UA 1.31 million. Contributions were also received from IDA (43.98 million), EIB (8.98 million), AFD (9.01 million), private operator (6.64 million) and the Government of Tanzania (8.00 million). The start date for the project was March 2002 and the project was predicted to take 5 years.</p> <p><b>December:</b> the Structural Adjustment Loan II was signed. ADF contributed UA 40.0 million to financing the PRSP for the fiscal years 2001/02 – 2003/04. The objective was to promote growth and poverty reduction through a comprehensive package of structural reforms spanning three areas. These were: Private Sector</p>	<p><b>November:</b> The Presidents of Tanzania, Uganda and Kenya launched a regional parliament and court of justice in Arusha to legislate on matters of common interest such as trade and immigration.</p>

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**Country case study: Tanzania**

Time period	AfDB HQ Policy Changes	AfDB Tanzania lending instruments	Tanzania country context
		Reforms; Economic Governance; and Agriculture and Rural Development. There were also contributions from IMF, MDF and from other donors. The first disbursement was in October 2003 and the last in February 2004.	
2002	<p>A new CSP format was adopted, representing a major start in improving the CSPs submitted to the Board in general.</p> <p><b>June:</b> The AfDB participated in the first Global Roundtable and as a result, it moved forward on setting up and implementing a Balanced Scorecard system.</p> <p><b>November:</b> The management presented to its Board the Results Measurement Framework (RM) that measures results at the intermediate and “bottom-line” levels of ADF operations. Three levels of measures were identified to capture country progress and institutional contributions to country progress.</p> <p><b>December:</b> The Bank established the ‘Development Effectiveness and Results-Based Management’ (DERBM) made up of Managers, Directors or their representatives from each of the Bank’s Vice-Presidencies. The DERBM was mandated to oversee aspects of harmonisation and alignment in terms of the design, implementation and Bank-wide adoption of policies in these areas.</p>	<p><b>September:</b> the concept note was approved by the AfDB Board. A loan of UA15.6 million was provided to an Agriculture Marketing Systems development Programme. The programme’s aim was to improve the structure, conduct and performance of Tanzania’s marketing systems. The programme was completed in August 2009. It ran behind schedule because of initial delays in effectiveness so ADF extended the disbursement deadline from 31st December 2008 to 31st December 2009.</p>	<p><b>April:</b> Zanzibar Poverty Reduction Plan published.</p> <p><b>June:</b> Tanzanian government launched new institutional arrangements for interacting with the donor community. The Tanzanian Assistance Strategy (TAS) set the framework for aid co-ordination and enhancing national ownership of the development process, and built on various other arrangements (e.g. SWAps, quarterly sector consultations, PER/MTEF, poverty reducing budget support, and major civil service and local government reforms).</p> <p><b>2002:</b> A Partnership Framework Memorandum was published to govern the provision of general budget support to the Government of Tanzania. All PRBS/PRSC donors signed up to the framework which aimed “to minimize transaction costs, to harmonize performance benchmarks and dialogue between the parties and to link funding commitments by the donors to achievement of set targets” (ibid: p. 3). The framework also sought to increase the predictability of donor flows of aid to Tanzania. The performance benchmarks and targets against which donors’ made their aid commitments and which would ultimately trigger disbursements were set out in a Performance Assessment Framework (PAF). The PAF contained a list of Government actions – for the current year plus indicative actions for the subsequent two years – and 60 outcome and impact indicators. The Government’s progress in undertaking PAF actions was assessed during the annual and mid-year reviews held by the Government and donors, and the PAF was regularly updated on the basis of these reviews.</p>
2003	The ADF Results Measurement Framework (RMF) was presented to the Board, after being prepared	<b>November:</b> approval of the Monduli Rural District Water Project. The project was estimated to start in June 2004 and to last for 36 months. A loan of	

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**Country case study: Tanzania**

Time period	AfDB HQ Policy Changes	AfDB Tanzania lending instruments	Tanzania country context
	<p>with the World Bank's IDA Measurement System.</p> <p><b>By 2003</b>, CSPs incorporated identified areas of reforms, which would be the focus of the Bank intervention justifying PBLs.</p> <p>The civil war in Cote d'Ivoire led to the Bank relocation to Tunis.</p>	<p>UA 5.51 million was provided, the Government of Tanzania contributed UA 1.723 million. The project objective was to provide adequate and sustainable drinking water for the population in 18 villages and two settlements and to improve sanitation.</p>	
<p><b>2004</b></p>	<p><b>April:</b> The board approved the '<u>Guidelines on Development Budget Support Lending (DBSL)</u>'. These are the guidelines for AfDB involvement in budgetary support operations. In line with the international agenda on aid effectiveness, DBSL aimed to facilitate alignment and harmonization and predictability of source flows.</p> <p>The board approved the '<u>Revised Guidelines for Bank Group Operations Using Sector-Wide Approaches (SWAps)</u>'. These are guidelines on how to engage in the provision of assistance to qualifying RMCs in alignment with sister institutions.</p> <p>The Board approved the creation of a <u>Post-Conflict Country Facility</u> (PCCF) to provide support for clearing the arrears of countries emerging from conflict.</p> <p>The Bank approved the guidelines for the Policy Based Lending on Governance (PBLG); these aimed to complement other policy based lending instruments. The guidelines emphasise the relevance of improving public sector accountability, increasing citizen and investor participation and public sector transparency and reducing corruption and reforming laws and judicial systems.</p>	<p><b>January:</b> the start of the Support to Strategic Action Plan for Vocational Education and Training Project. This project aimed to increase access to vocational learning and training programmes and improve the quality, management and delivery of such courses. The ADF provided a loan of UA14.22 million and a grant of UA1.60 million. The Government of Tanzania contributed UA1.78 million. The project was planned to last for 5 years.</p> <p><b>June:</b> the Zanzibar Roads Upgrading Project was approved with a loan of UA16.22 million and an ADF grant of UA0.71 million. The deadline for disbursement was December 2007.</p> <p><b>October:</b> The African Development Bank opened its Country Office in Tanzania.</p> <p><b>November:</b> District Agriculture Sector Investment Project was approved. The ADF provided a loan of UA36.00 million and a grant of UA 7.00 million. The loan agreement was signed in February 2005 and the deadline for the final disbursement is June 2012.</p> <p><b>December:</b> the loan agreement for the Poverty Reduction Support Loan (PRSL I) was signed. A loan of UA50.00 million was provided which was disbursed all at once in May 2005; activities were completed in September 2005. This was the AfDB's 6th policy based loan to Tanzania and aimed to help the Government achieve the aims set out in the PRSP for 2004/05. The main targets were:</p> <ul style="list-style-type: none"> <li>• Reduce the incidence of basic needs poverty by half from 48% in 2000 to 24% by 2010, and</li> <li>• Reduce the incidence of food poverty from 27% in</li> </ul>	<p><b>2004:</b> There were eleven donors contributing directly to the PRBS. The UK was the largest PRBS donor in absolute terms and expected soon to channel approximately 70 percent of total assistance to Tanzania through the PRBS facility. Some of the contributors to the PRBS were donors that, for various reasons, did not typically provide assistance in the form of general budget support but were experimenting with it in Tanzania, such as Canada and Japan.</p> <p><b>2004:</b> Tanzania reviewed its Poverty Reduction Strategy (PRS) and prepared a second generation PRS which was approved by Government in 2005. The new version was called the National Strategy for Growth and Reduction of Poverty (also known as the MKUKUTA).</p>

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**Country case study: Tanzania**

Time period	AfDB HQ Policy Changes	AfDB Tanzania lending instruments	Tanzania country context
<p><b>2005</b></p>	<p>The AfDB participated in the Paris Declaration meetings and signed up to the Paris Declaration on aid effectiveness.</p> <p><b>May:</b> The 'ADF-X Financing Policy Guidelines' were published. These governed all project loans and grants; policy based lending operations; technical assistance operations; additional resources and any other activities of the Fund during the period 2005–2007. Among the guiding principles for the ADF-X operations, the document highlighted its efforts towards the principles of the Paris Declaration and its progressive involvement in Sector Wide approaches and Development Budget Support.</p> <p><b>October:</b> The Bank's President launched a Task Force on Institutional reforms (TFIR) to examine how the Bank could best play an expanded role in the development of the African continent.</p> <p><b>2005 December:</b> The ADF Results Measurement Framework Paper implied that progress achieved towards meeting the PRS priorities and MDGs would increasingly be attributed to collective HA/JAS process.</p>	<p>2000 to 14% by 2010.</p> <p><b>February:</b> the protocol of agreement was signed between the Government of Tanzania and the AfDB for a grant of UA4.797 million for the Institutional Support Project for Good Governance. This grant together with a contribution of UA 0.25 million from the Tanzanian Government aimed to undertake reforms that would ultimately promote good governance. The AfDB hoped that the grant would support reforms that would be undertaken under the Poverty Reduction Support Loan (PRSL), and through the budget support operation that was approved by the AfDB Board in October 2004. The Project aimed to strengthen procurement in Tanzania's Public Financial Management Reform Programme and to support good governance reforms in Zanzibar. By the end of the project in November 2009 only 85% of the grant had been disbursed.</p>	<p><b>June:</b> The National Strategy for Growth and Reduction of Poverty (NSGRP) was published.</p> <p><b>December:</b> Jakaya Kikwete, foreign minister and ruling CCM candidate, won presidential elections.</p>
<p><b>2006</b></p>	<p><b>April:</b> <u>'The revised Bank Group Action Plan on harmonization, alignment, and managing for results'</u> summarized ongoing Bank activities to promote HA and MfR agenda and set the Bank's future plans for deepening its work in this area.</p> <p>The Bank published <u>'Bank Group use of DBSL and SWAps: Issues and Challenges'</u>. This paper reviewed the Bank Group's experience and the challenges faced in the use of these instruments. It made three recommendations for the way forward:</p> <ol style="list-style-type: none"> <li>i. Amendment of the procurement provision in Article 15(4)(a) of the Agreement Establishing the ADF to permit effective Fund involvement in SWAps. This should be on the agenda of</li> </ol>	<p><b>February:</b> Poverty Reduction Support Loan (PRSL) II was approved. Its main objective was to support Government efforts to promote strong and sustainable growth during fiscal year 2006/07. The loan agreement was signed in August 2006, the first disbursement was in June 2007 and the last in December 2007. ADF contributed UA 50.0 million out of the total required UA 435.6 million. The following donors also contributed to make up the total: IDA (UA 138.3 million); DFID (UA 108.4 million); European Union (UA 33.2 million); Netherlands (UA 8.4 million); Sweden (UA 26.9 million); Norway (UA 16.9 million); Canada (UA 14.2 million); Denmark (UA 10.1 million); Ireland (UA 8.7 million); (Switzerland (UA 3.2 million); KfW (UA 6.7 million); Japan (UA3.2 million); Finland.</p>	

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**Country case study: Tanzania**

Time period	AfDB HQ Policy Changes	AfDB Tanzania lending instruments	Tanzania country context
	<p>the Deputies during the Mid-term Review of the ADF-X</p> <p>ii. Enhancement of the Bank’s Field Presence for effective involvement in BBOs and SWApS – this required reviewing staffing levels and mix</p> <p>iii. Provision of increased support to PFM capacity building in RMCs to strengthen countries’ fiduciary systems in parallel with moving to ‘untied’ aid assistance.</p> <p><b>April: Organisational Reforms:</b> the Boards of Directors approved a proposal to strengthen the Bank Group’s organisational structure under the title ‘<u>Enhancing the effectiveness of the Bank</u>’. The reforms included changes in the organizational structure centred on the Operations Complexes and the Office of the Chief Economist, with the overarching goal of enhancing development effectiveness and delivering better results for RMCs.</p>	<p><b>August:</b> The AfDB announced the cancellation of more than USD 640m of debt owed by Tanzania. The AfDB said that it was impressed with Tanzania’s economic record and the level of accountability in public finance.</p> <p><b>September:</b> the Rural Water Supply and Sanitation Programme was approved. The ADF provided a loan of UA 45.00 million and a grant of UA 10.00 million. The loan agreement was signed in November 2006 and the project was predicted to run until December 2011.</p>	
<p><b>2007</b></p>		<p>The Bank Group’s programme guided by the Joint Assistance Strategy for Tanzania, enabling harmonization with other donors and the government’s objectives of providing broad-based economic growth and poverty reduction. AfDB focusing over the medium term on Tanzania’s Poverty Reduction Strategy (MKUKUTA) and the improvement of quality of life and social well-being. Although support for the governance pillar not envisaged over the medium term, the Bank Group would remain engaged in this area through the ongoing Institutional Support Project for Good Governance. The Bank Group was also providing capacity building support to the Prevention and Combating Corruption Bureau.</p> <p><b>January:</b> a five year project was started on Maternal Mortality Reduction. This project aimed to accelerate the reduction of maternal and newborn deaths in Mara,</p>	<p>Joint Assistance Strategy for Tanzania (JAST) was formulated as the guiding framework of cooperation between Tanzania and its Development Partners. The Government of Tanzania continued to advocate for General Budget Support (GBS) as the preferred foreign funding modality because of its comparative advantage over other modalities in terms of government leadership, ownership of the development agenda, resource allocation, and its full integration into the national budget, public financial management, and accountability systems. 13 GBS partners including Canada, Denmark, Finland, Germany, Ireland, Japan, the Netherlands, Norway, Sweden, Switzerland, the United Kingdom, and the European Union (World Bank website, 2010<sup>28</sup>).</p>



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**Country case study: Tanzania**

Time period	AfDB HQ Policy Changes	AfDB Tanzania lending instruments	Tanzania country context
		Mtwara, Tabora and Zanzibar. The ADF gave a loan of UA40.00 million.	
2008	<p><b>April: Organisational reforms:</b> The Bank embarked on a new phase of institutional reform to consolidate its role as Africa’s premier development finance institution, presented to the board in April 2008 as the ‘<u>Governance Strategic Directions and Action Plan GAP 2008–2012</u>’. The strategic directions and Action Plan provided a rationale for greater strategic selectivity and focus in the Bank’s governance work.</p> <p><b>January:</b> <u>ADF-11 Deputies Report</u> – this stated that at least 75% of funds would be allocated for specific investment projects and programmes and technical assistance and no more than 25% via PBL operations</p> <p><b>March:</b> approval of the Bank Group’s Strategy for the Enhanced Engagement in Fragile States. This was followed in <b>July</b> by the approval of the <u>Operational Guidelines of the Fragile States Facility (FSF)</u>. FSF operations could be implemented using the Bank’s quick disbursing instruments combating issues of slow disbursement. The AfDB strategy on fragile states recommended the transfer of arrears clearance activities of the PCCF to the FSF.</p> <p><b>May:</b> Paper on ‘<u>Bank Group approach towards enhancing the use of country systems</u>’ prepared, and approved by the Board in July.</p> <p>PBL type instruments were used as a fast-disbursing response to the African food crisis. ‘<u>The African food crisis response</u>’ (AFCR) was developed in July 2008 and forms a framework for AfDB accelerated support to RMCs affected by increased food prices, with short (periods of 6 months to a year) and medium to long term measures (over 3 years and beyond) to the value of UA 472 million and UA 1.4 billion respectively. One of the short-term measures was the use of a budget support instrument for quick disbursement of resources to RMCs (UA 304</p>	<p>In the first quarter, the AfDB had 15 ongoing operations in Tanzania, estimated at UA 441.43 million. Tanzania’s allocation under the African Development Fund 2008–2010 (ADF XI) was UA 404.2 million.</p> <p><b>June:</b> approval of the concept note for the Poverty Reduction Support Loan III. The ADF made a loan of UA 60.0 million. This was combined with loans from the World Bank and Japan and grants from; Denmark, EU, Finland, Ireland, Germany, Netherlands, Norway, Sweden, Switzerland and the UK. The aim of the programme was to enhance accountability and transparency in the allocation of public resources. The loan covered the period 2008 to 2010.</p>	<p><b>January:</b> Governor of the Central Bank, Daudi Ballali, sacked after an international audit finds the bank made improper payments of more than \$120m to local companies.</p> <p><b>February:</b> The President dissolved his cabinet following a corruption scandal which forced the prime minister and two ministers to resign.</p>

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**Country case study: Tanzania**

Time period	AfDB HQ Policy Changes	AfDB Tanzania lending instruments	Tanzania country context
	million).		
2009	PBL type instruments were used to respond to the financial crisis in 2009. In March 2009, the Bank developed the ' <u>Bank Response to the Economic Impact of the Financial Crisis</u> '.	<b>November:</b> project approval was given for the Road Support Project I. This project aims to upgrade two roads which are part of regional corridors and therefore will improve cross-border trade with the countries neighbouring Tanzania and at the same time enhance tourism and regional integration. The project has been funded by a loan of UA152.00 million from the ADF, a loan from JICA of UA49.04 million and a contribution from the Government of Tanzania of UA29.57 million. The planned project completion date (as per the project appraisal) is June 2016.	Tanzania joined Kenya, Tanzania, Uganda, Rwanda and Burundi in signing common market agreement allowing free movement of people and goods across the East African Community.  <b>June:</b> inflation reached 10.7% due to high international oil and food prices.
2010			<b>May:</b> the donor community decides to withhold some \$220 million (Sh 297 billion) in aid that is usually given in General Budget Support. The decision was announced by the AfDB, leading the General Budget Support donors' group that includes Canada, Denmark, the European Commission, Finland, Germany, Ireland, Japan, The Netherlands, Norway, Sweden, Switzerland, United Kingdom, and the World Bank. The decision was made because of concerns about the slow pace of agreed reforms in Tanzania.  Kilimo Kwanza launched by the Government of Tanzania. This policy aims to achieve a green revolution in Tanzania and transform the agricultural sector in order to sustainably boost farmers' productivity and incomes. The multi-sectoral development strategy for agriculture aims to improve institutional arrangements, land use and financing as well as involving implementation of an industrialization strategy geared to the transformation of the sector.

## Annex C List of people met

Organisation	Name	Position
<i>Donors</i>		
AfDB	Prajesh Bhakta	Acting Resident Representative
AfDB	Dennis Rweyemamu	Agricultural Expert
AfDB	Prosper Charle	Macroeconomist
AfDB	Oswald Leo	Social Development Specialist
AfDB	Godfrey Kaijage	Disbursement/Financial Management Office
AfDB (Tunis)	Abdul-Nashiru Issahaku	Principal Economic Governance Expert
AfDB (Tunis)	Shirley Chinien	Principal Economist
AfDB (Tunis)	Sam Turay	Country Programme Officer
AfDB (Tunis)	Catherine Baumont	Lead Economist
AfDB (Tunis)	Diarietou Gaye	Director, OREB
DFID	Richard Moberly	Senior Economic Advisor
DFID	Tanya Zebroff	Education & Social Sector Advisor
Embassy of Denmark	Jesper Kammergaard	Deputy Head of Mission
Embassy of the Federal Republic of Germany	Gisela Habel	Head of Division for Development Cooperation
Embassy of the Federal Republic of Germany	Angela Tormin	Senior Programme Officer
Embassy of Ireland	Vincent Akulumka	Agriculture Advisor
Embassy of Ireland (formerly AfDB)	Nathalie Francken	Senior Economic Advisor
Embassy of Norway (formerly AfDB)	Angus Millar	Aid Effectiveness Advisor
European Union	Stefan Schleuning	Head of Section, Governance and Regional Integration
European Union	Enrico Strampelli	First Counsellor, Head of Cooperation
IFAD	Mwatima A. Juma	Country Office for Tanzania
KfW	Wolfgang Weth	Director
World Bank	Paolo Zacchia	Lead Economist
PRBS Secretariat	Balandya Elikana	Economist
PRBS Secretariat	Paulina Mosso	Coordinator
<i>Civil Society</i>		
Policy Forum	Semkae Kilonzo	Coordinator
Hakielimu	Elizabeth Missokia	Executive Director
Hakielimu	Robert Mihayo	Manager – Information Access
<i>Government of Tanzania</i>		
Ministry of Finance and Economic Affairs	Yamungu Yayandabila	Assistant Commissioner for Policy
Ministry of Finance and Economic Affairs	Johannes Jovin	Senior Economist, External Finance Department
Ministry of Finance and Economic	A. Matembele	Finance Analyst, External Finance

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<b>Organisation</b>	<b>Name</b>	<b>Position</b>
Affairs		Department
Ministry of Finance and Economic Affairs	Nukajungu Kamuzora	Aid Coordination Department
Ministry of Finance and Economic Affairs	Mark Tema	Aid Coordination Department
Ministry of Water and Irrigation	Mr Sailei	Assistant Director of Policy & Planning
Ministry of Water and Irrigation	Mr Mkumwa	Director of Rural Water Supply
Ministry of Agriculture	Simon Mpaki	ASDP Coordinator, MAFC
Ministry of Agriculture	Emmanuel Achayo	Director of Policy and Planning
Ministry of Education	Apius M. Machagge	Principal Education Officer

## Annex D Key data on PBOs

Table D.1 Total ADF Approvals Tanzania: 1999–2009 (UA million)

	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009
<b>Project Lending</b>	24.00	5.56	75.59	15.90	14.22	52.22	-	85.00	148.68	25.00	-
<i>% Project lending</i>	84.2%	3.9%	63.6%	94%	45%	45.5%	0%	58.6%	99.1%	20%	0%
<b>Policy based lending</b>	-	-	40.00	-	-	50.00	-	50.00	-	100.00	152.00
<i>% Policy based lending</i>	0%	0%	33.7%	0%	0%	43.5%	0%	34.4%	0%	80%	100%
<b>Grants</b>	-	-	-	1.0	17.11	12.51	-	10.00	1.32	-	-
<i>% Grants</i>	0%	0%	0%	1.7%	55%	11%	0%	7%	0.9%	0%	0%
<b>Technical Assistance</b>	3.60	1.78	3.18	1.0	-	5.51	-	-	-	-	-
<i>% Technical Assistance</i>	14.0%	1.3%	2.7%	6.0%	0%	0%	0%	0%	0%	0%	0%
<b>Debt &amp; debt service reduction</b>	0.55	134.48	-	-	-	-	-	-	-	-	-
<i>% Debt Service</i>	1.8%	94.8%	0%	0%	0%	0%	0%	0%	0%	0%	0%
<b>Total Approvals</b>	<b>28.15</b>	<b>141.82</b>	<b>118.77</b>	<b>16.9</b>	<b>31.33</b>	<b>114.73</b>	-	<b>145.00</b>	<b>150.00</b>	<b>125.00</b>	<b>152.00</b>

Source: AfDB (2010 and 2009) Compendium of Statistics

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**Table D.2 Comparison of the Performance of SAL I–II and PRSL I–III**

	<b>SAL 1</b>	<b>SAL 2</b>	<b>PRSL I</b>	<b>PRSL II</b>	<b>PRSL III</b>
<b>Performance</b>					
Year of Approval	1997	2001	2004	2006	2008
<b>Conditions:</b> Number	23	16	8	10	5
<b>Tranches:</b> Number	3	2	1	1	2
<b>Sectors:</b> Number (consistency with previous operation)	4	3 (1)	2 (2)	2 (0)	2 (0)
<b>Harmonisation:</b> Number of donors with similar conditions	1	2	9	13	13
<b>Predictability:</b> Delays overall programme	18 months	14 months	0 months	0 months	0 months
<b>Predictability:</b> % of funds not disbursed in programmes fiscal year	67%	100%	0%	0%	0%
<b>In-year Predictability:</b> Delay in fund disbursement from planned timing			0 months	6 months (slipped into next financial year)	2 mths first tranche 1 month
<b>Overall</b>					
<b>Ranking:</b> PCR rating	1.9	2.0	2.2		4
<b>Amount:</b> UA million	45	40	50	50	Yr 1 – 60 Yr 2 – 14 Yr 3 – 0
<b>Volume:</b> % of ADF allocation	18.1%	17%	18.2%	17.2%	
<b>CPIA/CPA:</b> average score	2.98	3.04	3.31	3.39	

**EVALUATION OF POLICY BASED LENDING IN THE AFRICAN DEVELOPMENT BANK***Country case study: Tanzania***Table D.3 ASDP Commitments and Disbursements: 2008–2010**

<b>Year</b>	<b>Date of Disbursement</b>	<b>Commitment</b>	<b>Disbursement</b>
<b>2007/08</b>	May 2008	Up to UA 8 million	UA 7.4 million
<b>2008/09</b>	Oct 2009	Up to UA 13.94 million	UA 13.6 million
<b>2009/10</b>	14 Jan 2010	Up to UA 15.86 million	UA 15.09 million
<b>2010/11</b>	-	Up to 2.20 million or balance of loan	

**Table D.4 Commitments and Disbursements for the SEDP**

<b>Disbursement Date</b>	<b>Actual Disbursement Date</b>	<b>Amount Committed</b>	<b>Amount Disbursed</b>
June 2008	September 2008	UA 9.8 m	UA 9.m
June 2009	February 2010	UA 10.2m	UA 10.2 m
Total		UA 20.0m	UA 20.0m

*Source: AfDB (2007a) and information from the Tanzania office*

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**Table D.5 RWSSP: Commitments and Disbursements**

<b>Year</b>	<b>Date of Disbursement</b>	<b>Commitment</b>	<b>Disbursement</b>
2006/07	12 Jun 2007	n/a	UA 10.1 million
2007/08	19 June 2008	n/a	UA 6.4 million
2008/09	12 June 2009	n/a	UA 10.1 million
2009/10	10 March 2010	n/a	UA 18.3 million
Total			UA 45 million

*Source: AfDB (2006a) and information from the Tanzania office*



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**Table D.6 General Budget Support to Tanzania – Commitment Vs. Actual Disbursement – Trend Table – Million USD Equiv**

GBS Donor	FY 2005–2006		FY 2006–2007		FY 2007–2008		FY 2008–2009			FY 2009–2010			FY 2010–2011		
	Commit	Act Disbur	Commit	Act Disbur	Commit	Act Disbur	Own Curr	Commit	Act Disbur	Own Curr	Commit	Act Disbur	Own Curr	Commit	Act Disbur
African Development Bank - Loan - UA	75.638	73.662	73.834	-	-	75.678	60.000	88.545	89.750	40.000	60.404	62.133			
Canada - Grant - CAD	21.560	-	21.512	-	-	17.225	20.000	16.379		20.000	18.202	16.179	10.000	9.904	
Canada - Grant - Educ. Budget Supp- CAD									32.274			31.755			
Denmark - Grant - DKK	10.806	9.805	15.177	15.205	12.973	12.770	100.000	19.234	19.234	100.000	19.067	17.786	100.000	17.782	16.393
European Commission - Grant - EUR	47.075	39.051	49.057	39.212	50.405	36.732	34.100	40.512	47.341	45.000	63.873	64.303	39.000	51.601	
European Commission - Grant - food										14.840	21.064	20.433	20.000	26.462	
European Commission - Grant - ESBS												12.034			
Finland - Grant - EUR	5.380	4.922	10.828	11.087	14.324	12.461	15.000	18.990	19.332	15.000	21.291	20.859	15.000	19.847	18.817
Germany - Grant - EUR	8.070	6.312	10.063	10.768	10.811	11.230	8.800	11.141	10.846	10.000	14.194	13.338	10.000	13.231	
Ireland - Grant - EUR	13.450	12.434	13.082	13.206	15.811	16.029	13.600	19.976	19.976	12.400	17.601	17.267	11.000	14.554	14.226
Japan - Loan - JPY	-	-	-	16.434	19.164	17.590	2,000.000	20.619	20.155	2,000.000	20.674	21.482	2,000.0	21.304	
Japan - Grant - JPY	5.220	4.969	4.793	4.673	5.222	4.519									
Netherlands - Grant - EUR	13.450	12.016	25.158	38.102	67.568	69.712	30.000	37.980	42.458	30.000	42.582				
Norway - Grant - NOK	16.471	15.422	27.464	33.842	34.596	39.601	265.000	38.159	37.971	265.000	41.974	42.442	265.000	44.489	
Sweden - Grant - SEK	17.790	25.777	40.599	42.459	51.852	50.874	425.000	53.628	54.026	390.000	50.966	50.949	315.000	43.259	

**EVALUATION OF POLICY BASED LENDING IN THE AFRICAN DEVELOPMENT BANK**

**Country case study: Tanzania**

GBS Donor	FY 2005–2006		FY 2006–2007		FY 2007–2008		FY 2008–2009			FY 2009–2010			FY 2010–2011		
	Commit	Act Disbur	Commit	Act Disbur	Commit	Act Disbur	Own Curr	Commit	Act Disbur	Own Curr	Commit	Act Disbur	Own Curr	Commit	Act Disbur
Switzerland - Grant - CHF	5.211	4.764	4.831	4.615	5.217	4.800	6.500	5.442	5.542	6.500	6.087	6.308			
United Kingdom - Grant - GBP	163.472	156.832	164.156	169.902	201.923	211.654	103.500	188.531	188.531	103.500	166.780	170.077	103.500	156.885	
World Bank - Loan - USD	175.000	149.773	200.000	206.424	190.000	195.233	160.000	160.000	150.344	190.000	190.000	199.419	115.000	115.000	
World Bank (Supplementary)										170.000		163.300			
<b>Total</b>	<b>578.593</b>	<b>515.740</b>	<b>660.554</b>	<b>605.930</b>	<b>679.867</b>	<b>776.106</b>		<b>719.134</b>	<b>737.781</b>		<b>754.758</b>	<b>930.063</b>		<b>534.317</b>	<b>49.437</b>

Source: Government of Tanzania/PRBS Group Documents of various years.

Notes:

1. Exchange rate of 18/11/2008 was used for converting donor currencies into USD for FY 2008/09
2. FY 2008/09 commitments are shown in both own currencies and USD equivalent because various documents shows different amount in USD due to the date of exchange rate used for conversion.
3. African Development Bank and Canada commitments for FY 2006–2007 were disbursed in FY 2007–2008: There were no commitments for FY 2007/08
4. Difference between commitments and actual disbursements in USD equivalent might be due to exchange rate fluctuation of USD against donor's own currencies
5. Canada disbursed education budget support through the PRSC/PRBS A/Cs for FY 2008–09
6. Canada Commitment for FY 2009–10 is FY 2008–09 commitment which was not disbursed
7. Canada disbursed ESBS through the PRBS A/C for FY 2009–10
8. EC disbursement of ESBS for FY 2009–10 was transferred to the GoT exchequer through the PRBS A/C
9. World Bank for FY 2009–10 disbursed supplementary budget support for financial crisis
10. The FY 2009/10 GBS disbursement includes USD 207.09 mln sector budget support and world bank supplementary which were not included in the original commitment
11. FY 2010–11 Disbursement is as of end July 2010