

Regional strategy for
development cooperation with

Tanzania

2006 – 2010



1. POVERTY REDUCTION IN TANZANIA

1.1 The poverty situation

Since the mid-1990s, Tanzania has made substantial progress in terms of macro-economic stability and structural economic reform. Over the last five years growth has averaged around six per cent. Despite these advances, Tanzania remains one of the poorest countries in the world.

Poverty is the normal condition of life for many women and men, in both urban and rural areas. Nearly a fifth of the population do not have enough to eat, and more than a third cannot satisfy basic needs. During the 1990s, the proportion of the population below the poverty line remained roughly the same. According to the most recent data available, income among the poor does not appear to have increased to any great extent during this decade. The data, however, does not take into account the effects of the considerable economic growth that has occurred in the country since 2001. Also, progress has been made dealing with other manifestations of poverty. Poverty simulations by the World Bank indicate that the link between economic growth and poverty reduction is fairly strong in Tanzania. Nevertheless, the conclusion is that changes are needed in both the Tanzanian economy and Tanzanian society if poverty is to be properly dealt with. The aim must be a higher growth rate and structural reform.

Poverty is still predominant in rural areas, where 80 per cent of the population live. The worst hit are households dependent on agriculture. Income poverty among small farming households in Tanzania is due to a wide range of factors, such as low levels of saving and investments; limited access to land, capital and technology; frequent volatile and disadvantageous terms of internal and external trade; and the nature and impact of institutions, including market regulation, taxation and property rights. As a result of low levels of output and disposable income, the rural poor suffer from high levels of malnutrition and ill-health.

The modest decline in national poverty levels during the 1990s conceals significant regional differences and changes over the decade. Dar es Salaam experienced a substantial reduction in poverty, triggered by strong private formal job sector growth that spilled over to the informal sector. Meanwhile, poverty worsened in the Northern Highlands region, especially in rural areas. Despite these regional variations within the country, the level of inequality in Tanzania is still relatively low compared to other African countries.

Environmental degradation represents an important constraint on pro-poor growth since key economic sectors such as mining, energy, agriculture, tourism, wildlife, forestry and fisheries are to a great extent based on natural resources.

Tanzania's dependency on foreign aid is high: at present, about 40% of budgetary resources are external. Thus sustained growth is essential to the achievement of an overall reduction of dependency, and pro-poor growth is necessary if income poverty is to be reduced.

Non-income poverty is largely due to the quality and distribution of public services, in particular basic health care, education, water supply and waste disposal. With the exception of primary school enrolments, Tanzania's social development indicators show that little progress has been made over the last decade. Despite major efforts to increase pro-poor social expenditures as part of the first Poverty Reduction Strategy (PRS), there is little evidence outside primary education that additional resources automatically mean more or better services. In the health field, there have been notable improvements in vaccination rates and TB treatment, but neither infant nor maternal mortality rates have declined to any great extent. The most vulnerable and needy groups are not being adequately targeted or reached.

Future social and economic progress is threatened by the impact of HIV/AIDS. This disease is the most common cause of death among the Tanzanian adult population. HIV prevalence is an estimated 7 per cent.

Whereas reform of economic institutions is progressing and donor relations are improving, reform of Tanzania's political system and institutions has been slow over the last decade. One-party dominance is ubiquitous. There is little distinction between party and state. Parliament, the media and civil society, while growing in strength, do not yet offer meaningful checks and balances to executive power. The legal sector is often dysfunctional and corruption is pervasive.

From the perspective of poor women and men, the political dimension of poverty is therefore the most challenging aspect of Sweden's development cooperation with Tanzania. Citizens have little opportunity to demand accountability. The authorities' exercise of power is characterised by gratuitous measures and arbitrary governance. The most vulnerable sections of the community are the worst hit as their rights are being neglected. Lack of both political reforms and respect for human rights is hampering progress towards economic poverty reduction.

In December 2005, multi-party general elections were held for the third time in the history of Tanzania. The elections were calm and well organised on the mainland, but irregularities, violence and a lack of transparency were observed in some constituencies in Zanzibar. The ruling party, CCM, and its presidential candidate, Jakaya Kikwete, won a clear majority of the votes. In Zanzibar, presidential and parliamentary elections were held in October. The incumbent president, Karume, was re-elected by a narrow margin. In some constituencies, however, observers noted irregularities, violence and a lack of transparency. Continued emphasis on conciliation and democratisation in the islands is absolutely essential.

1.2 The National Strategy for Growth and Reduction of Poverty

A second PRS, the National Strategy for Growth and Reduction of Poverty (NSGRP), was adopted by government and parliament in the first half of 2005. The strategy has a five year implementation period dating from July 2005. Unlike the first PRS, which focused on a core of seven priority sectors, the NSGRP is outcome-based and is structured around three clusters: i) growth and reduction of income poverty; ii) improvement of the quality of life and social well-being, and; iii) governance and accountability. Under the new strategy there is stronger

emphasis on overall economic growth and greater attention is paid to stimulating the private sector response, to infrastructure, to human resource development and to building a competitive economy and efficient government.

The adoption of the NSGRP approach has changed policymaking in Tanzania in significant ways. Firstly, poverty reduction has become the central policy objective. Both the budget process and sectoral initiatives have been re-oriented to ensure that they contribute to overall poverty reduction objectives. Secondly, policy making has become more participatory, partly through the process of formulating the NSGRP but equally importantly at the level of sectoral policy formulation. Finally, there is a greater focus on the monitoring of outcomes and impacts.

As a result of the broad-based approach to poverty reduction that the NSGRP represents, there is a good chance that growth will in future benefit the poor to a greater extent. The question of how this is to be achieved must be a priority dialogue issue in all modalities. The rights perspective must as a matter of importance be emphasised in all dialogue as a way of boosting participation among the poor and of strengthening their rights. The NSGRP formulation process has been acclaimed both nationally and internationally. A number of different stakeholders have been consulted, including government ministries, NGOs and the private sector, local policymakers and parliament. National ownership in the process has been very considerable, and the way in which the strategy has been developed has been impressive.

Although the NSGRP is far better than its predecessor, it suffers from a number of weaknesses. For example, the underlying poverty analysis is not deep enough, the analysis of growth quality and regional inequalities is insufficient, the right based approach is not fully recognised, management of natural resources is overlooked, and proper prioritisation, costing and financing is not yet developed. On the whole, however, the NSGRP is competent by international standards and may be used as a framework for Sweden's continuing development cooperation with Tanzania. Areas for cooperation should be based on the NSGRP, the national system for monitoring should be used, and dialogue issues should be based on the new framework.

2. SWEDISH POLICY – BASIC PREMISES

The overarching goal of Swedish development cooperation is to help create opportunities for poor people to improve their lives. Under the new policy for global development, all work in this field is to be informed by a rights perspective and the perspective of the poor.

The strong commitment shown by Sweden and the EU to the Paris Declaration on Aid Effectiveness is of fundamental importance in developing the approaches and modalities used in Swedish development cooperation with Tanzania.¹

¹ Together with partner countries and other donors (including the EC), Sweden should seek to achieve a better division of labour and concentrate aid to fewer sectors; Sweden should make greater use of partner countries' systems for procurement, reporting, disbursements, follow-up and auditing; Sweden should continue to increase the

3. SWEDISH DEVELOPMENT ASSISTANCE IN 2001-2005

The conclusion to be drawn from the outcome assessment is that in all probability Swedish development assistance to Tanzania has in general helped to fulfil the three strategy goals of *pro-poor growth*, *human resource development* and *democratic development*. The sectors on which Swedish assistance has focused have been relevant to poverty reduction, and as performance has been good all round it may be concluded that our efforts have helped to fulfil the overall objectives. At the project and programme level, it is clear that development cooperation with Tanzania has in many ways helped to reduce poverty in its various dimensions among relevant target groups. In some instances, income poverty has been directly reduced, as for instance in the case of Swedish support for the export of ecological farm produce. Current programmes have helped strengthen the capacity of farmers to redirect their production towards ecological cultivation for the export market. Swedish assistance has also helped improve public health, e.g. via the *Health through Sanitation and Water (HESAWA)* project.

Pro-poor growth: The reforms that Sweden has supported with resources and policy dialogue have helped produce an environment in which the private sector can develop, which has had a favourable impact on growth. Swedish interventions have helped strengthen the capacity of the Tanzanian power company and given more rural households access to electricity, which represents a contribution to the kind of growth that benefits the poor. Sweden's role in the energy sector has been a unique one. No other bilateral donors are involved in undertakings of any note in this area, and Sweden has played an important role. In the ICT field, too, Sweden has made a significant contribution and is the leading donor in Tanzania.

Human resource development: Swedish assistance has helped improve the population's health and educational levels, which means poor people are more likely to benefit from growth. This marks a favourable contribution to the goal of human development. Swedish initiatives have also strengthened the resource base for research in the fields of medicine and social science, and boosted enrolments in primary education. Sweden holds a strong position in the donor community in the field of education and research. A network built up by Swedish and Tanzanian university institutions over many years has proved fruitful and should be developed further.

Democratic development: Swedish support for research has helped Tanzania develop its ability to formulate its own policies, which has contributed to the democracy goal. Democratic development has been improved as a result of successful support to the 2005 elections. These efforts have strengthened both local democracy and the state's capacity for dealing with corruption. Swedish interventions have played a decisive part in helping Tanzania develop its public

proportion of budget support and sector programme support to countries with acceptable financial systems; Sweden should seek to ensure that global vertical funds are better adapted to national priorities, systems and budgets; Sweden should continue its efforts to link development results more clearly to the targets set in the PRS and the MDGs; Dialogue with our partner countries should be based as far as possible on participating countries' own strategies and should be coordinated with other donors.

financial management system, and progress has been made in the auditing field. Swedish assistance to influential NGOs in such areas as legal aid and the rights and cultural sectors has significantly improved capacity in these organisations, which serves to enhance democratic development. At the aggregated level, linking changes in variables such as income poverty and growth to Swedish undertakings is no easy matter. To establish such links with any degree of certainty, Swedish assistance would have to be separated out from all other resource flows, and the contributory factors and negative side-effects of a relatively fragmented aid programme and the attendant transaction costs would have to be taken into account. Given the solid results achieved at a more operative level, however, it is reasonable to assume that Swedish development cooperation with Tanzania has contributed to growth and poverty reduction generally.

Cooperation in 2001-2005 has been broad-based, and Sweden has been involved in many different sectors. Assistance to Tanzania incorporates most aid modalities, such as general budget support (GBS), programme and project support, support via NGOs, credit guarantees and international courses, etc. While the conclusion to be drawn from the outcome assessment is that cooperation has on the whole had a favourable impact in all sectors, there are also instances of less successful interventions in many sectors. A common characteristic of the various initiatives is that they have failed to keep to the time frames specified in the programme and project documents.

In the Tanzania Assistance Strategy (TAS), the Tanzanian government describes how it would like cooperation with the donors to develop. It wants a larger share of the aid to be provided in the form of GBS, and it would like cooperation to be characterised by greater aid effectiveness.² The Swedish strategy for 2001-2005 was based on the TAS and Tanzania's PRS, and one of the goals of that strategy period was to achieve a greater focus and concentration of Swedish assistance in order to reduce transaction costs and promote efficiency. In certain areas, cooperation has indeed become more concentrated and focused on strategic interventions, and harmonisation has improved. On the whole, however, it has remained broad in character, and concentration of the country portfolio has not been achieved.

One conclusion of the outcome assessment is that there is a clear need to concentrate Swedish initiatives in order to make aid more effective. In this strategy, the actual choice of sectors should primarily be determined by the role Sweden plays in relation both to Tanzania and to the other donors operating in the various sectors, and by Tanzania's own wishes, as consistently good outcomes have been noted at sectoral level.

4. TOWARDS A JOINT ASSISTANCE STRATEGY FOR TANZANIA

4.1 The donor community in Tanzania

Tanzania has long been a favourite of the donor community. ODA to Tanzania is characterised by the wide array of donors and by the spread of their activities into virtually every area of Tanzanian society. It is estimated that 22 multilateral and

² I.e. in line with the well established principles of aid efficiency as expressed in such documents as the Paris Declaration.

25 bilateral donors are active in Tanzania. In addition, there are dozens of international NGOs. There is clearly a considerable need of restructuring and harmonisation. In 2002 it was estimated that over 2 000 donor reports had to be prepared annually and that the country received more than 1 000 missions. The direct cost to the Tanzanian government was USD 15-20 million, while the indirect costs were several times as great.

In terms of size, a handful of donors dominate in Tanzania. The four largest donors contribute approximately half of the total ODA. The largest donor has typically been the World Bank, accounting for 20 per cent of total aid, but over the last couple of years the UK has taken the lead in terms of volume. A group of donors, including the EC and the African Development Bank, contribute 8–10 per cent of total aid, while Denmark, Norway, Sweden and the Netherlands contribute about five per cent each. Other important donors include Japan, USAID, Switzerland, Belgium, Germany, Ireland and UNICEF, each accounting for 2–3 per cent of the total. The EU (EC and member states) accounted for approximately USD 900 million in 2005, equivalent to 50 per cent of the total aid flow. The total amount of development assistance from NGO is difficult to estimate.

The sectoral distribution of ODA to Tanzania, totalling approximately USD 1.8 billion, is broadly summarised below:

	%
Budget support	26
Economic Infrastructure	23
Education	13
Health	11
Democratic governance/HR	9
Agriculture, natural resources	9
Debt relief	4
Humanitarian aid	3
Other areas	2
Total	100 ³

The number of donors in each sector varies, the largest number (between 15 and 30) being found in education, water supply, democratic governance, HIV/AIDS, nature and tourism. In the case of Nordic⁴ and other like-minded donors, sectoral distribution largely matches the overall picture. The difference lies primarily in a larger share of budget support (34 per cent) and a smaller share of infrastructural support. Multilateral donors are the principal providers in the infrastructural sector.

4.2 The Joint Assistance Strategy (JAS)

Over the past 5–10 years, Tanzania has developed a framework for development cooperation that differs substantially from the time-honoured one previously in place. At the core of this new aid architecture are the MDGs, which serve as the supreme common benchmark for poverty reduction. A further feature is the

³ Sources: OECD /DAC: 2002-03

⁴ Comprising the Netherlands, the UK, Ireland, Finland, Denmark, Norway and Sweden.

conviction that weak domestic accountability systems and institutional capacity can only be strengthened if domestic structures are used, rather than donor-oriented by-pass solutions.

Since mid-2004, the Government of Tanzania (GoT) has led a process to develop a Tanzanian Joint Assistance Strategy (JAS). Set in the global context of the Rome and Paris Declarations on aid effectiveness, this initiative is intended to deepen the impact of the relationship between the GoT and its many development partners. The JAS aims in particular to strengthen basic principles concerning national ownership of the development process and to harmonise the assistance and government processes. This is intended to make aid more efficient and easier to manage. If these goals are to be achieved, a couple of fundamental changes will be required. Firstly, development assistance must primarily involve GBS as a funding modality. Secondly, the transactions costs of development cooperation undertakings must be substantially reduced via an extensive division of labour among donors. The plan is to adopt the Tanzanian JAS in 2006 and to begin implementing it in the Tanzanian fiscal year 2006/07.

In approach, the JAS is largely in line with the Paris Declaration on aid effectiveness, and this in turn has influenced the formulation of Sweden's strategy in certain ways:

- The strong emphasis on GBS in the JAS will lead to a new structure for policy dialogue in which financing methods do not follow the sectoral dialogue modalities.
- The need for a clear division of labour between donors will lead to Swedish development assistance being concentrated to fewer sectors/areas of cooperation.
- The choice of policy areas for Swedish development assistance will to a great extent be based on bilateral advantages such as the results of cooperation thus far and the strength of the Swedish resource base.
- The JAS will probably mean that Swedish financial support and areas for dialogue will have to be concentrated further during the strategy period.

Implications for the Swedish cooperation strategy

The general poverty analysis, Sweden's past experience and the development of a new Tanzanian JAS will necessitate four wide-ranging changes in Swedish development cooperation with Tanzania:

1. A shift from project and programme support to general budget support. GBS is to be considered the default financing modality, while other funding mechanisms are only to be used as transitional modalities, for support to non-state actors or for specific reasons when the project modality is considered more appropriate.
2. A more focused dialogue in a harmonised context will be needed, along with sectoral concentration. Whereas the analysis of Swedish support to poverty reduction must be holistic and multi-dimensional, the Swedish contribution to the joint assistance effort is to be specialised and focused, building on an extensive division of labour and complementarity among donors.

3. The basic principle of increased ownership is intended to reduce aid dependency, and for this aim to be achieved domestic institutions must be strengthened. To this end, Swedish contributions to the development efforts of Tanzania should as far as possible be assessed and evaluated via domestic processes and institutions, even though this may lead to delays and be hampered by technical inadequacies.

4. Given the strong emphasis on the rights perspective and the perspective of the poor in Sweden's policy for global development, it is vital to support the capacity-building of domestic institutions that have a pivotal role in supervising state bodies and holding officials responsible and accountable. Stronger constitutional institutions, a pluralistic and independent media and a vigorous civil society are of the utmost importance for strengthening both domestic accountability and supervision of the executive branch of government.

5. THE GOALS, DIRECTION AND VOLUME OF SWEDISH SUPPORT 2006-2010

5.1 Overall objective

The overall objective of Swedish development cooperation with Tanzania is to help create conditions that will enable the poor to improve their lives. This is to be accomplished by supporting Tanzania's efforts to reduce poverty. Swedish assistance is to be based on the Millennium Development Goals (MDGs) and the NSGRP, and implementation is to comply with the principles of the Paris Declaration and the Tanzanian Joint Assistance Strategy (JAS).

To achieve the overarching objective of poverty reduction, Swedish development assistance in 2006–2010 is to support Tanzania in its efforts to promote

- an efficient, transparent and accountable state capable of delivering public services to the citizens,
- a civil society able to serve as a watchdog of the state and to foster political participation, a democratic culture and the rule of law,
- a strong private sector that creates growth and employment opportunities for the poor.

The rights perspective and the political dimension of poverty (human rights, rule of law, participation) are to be the general focus of Swedish development cooperation dialogues in 2006-2010.

The strategy for Swedish support to the Lake Victoria Basin is to be given consideration as part of Sweden's development cooperation with Tanzania.

5.2 Specific goals

5.2.1 The transition to General Budget Support to Poverty Reduction (GBS)

The aim is for GBS to account for 50–70 per cent of the country allocation towards the end of the strategy period.

The principal change under the new strategy will be the transition from project and programme support to increased levels of GBS. The reason is that Swedish assistance needs to be adapted to the new aid architecture based on a common donor strategy with GBS as the principal modality. Thus GBS should not be viewed as a residual aid modality that can be replaced by project or programme support.

GBS has a built-in logic of desired outcomes in line with the MDGs and the national PRS, domestic priority setting and accountability, predictability in aid flows and outcomes-related dialogue. Core reforms are seen as a way of promoting the general efficiency of state institutions, and GBS is seen as an instrument for combating poverty.

Budget support, however, presupposes a high degree of mutual trust between Sweden and Tanzania. A transition to a larger GBS component assumes that the GoT presses ahead with its economic reform policies, that it actively seeks to foster democratic governance and that it takes vigorous action against corruption.

Given Tanzania's relatively unreformed political system and the power imbalances in the country, there is some uncertainty as to how far a transition to GBS should go. Progress in these areas – political and economic reform, including the fight against corruption – must be carefully monitored, analysed and reported. It is important that regular assessment of the situation and the implications for the transition to a larger GBS component be made a part of the annual consultations between the Swedish Government Offices and Sida at which development cooperation strategies are followed up.

As an important supplement to GBS, and to strengthen the perspective of the poor, support must be provided to complementary networks and arenas for development cooperation dialogue, thereby strengthening the move towards increased domestic accountability and reduced dependency on aid.

5.2.2 Concentration to fewer areas of cooperation

Swedish development cooperation is to be concentrated to 3–5 areas of cooperation as defined by the Tanzanian JAS and this strategy.

The second level in the new aid architecture outlined in the Tanzanian JAS involves sectoral cooperation. Financial support to different sectors will increasingly be channelled through the state budgetary process and be provided in the form of GBS. However, outputs and outcomes will to a large extent be identified, measured and reported on a sectoral basis. Given the weak capacity of the domestic accountability structures and the risk of corruption, there is a continued need for high quality sectoral dialogue to underpin decisions on the volume and scope of the GBS. At this level, Swedish development work is to be a part of the joint, harmonised division of labour prescribed by the Tanzanian JAS. To enable a future shift to a JAS-aligned sectoral contribution to succeed, however, Sweden's present development effort must be concentrated to fewer sectors.

Most funding will be directed towards state institutions and supported through the budgetary system. However, support to market institutions and civil society does not fit comfortably into the state budgetary process – in Tanzania as in other states. An important component of development cooperation should therefore be support to non-state actors in the fields of human rights and democracy and private sector development.

Criteria for sectoral choice

The Swedish programme is to be based on the Tanzanian PRS. Given the results-oriented nature of the NSGRP and its emphasis on synergies between sectors, however, guidance on the choice of sectors is not easily available. The Swedish-Tanzanian development cooperation programme needs to be broad enough to adopt a holistic approach to poverty reduction in the country. Via its bilateral efforts, Sweden is to inform itself and create dialogue opportunities in all three clusters of desired outcomes as defined in the NSGRP.

If further assistance is to be provided in a particular sector, the Swedish presence must yield both added value and bilateral advantages. Being a medium-sized bilateral donor in Tanzania, Sweden is to concentrate dialogue and resources on those specialised areas in which we, as part of the broader donor community, can assume a sector-wide dialogue responsibility. Sweden is prepared to assume this responsibility in the sectors listed below, pending a decision by donors on how the work is to be divided up within the JAS framework.

The Directors General of the Nordic+ countries have agreed on guiding principles for complementarity under the JAS process in Tanzania. The main principle is that each Nordic+ donor is to be active in a maximum of three sectors, excluding GBS to poverty reduction and support to civil society. Sweden is to be governed by these principles in the further process of determining an appropriate division of labour in the JAS process. In addition, the outcomes of the present development cooperation programme and past experience are to determine the choice of areas/reform programmes.

To combine a general, holistic approach with a specialised one, Swedish development cooperation with the GoT should preferably focus on one sector/reform programme in each of the Tanzanian PRS desired-outcome clusters, in addition to providing GBS. In the future, having taken into consideration present cooperation outcomes, the relevance of Swedish efforts on behalf of poverty reduction, and Swedish comparative advantages, Sweden will concentrate its assistance to Tanzania on the five areas/reform programmes listed below. As the JAS has yet to be fully implemented, the benefits of the division of labour between donors have yet to be fully reaped. In connection with the mid-term review, further concentration of the Swedish programme will be considered.

1) Energy

Tanzania's weak infrastructure, especially in the transport and power sectors, is acting as a constraint on the competitiveness of the private sector and is limiting economic expansion. A reliable power supply is vital to economic growth in industry and the service sector, not least in rural areas. Power supply in rural areas

is also crucial to the task of improving public service quality and enabling people to use ICT.

Sweden has a broad resource base of its own and vast experience in the Tanzanian energy sector, which makes it unique among bilateral donors. In addition to GBS, grants, soft credits and guarantees are to be considered for the purpose of financing a stronger energy sector.

2) Trade related Private Sector Development

The NSGRP focuses strongly on growth and income poverty reduction. The important role of the private sector, particularly in relation to agricultural development, is acknowledged. To encourage growth, however, laws and regulations need to be reformed so as to facilitate entrepreneurship and private sector development, and capacity building is needed to promote participation in both global and local markets. Certain aspects of private sector development cannot be supported through the public management system, but should preferably be channelled to non-state actors and private-public partnerships. Sweden has long-standing and comprehensive experience of supporting private sector development in Tanzania.

3) Education Sector Development Programme including Research

In pursuit of its poverty reduction objectives, Tanzania needs to upgrade its human resources in order to enhance the capacity of poor women and men to participate in economic growth opportunities. The right of education is also crucial to the task of reducing non-income poverty and strengthening democratic governance. Higher education and research will enhance the country's analytical capacity and international competitiveness.

Sweden has long-standing and comprehensive experience of supporting primary education and research partnerships. Tanzania is currently developing an Education Sector Development Programme (ESDP) which will encompass primary, secondary and tertiary education as well as research. GBS and grants are to be used for financing interventions in the education and research cooperation sector.

4) Reform Programmes for local government and public financial management

The Local Government Reform Programme (LGRP) is a core reform affecting all social service delivery sectors as well as other development efforts in both rural and urban areas. The aim is to strengthen capacity and accountability at local level. Sweden should take an active part in the reform, building on our extensive experience of rural development and urbanisation. Sweden has been closely involved for many years in building up administrative capacity in a number of districts and strengthening the country's ability to generate income through the sustainable use of natural resources.

To achieve the poverty reduction objectives of the NSGRP, reformation of the public sector in Tanzania is essential. Both accountability and the capacity to deliver public services to the population are being hampered by Tanzania's centralised system of government. The Public Financial Management Reform Programme (PFMRP) addresses weaknesses in this area. Sweden has substantial

experience of supporting the development of public financial management at both central and local levels. The Swedish National Audit Office is also involved in this field of cooperation.

5) Human rights and democracy

The democracy and HR perspective is to be mainstreamed into the above sectors and reform programmes. Direct support will also be channelled to civil society organisations (CSOs) and media. Swedish support to CSOs is to focus on HR and democracy by supporting non-state actors and institutions that are fundamental to the development of checks and balances, a democratic culture and the rule of law.

Gender equality is to be mainstreamed into Swedish cooperation programmes, the aim being to develop both a gender-aware dialogue for each undertaking and targeted interventions in key areas. Support to organisations and institutions promoting gender equality are to include advocacy work and dialogue on the gender sensitiveness of budgetary allocations.

The polarised and conflict-prone situation in Zanzibar calls for ambitious support to organisations advocating respect for human rights and conflict resolution.

Cross-cutting issues

The dialogue on HIV/AIDS is a key factor in the development cooperation effort and must continue in the years to come. HIV/AIDS must be given priority and a high profile in dialogue both at policy level and in budget formulation. HIV/AIDS interventions and dialogue are to be mainstreamed into all sectors of the development cooperation programme. Support must also be given to civil society for direct interventions, mainly in the field of prevention and impact mitigation.

Where appropriate, opportunities for long-term work with peace and security issues from a conflict prevention perspective will be included. This aspect needs to be considered in relation to developments in Zanzibar and the Great Lakes Region.

Phaseout sectors

Over the next 1–3 years, Swedish development assistance to seven sectors will be phased out. Time frames for the phaseout will differ depending on ongoing interventions and the extent to which responsibility can be transferred to other donors.

Financial support to the judiciary system is to continue for another 2–3 years.

Sweden's current contribution to Tanzania's HIV/AIDS Care & Treatment programme in the health sector ends in 2007. Thereafter the programme is to be supported through GBS.

In the cultural and cultural heritage sector, current Swedish contributions will be phased out within three years.

Contributions in the urban sector will be phased out within 1–2 years.

Support to the financial sector is due to continue for another three years at the most.

Swedish support for land management programmes is currently in a phaseout cycle and will be terminated within two years.

Institutional support to ICT development should be phased out within three years. A large share of the current ICT project funding targets the education sector and will gradually be aligned with the general budget allocation to education. Sweden's comparative advantages as a donor in the ICT field will be assessed in the mid-term review.

5.2.3 Advocating a rights perspective and effective poverty reduction

Swedish development cooperation is to be associated with the rights perspective in our dialogue with both Tanzanian partners and other donor partners.

Advocating rights

The new aid architecture implies a different dialogue structure, combining the relatively austere, harmonised dialogue approach required by GBS with an ambition to emphasise the rights perspective. In addition, complementary networks and arenas are to be brought into the dialogue, a task requiring a sophisticated communication tool. A communication strategy for the implementation of the cooperation programme is therefore essential.

Greater efficiency in poverty reduction

Sweden must conduct a dialogue on how Tanzania implements its PRS, on how this aspect of its policy can be strengthened, on growth quality, on how local government can be improved and on the quality of social services. The dialogue must also include mechanisms for strengthening domestic checks and balances in the political system.

6. VOLUME

Achieving the MDGs and NSGRP targets will necessitate a significant increase in public expenditures. The NSGRP emphasises the importance of mobilising domestic resources as the principal source of financing for implementing the strategy and reducing aid dependency. Such resources are mainly to be derived from improvements in the country's tax system and trade liberalisation, and from regional integration initiatives aimed at creating a more pro-growth system of taxation while at the same time broadening the tax base. Domestic resource mobilisation as a proportion of GDP has increased from 12 per cent in 2002 to 14 per cent in 2004. The target is 15.5 per cent by 2008/09. Given the magnitude of Tanzania's aid dependency, however, increased domestic revenue will not fully address this issue. In fact, the only way to reduce aid dependency is to ensure economic growth and to attain a level of income where infrastructure and service delivery can be financed from domestic resources. Growth-promoting assistance must therefore be scaled up. GBS can help reduce the transaction costs to Tanzania associated with aid dependency, but it cannot solve the fundamental

problems flowing from this dependency. An important task for Sida during the strategy period will be to analyse and assess the implications of the country's extensive dependency on ODA in economic and budgetary contexts.

The key challenge for both Tanzania and donors in the coming five years will be the adoption of aid modalities that reduce the potential negative impact of aid dependency and thereby create conditions conducive to a future scaling down of financial assistance. Nevertheless, given the growth of appropriations to Swedish development cooperation and the increased focus on Africa, there is scope for substantial increases in Swedish assistance during the strategy period 2006-2010. A higher volume, however, presupposes continued progress with regard to democratic governance, public accountability and integrity in public life, including active measures to deal with corruption.

Considering potential risk factors, a range of possible scenarios could arise, requiring intensified dialogue and/or volume adjustments. In a worst-case scenario where development in Tanzania deteriorated substantially, a likely consequence would be the termination of Swedish GBS and a corresponding reduction in the total volume of Swedish assistance. There is a need for transparency and predictability concerning what kind of action should be taken, and measures should be jointly agreed by donor partners and Tanzania.

Sida may plan for a larger volume of aid to Tanzania, but implementation is to be made contingent on the critical development factors described above. Preparatory work is to include an ongoing analysis and regular reports on developments in the country and annual consultations with the Swedish Government Offices. If the situation develops favourably, Sida may plan for a total volume of SEK 3.8 billion during the strategy period, increasing by stages from SEK 700 million in 2006 to 800 million in 2010.

7. OTHER SWEDISH POLICY AREAS

Trade is crucial to growth and development. Swedish development cooperation will include support to Tanzania's capacity building, institutional infrastructure and negotiating skills in the trade policy field. It is equally important to integrate Tanzania's trade policy interests and objectives (and those of other African countries) into Swedish positions in the EU.

Commercial relations will also have a favourable impact on growth and poverty reduction. Swedish investments in Tanzania should be encouraged, and a further aim should be to promote and expand commercial relations between the two countries.

Tanzania is one of the largest refugee hosting countries in the world. Multilateral support is channelled through the UNHCR. Sweden will monitor the refugee situation, taking special account of Tanzania's policies, regional dynamics and respect for human rights. The development of regional protection programmes under UNHCR auspices should also be monitored, along with the EU's dialogue and future cooperation with Tanzania as part of its migration and development programme.

8. IMPLEMENTATION AND FOLLOW-UP IN A NEW AID ARCHITECTURE

8.1 Capacity requirements at the eEmbassy and Sida

The shift in financial modality and mode of dialogue means that capacity needs at the embassy and at Sida Stockholm have changed. At the embassy, the GBS modality will create a need for analytical capacity and sound skills in public financial management at both macro and sectoral level. The new aid architecture will also necessitate a high level of communicative and diplomatic skills at the embassy. The harmonised sectoral division of labour will require the presence of a strong, long-term capability both at the embassy and at Sida. Sweden's ambition to focus on the rights perspective and use complementary networks and arenas in its development cooperation effort means that a strong capability for human rights, democracy and support to civil society will be required at the embassy. During the phaseout period, a reasonable capability for administering traditional project and programme support will also be needed. Hence, the embassy will initially need to maintain its current staffing level for bilateral development cooperation. During the strategy period, the efficiency gains from programme concentration will enable the embassy to reduce this level. Strong and flexible support from Sida headquarters will be required, especially in the priority sectors.

8.2 Follow up and evaluation

The strategy follow-up is to be based on four sets of instruments:

1) Monitorable, operationalised goals linked to the MDGs and their indicators are defined in the NSGRP. Also, the NSGRP has a follow-up system of its own under which the goals will be specified individually and regularly followed up. In accordance with the principles of the JAS, follow-up and analysis will correspond to the Tanzanian systems. Domestic reviews of the NSGRP and poverty monitoring systems will be the main instruments for following up poverty reduction outcomes and the MDGs.

2/ The specific goals identified in the strategy. A mid-term review of strategy implementation is to be carried out in 2008, including a renewed assessment of further opportunities for concentrating areas of focus or reconsidering sectoral choices.

3/ The 'Paris indicators' are to be used for following up the implementation of greater aid effectiveness – both for Tanzania and, in adapted form, for Sweden's input. These follow-ups are to be undertaken on an annual basis and in the mid-term review of the cooperation strategy.

4/ An instrument for power analysis, based on evidence-based power monitoring, is to be developed as a supplement to traditional political/governance reporting when following up democratic governance. A power monitoring report is to be produced after two and four years of the cooperation period respectively and is to be an integral part of strategy implementation.

During the strategy period – preferably before the mid-term review – Swedish support to rural electrification and ICT development is to be evaluated.

Implementation of the country strategy is contingent on developments in Tanzania, with due regard to such factors as political pluralism, events in Zanzibar, the GoT's efforts to combat corruption, and the mobilisation of Tanzania's own resources. Should development in Tanzania in the above areas take a negative course, provision must be made for a review of the strategy's scale and scope.

As a general principle, consultations between the Government Offices/Ministry for Foreign Affairs and Sida should be held twice a year. The Government Offices/Ministry for Foreign Affairs should be the convenor on at least one of these occasions. Appropriate matters for discussion include departures from anticipated outcomes, any changes in the circumstances underlying Swedish cooperation, future aid volumes, and dialogue issues and GBS. If required, consultations may also be held on other occasions.



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