Ex post evaluation – Tanzania

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Sector: Public sector policy and administrative management (CRS Code 15110)
Project: CP support of local governance processes, Phases I and II (BMZ Nos. 2006 65 265 and 2007 65 586*)
Programme-/Project executing agency: Prime Minister's Office - Regional Administration and Local Government (PMO-RALG)

Ex post evaluation report: 2014

		Phase 1/2 (Planned)	Phase 1/2 (Actual)
Investment costs (total)	EUR million	94.00	94.00
Own contribution	EUR million	7.60	7.60
Funding	EUR million	86.40	86.40
of which BMZ budget funds	EUR million	8.00	8.00

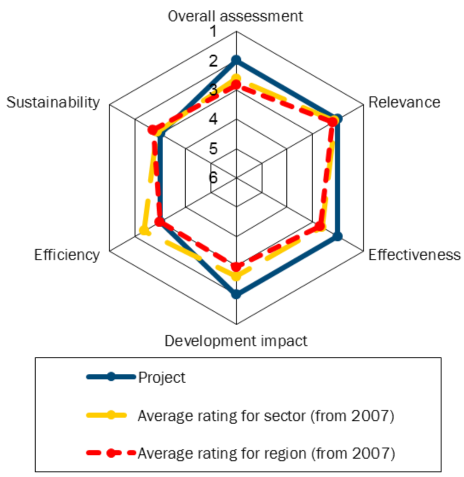
*) Random sample 2013

Description: The Tanzanian initiative to reform local self-government, to develop national transfer mechanisms and strengthen the performance of local government and administration structures is supported as part of an FC basket funding framework by providing funds for the "Local Government Development Grant" system and the Local Development Reform Program (LGRP). This is designed to make budget funds available on a limited basis for municipal administrations (cities as well as districts, with some channelling down to the lowest level of wards).

Objectives: The overall programme objective (outcome) of the LGRP and the LGDG funding mechanism is to improve the quality of and access to public services as well as ensure equal access to services, especially for poor parts of the population, by implementing political, administrative and fiscal decentralisation and embedding the principles of good governance in local self-government. The ultimate objective of the local self-government reforms was to help reduce the share of those living in poverty in Tanzania.

Target group: The poor population in the districts and municipalities of Tanzania.

Overall rating: 2 (both phases)



Rationale: A modern, highly relevant fiscal transfer mechanism was supported. As part of the dual objective to support decentralisation and improve access to public services, plausible impacts were achieved. The long-standing commitment of the donors mitigates existing sustainability risks. The overall rating is still considered good.

Highlights: A basic nationwide municipal financing structure was established effectively. The volume of know-how transfers and the practical experience gained in democratic self-government processes by representatives and staff of local territorial authorities as well as citizens and stakeholders (both locally and at regional and national level) with regard to using the initially very low amount of investment funding and implementing individual measures to an entirely satisfactory standard was impressive. This created a high level of local participation as well as interest in transparent and good governance.

Rating according to DAC criteria

Overall rating: 2 (both phases)

The projects are highly relevant for implementing the decentralisation strategy in Tanzania. They have made an effective contribution to achieving the programme objectives with their clear, participation-based approach. The funds provided for the project were used efficiently by incorporating them into a national, sector-based reform programme with broad support from donors (including further, sectoral DC measures).

As part of the national programmes (as early as the evaluated Phases 1 and 2) the projects triggered tangible overall developmental impacts with regard to decentralisation, the strengthening of good governance in local self-governments as well as the participation of the largely poor population in changing general economic and social conditions. Given the continued difficulties with Tanzania's budget there are risks to the practical and sustainable continuation and development of the system established as part of the programme to allocate funds to local territorial authorities. That said, there seems to be fundamental agreement between all Tanzanian stakeholders on the need to maintain this or a similar system to support the continued development of Tanzania.

Relevance

Since the end of the 1990s Tanzania has been pursuing a decentralisation strategy that is necessary given the size of the country and its growing population. This is aimed at combating poverty as well as overcoming development barriers, and foresees a gradual transfer of responsibilities for developing local infrastructure to lower levels of self-government in districts and municipalities. Key factors in this decentralisation process included the Tanzania Development Vision 2025 (1999), the National Strategy for Growth and Reduction of Poverty (MKUKUTA, 2000), the Joint Assistance Strategy of the Tanzanian government and donors, the 1998 Policy Paper on Local Government Reform and the Local Government Reform Programme (LGRP) since 1999.

However, transferring responsibility can only be successful if these lower levels of administration develop and are assigned the personnel and financial capacities to carry out these tasks. This is where the "Support of Municipal Administration Processes" programme comes in as basket funding. By providing investment funding via a fiscal transfer mechanism, basket funding enables local government authorities (LGAs) to implement their responsibilities in practice for the first time as well as to gain practical experience of democratic decision-making processes through the autonomous allocation of resources and realising investment projects at local level.

In view of the current situation in the country, the programme's design is balanced and appropriate with its focus on Tanzania's development priorities and fighting poverty, with training measures (some TC-funded) for those working in public administration, local politicians and active citizens as well as a few but very clear conditions derived from efficient and participation-based programme implementation and a suitable allocation formula. This enables meaningful development in the administrative and fiscal structures of Tanzania.

Basket funding facilitated a concerted action from donors in the sector and therefore uniform support for national efforts in Tanzania.

The implementation of the decentralisation process, particularly in the early years, posed a significant challenge for some sectors, such as the health sector, in providing their services. Sectoral reforms executed at the time of the decentralisation reforms constituted a significant burden, and services in the sector suffered as a result. There was a clash of objectives between ensuring efficient, sectoral services and continuing with the decentralisation (see ex post evaluation report on health-care reform programme, BMZ No. 2003 65 072, 2003 65 890, 2006 65 281, which relates to 2003-09 in particular). The project design took into account the principles of the BMZ position paper "Decentralisation and strengthening of local self-governments in German DC" and "Good Governance".

Relevance rating: 2 (both phases)

Effectiveness

The overall programme objective of the national decentralisation programme was to improve the quality of and access to public services as well as ensure equal access to services, especially for poor parts of the population, by implementing political, administrative and fiscal decentralisation and embedding the principles of good governance in local self-government. These goals were also set for the FC project as part of the basket funding. The selected indicators relate in particular to the strengthening of capacities at local government authorities (LGAs), and partly also to strengthening the capacities of national institutions regarding decentralisation as well as to sustainable infrastructure financed by fiscal transfer mechanisms. The largely successful objectives are presented below:

Indicators (outcome)	Status PA	Status ex-post evaluation
The audits reveal positive results for more than 60 % of the LGAs and the share of negative reports is less than 10 % (retrospectively over last 12 months).	Financial year 2004/05: 51 % positive, 2 % negative.	Roughly 70 % of the LGAs qualified for the Capital Development Grant (investment funds) in 2006/07, some 90% in 2007/08 and since then 96 % or more. The number of rejections per year currently stands at 4-5 out of 132 LGAs. There have been and still are no rejections for the Capacity Building Grant (advanced training). A few rejections (5-25) were registered here in 2009-2011 owing to poor accounting. Negative audits provide grounds for exclusion in relation to grants in the following year.
75 % of the LGAs qualified for funds from the LGDG (for the following year).	Financial year 2006/07: 51 % qualified directly.	
The LGDG Steering Committee convened 4 times in the previous 12 months.	-/-	No; the last Memorandum of Understanding with donors expired in 2013. Renegotiations are faltering, amongst other things due to delayed reporting from the Tanzanian side and new priorities for donors. Administrative expense too high for some donors.
75 % of the LGAs produce their financial reports with the new, computer-based IFMS financial management system.	Financial year 2006/07: 71 % of LGAs have IFMS.	Financial reports are reportedly prepared and sent almost entirely by computer. However, newer personnel at LGAs in particular are often not properly trained in monitoring and the required IT know-how because there were no funds or (central/regional) programmes for additional training; this necessitates individual inquiries and reworking.
The local infrastructure visited during the evaluation was used and maintained appropriately.		The individual measures visited during the ex-post evaluation are used actively and appropriately today, some years after being completed, and are also maintained as and when required. The utilisation rates of the individual measures visited were good across the board.

In the years 2005-2013 the LGDG initially had annual budgets of roughly TZS 46 billion (equivalent to EUR 21 million today), largely comprising donor funds. This sum rose to the approximately TZS 200 billion currently budgeted for 2013/14 (corresponding to EUR 91 million), solely from Tanzanian funds. The money was initially distributed to 121 LGAs, and now 132. In 2012/13 roughly TZS 136 billion (including roughly TZS 105 billion from the Tanzanian budget) was paid out of the total planned amount of roughly TZS 205 billion (including 164 billion from the Tanzanian budget). The lack of budget implementation is a negative point. The provision of investment funding gave the LGAs and other local stakeholders their first opportunity to gain their own practical knowledge and experience in identifying local infrastructure measures, setting priorities and implementing the measures.

These funds were used to solve some pressing local problems, thereby putting into practise and developing the participation of citizens and locals in a credible and verifiable manner. Roughly 80% of the funds were deployed for individual development measures in sectors relevant for fighting poverty, such as education, water, health care and rural development/agriculture. The remaining funds were predominantly used to purchase and maintain buildings for local administrations to carry out their tasks. In light of the significant demographic growth in the last decades, Tanzania still suffers from major supply shortages in the education, health care and water sectors for example, despite some marked successes.

Over and above the selected indicators, the medium-term trend in decentralisation has been fairly encouraging so far: proper accountability is improving; the districts' own resources are increasing and the use of computer-aided systems is spreading. Difficulties are observed with budget implementation as not all of the budgeted funds are channelled to territorial authorities as planned. Audit reports in recent years identified weaknesses in financial bookkeeping. Weaknesses in the performance capacity of LGAs persist.

The correlation referred to above in the Relevance section with services in the health sector demonstrates that while the decentralisation process is making relatively effective progress, it can result in service deficits in individual sectors at the local level, and therefore limit the effectiveness of these sectors.

The overall effectiveness is still considered good.

Effectiveness rating: 2 (both phases)

Efficiency

The programme facilitated the introduction and establishment of an extensive and appropriate municipal financing system accepted and generally used across Tanzania to support the political decentralisation process. Thus the efficiency of the financing mechanism for the basket funding can also be considered positive, since here a harmonised approach was pursued in contrast to the simultaneous implementation of several decentralisation projects of different donors.

However, the programme design has so far been unable to ensure that the pledged funds (donors and national budget) are made available to the LGAs in their entirety at the beginning of a fiscal year too, enabling the timely realisation and completion of the individual measures selected. Additionally, since 2010 it has not been possible to raise all the funds pledged from the national (cash) budget and provide them in full to the LGAs.

The LGAs have reacted to this – as is sensible and required by fiscal law – by not implementing individual development measures until the funds required have actually been received. The measures are sometimes conducted only in phases. This made it tricky to realise some individual measures since planning and construction measures could only begin at the end of the fiscal year, and were complicated in some regions by seasonal construction periods.

The individual development measures visited as part of the ex post evaluation were based on national design standards and seemed to be consistently in line with requirements, while the LGAs and the citizens involved monitored the appropriateness of the construction costs. The implementation costs were consistent with local levels and were in line with normal planning specifications (standard designs, etc.). In many cases, significant personal contributions and resources were also provided by the local citizens to realise these individual measures, thereby promoting interest in ongoing cost appraisals and progress of the project. The follow-up costs generated by the new infrastructure are partly financed from local resources, and partly (e.g. health-care personnel) from sector allocations.

The allocation efficiency with regard to the use of investment funds by the LGAs is considered positive. The LGAs are not completely autonomous in using the funding: they have to use the majority of the resources entrusted to them for sectors that are relevant in terms of poverty. Nevertheless, the LGAs can use the funds across various sectors, thereby financing social and economic infrastructure. The good use of funds observed on the ground also points towards good allocation efficiency. The allocation mechanism of the fiscal transfer mechanism itself is rated positively.

Effectiveness rating: 3 (both phases)

Impact

The ultimate objective of the local self-government reforms is to help reduce the share of those living in poverty in Tanzania. Given the population growth and the continuing development needs in many sectors in Tanzania it is difficult to gauge the part played by the evaluated phases I and II of the programme in the development progress made by Tanzania in recent years.

However, it became very clear from discussions that the transparency of local decision-making processes to select individual development measures and their participation-based implementation imparted practical knowledge and experience in political co-determination and control to the largely poor citizens involved. These people are gradually able to apply and demand this know-how in difficult situations too. These experiences have also fostered cautious trust in the gradual ability to change general political and economic conditions as well as the poverty situation. Additionally, the programme concept with its minimum conditions and key criteria for allocating funds to individual LGAs created a basis for developing a differentiated municipal financing system and embedding it into legal as well as political structures.

The utilisation rates of the individual measures visited were good across the board. This enabled positive impacts at least in certain cases with regard to the living conditions of users (e.g. improvement in learning environments for students and fundamental improvements in health-care with the construction of health centres and hospitals). However, the LGAs have limited funds available per inhabitant (roughly EUR 1.00-1.20), and so they still face significant challenges.

We view the transfer of know-how, the practical experience gained by the LGAs and the largely poor citizens of Tanzania in being able to participate in changing political and economic conditions and the fight against poverty as positive factors.

Impact rating: 2 (both phases)

Sustainability

The dialogue partners unanimously found that the programme led to the establishment of the LGDG and therefore a good foundation for the further development of a state-run municipal financing system. This is confirmed by the marked increase in pledged funds both from donors and from the national budget over recent years. In spite of the difficulties regarding the actual provision of national budget funds in recent years (after the end of phases I and II evaluated here), the LGAs actually received a rise in funds. The LGAs themselves but also the regional administrations and at least part of the national government apparatus have an interest in and are working on continuing and developing the municipal financing framework.

That said, there are risks to the sustainability of the programme given the uncertainties regarding the future supply of funds from the national budget and the inadequate training measures for new staff at local administrations, newly elected local politicians as well as citizens active and committed for the first time. Further risks arise on account of the still inadequate IT hardware at local administrations, professional IT, planning and management knowledge as well as the lack of vehicles and transport budgets to enable good support and monitoring of ongoing local investment measures.

The local infrastructure visited was appropriate and suitably maintained at the time of the evaluation. The communities visited declared they had budgeted funds for selective maintenance work, but were still reliant on sectoral allocations from the national budget. The higher level of local participation is clear amongst other things from the increased efforts of those directly affected to maintain the buildings and their continued operation. However, it is still essentially true that current, essential maintenance work (conducted largely on much older infrastructure) is financed from the current budget, while other work frequently has to be postponed to the following fiscal year.

In spite of the expected difficulties regarding the provision of sufficient national funds for investments and the training for future use of the LGDG system, it does seem plausible that the LGAs can be provided with budget funds to carry out the assigned tasks independently, thereby continuing the decentralisation strategy as well as maintaining and strengthening its political credibility.

It is unclear as yet how donors will continue to support the Tanzanian decentralisation process because the joint declaration of intent for the second phase of the LGRP expires in 2014, while the irregularities determined in an LGDG audit resulted in repayment claims from donors and ultimately to delays in the dialogue process.

Nonetheless, since this only affected subsequent phases and the Tanzanian government is still committed, sustainability can be rated at level 3.

Sustainability rating: 3 (both phases)

Notes on the methods used to evaluate project success (project rating)

Projects (and programmes) are evaluated on a six-point scale, the criteria being **relevance, effectiveness, efficiency** and **overarching developmental impact**. The ratings are also used to arrive at a **final assessment** of a project's overall developmental efficacy. The scale is as follows:

Level 1	Very good result that clearly exceeds expectations
Level 2	Good result, fully in line with expectations and without any significant shortcomings
Level 3	Satisfactory result – project falls short of expectations but the positive results dominate
Level 4	Unsatisfactory result – significantly below expectations, with negative results dominating despite discernible positive results
Level 5	Clearly inadequate result – despite some positive partial results, the negative results clearly dominate
Level 6	The project has no impact or the situation has actually deteriorated

Ratings level 1-3 denote a positive assessment or successful project while ratings level 4-6 denote a negative assessment.

Sustainability is evaluated according to the following four-point scale:

Sustainability level 1 (very good sustainability): The developmental efficacy of the project (positive to date) is very likely to continue undiminished or even increase.

Sustainability level 2 (good sustainability): The developmental efficacy of the project (positive to date) is very likely to decline only minimally but remain positive overall. (This is what can normally be expected).

Sustainability level 3 (satisfactory sustainability): The developmental efficacy of the project (positive to date) is very likely to decline significantly but remain positive overall. This rating is also assigned if the sustainability of a project is considered inadequate up to the time of the ex post evaluation but is very likely to evolve positively so that the project will ultimately achieve positive developmental efficacy.

Sustainability level 4 (inadequate sustainability): The developmental efficacy of the project is inadequate up to the time of the ex post evaluation and is very unlikely to improve. This rating is also assigned if the sustainability that has been positively evaluated to date is very likely to deteriorate severely and no longer meet the level 3 criteria.

The **overall rating** on the six-point scale is compiled from a weighting of all five individual criteria as appropriate to the project in question. Ratings 1-3 of the overall rating denote a "successful" project while ratings 4-6 denote an "unsuccessful" project. It should be noted that a project can generally be considered developmentally "successful" only if the achievement of the project objective ("effectiveness"), the impact on the overall objective ("overarching developmental impact") and the sustainability are rated at least "satisfactory" (rating 3).