Ex post evaluation – Tanzania

Sector: General Budget Support (CRS code: 5101000)
Project: General Budget Support PRBS I/II,
BMZ No. 2009 65 509*/ 2012 65 115**;
CM PFMRP, BMZ No. 200970434*/ 201270040*
Implementing agency: Ministry of Finance

Ex post evaluation report: 2018

All figures in EUR million	PRBS I/II (Planned)	PRBS I/II (Actual)	PFMRP (Planned)	PFMRP (Actual)
Investment costs (total)***	N.A.	N.A.	N.A.	N.A.
Counterpart contribution***	N.A.	N.A.	N.A.	N.A.
Financing***	N.A.	N.A.	N.A.	N.A.
of which BMZ budget funds	48.00	48.00	2.80	2.80

*) Random sample 2015. **) Random sample 2016. ***) Breakdown into investment costs, counterpart contribution and financing not possible for general budget support.

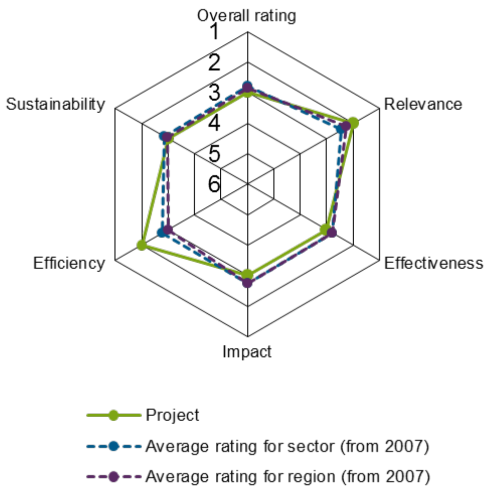
Summary: The FC project "Poverty Reduction Budget Support" (PRBS I and II), together with general budget support (GBS) from other donors, supported the Tanzanian government in implementing the second growth and poverty reduction strategy (MKUKUTA II, 2010-2015). The disbursements were made in several tranches in the fiscal years 2009/10 to 2015/16. The PFMRP complementary measure promoted reforms in public financial management and public tendering under a multi-donor financing basket.

Objectives: The reform-oriented policy dialogue with the Tanzanian government was based on a jointly formulated Performance Assessment Framework (PAF); the outcome indicators on governance and accountability, growth and poverty, macroeconomics and financial management as well as the improvement in the quality of life and social development defined in the PAF served as the basis for the disbursement decisions underlying the budget support tranches. The aim of the general budget support was to contribute at impact level to alleviating poverty and strengthening Tanzania's overall economic performance.

Target group: The population of Tanzania and especially the poorer segments of the population.

Overall rating: 3

Rationale: The overall assessment of the project is 3 since the positive effects targeted by the intended reforms were only partially achieved and are likely to decline. The link between the intended reforms via indicator-based disbursement conditionalities and the financing function of budget support, which forms the basis of the project, only proved to be sustainable to a limited extent.



Highlights: While general budget support was at times regarded as the development cooperation method that best meets Aid Effectiveness criteria such as ownership and alignment, there were some increasingly critical donor assessments made during the period under review. The withdrawal of several donors from budget support for Tanzania stemmed from their desire for better "national visibility" of their Development Cooperation, but also from the insight that budget support does not necessarily prompt the partner government to carry out the desired governance reforms.

Rating according to DAC criteria

Overall rating: 3

Ratings:

Relevance	2
Effectiveness	3
Efficiency	2
Impact	3
Sustainability	3

General conditions and classification of the project

Tanzania has achieved remarkable macroeconomic growth rates over the past decades, but the number of poor people in the country has not fallen. The FC project "Poverty Reduction Budget Support I and II" (PRBS), together with general budget support (GBS) from other donors, supported the Tanzanian government in the fiscal years of 2009/10 to 2015/16 in financing and implementing the second growth and poverty reduction strategy (MKUKUTA II, 2010–2015). This growth-oriented strategy was aimed at reducing poverty and improving living conditions for the population as well as public social services, while at the same time targeting good governance and accountability. German DC had already been involved in budget support for Tanzania since 2003/04 as part of co-financing the Poverty Reduction Support Credit (PRSC) of the World Bank (WB). Starting in 2009 as a complementary measure to PRBS I/II, German FC made direct payments into the financing basket of the Public Finance Management Reform Programme (PFMRP) in Tanzania that began in 1998 and was financially supported by the International Monetary Fund (IMF), the World Bank and other donors. German FC ended its participation in general budget support for Tanzania with the committed disbursements for the 2015/16 fiscal year. The TC work was directly linked to the general budget support by helping the Tanzanian Court of Auditors and promoting good financial governance.

Relevance

Fundamentally, the PRBS multi-donor project was strongly oriented towards implementing the principles of the Paris and Accra Aid Effectiveness Agenda and the principles of ownership and alignment of the Agenda, in line with the national goals and strategies of the Tanzanian government. The Memorandum of Understanding on the Joint Assistance Strategy for Tanzania (JAST) was fundamental to cooperation between the Tanzanian Government and the Development Partners; it described GBS as the financing method preferred by the Tanzanian Government. Content-wise, the second Growth and Poverty Reduction Strategy (MKUKUTA II) was relevant in the 2010–2015 period under review. Its aim was to achieve the Millennium Development Goals (MDGs) and reduce Tanzania's core economic and social problems by focusing coherently on broad-based growth, expanding public services and good governance. The target group of the project was the entire population of Tanzania, especially poor population groups and the rural population.

The financial contributions of German FC to general budget support in Tanzania were to contribute to funding MKUKUTA II (financing function). In addition, in context of the governance priority area of German-Tanzanian cooperation, the goal was to support reforms aimed at improving the transparency, accountability, effectiveness and efficiency of public administration and public financial management (reform function). Alongside grants to the multi-donor Poverty Reduction Budget Support (PRBS) programme, German FC also contributed to the Public Finance Management Reform Programme (PFMRP). This complementary measure is considered very relevant as it addressed institutional implementation risks and deficits in public budgeting, the reduction of which was deemed crucial for a functioning budget support system. In Tanzania, this included a lack of capacity in public administration, particularly at the local administrative level, as well as problematic budget implementation; only 88.4% of the budgeted funds were disbursed on average during the period under review. This was due to a chronic overestimation of revenues and difficulties in mobilising commercial loans, but also to late disbursements and cuts in budget support contributions following one of Tanzania's biggest fraud incidents in recent years: the 2014 corruption scandal surrounding the takeover of a major electricity producer, where government members were involved, and budget aid donors withheld payments.

The German budget support contributions were disbursed in tranches in accordance with the annual review of the basic and jointly formulated Underlying Principles (UP) of GBS and based on the fulfilment of objectives, measures and monitoring indicators of the Performance Assessment Framework (PAF). However, the quality of the PAF is considered unsatisfactory as the indicators had numerous methodological, theoretical and practical weaknesses. In terms of content, the selection of PAF monitoring indicators and the prerequisites for disbursement were strongly oriented towards the GBS reform function and were significantly influenced by the donors.

Nevertheless, we assess the relevance of the project as good, especially since general budget support via the function to finance MKUKUTA II was suitable for making a decisive contribution to solving priority economic and social problems in Tanzania. Another positive aspect is the GBS's strong focus on national strategies and the use of local structures, which has potentially contributed to alignment. In addition, donor harmonisation was potentially strengthened through formalised and institutionalised policy dialogue.

Relevance rating: 2

Effectiveness

As part of the FC contribution to PRBS, the MKUKUTA II objectives were adopted as the goals at the outcome level; these included promoting (i) macroeconomic growth to reduce income poverty, (ii) improving quality of life and social development, and (iii) good governance and accountability.

In line with these three objectives, the annual PAFs were divided into different areas. Output and outcome indicators were assigned to each area in order to be able to assess the intended progress and impacts of budget support with regard to implementing MKUKUTA II and the reform processes.[1] In addition, the PAF included (iv) macroeconomics and public financial management.

The evaluation of the PAF 2010–2014 shows that, on average, almost half of all indicator target values were achieved during the period under review. With an average slightly exceeding 60%, the highest target achievement was reached in (iii) good governance and accountability, followed by (i) macroeconomic growth to reduce income poverty at just under 60%, (iv) macroeconomic and public financial management at just under 50% and (ii) improvement in quality of life and social development at 37.3%. However, the number of indicators varied considerably between the areas, as did the annual level of target achievement over the period under review.

General budget support met its financing target as it expanded GBS fiscal leeway in sectors relevant to poverty and growth.[2] However, during the period under review, the share of the budget for MKUKUTA-relevant expenditures fell from 75.5% in the 2010/11 fiscal year to 70.9% in the 2014/15 fiscal year, while the share of general budget support to finance the budget decreased from 7.7% in the 2011/12 fiscal year to 4.8% in the 2014/15 fiscal year as own revenues increased.

The discussions under the policy dialogue, the selection of PAF monitoring indicators and the associated disbursement conditions were tailored to the implementation of key reform steps, in the raw materials sector or energy sector for example. To what extent this actually contributed to the GBS reform objective cannot be reliably estimated. However, the Tanzanian government's assessment of these donor-induced

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[1] Since the areas only contained outcome and output indicators, they were found in this EPE under the criterion of effectiveness, although, based on the terminology, the objectives suggest effects at the impact level and coincide with the overall objective of the project, in particular, area (i) macroeconomic growth to reduce income poverty (cf. Impact). In reality, however, this area includes concrete reform measures and other policy measures within the framework of the PAF, which are to be assigned to the outcome and output level with the aim of creating framework conditions for promoting broadly-based growth.

[2] During the second growth and poverty reduction strategy there were increases in expenditures, particularly in the transport and energy sector, which were in line with the focus of MKUKUTA II, especially for promoting the development of infrastructure and the private sector. Expenditure in the agricultural, health, education and water sectors remained similar or higher than during the implementation of the first growth and poverty reduction strategy MKUKUTA I.

conditions became increasingly critical, as they were not sufficiently adapted to the capacities of public administration and also provided for unrealistic time horizons in some cases.

Another unwanted side-effect of this (indirect) conditionality was the diminishing ownership of the Tanzanian government as a result of less stability and the lower predictability of budget support funds. In addition, there were frequent changes in donor personnel. German FC played an active role in introducing a performance-based tranche amounting to 30% of the annual commitment during the period under review. However, not all GBS donors were able to agree on a fully harmonised approach with regard to the prerequisites for disbursement for the variable tranche and its amount. The stability and predictability of budget support funds were therefore limited. At the same time, the fact that several donors withdrew from the general budget support during the period under review and new donors or international funds did not join, had a negative impact on ownership.

Further specific German contributions included establishing coordinated and constructive policy dialogue within the PFMRP, after the dialogue between Tanzania and the donor group had previously proven difficult. In addition, the Tanzanian government made unreliable financial contributions to the PFMRP. Nevertheless, improvements were observed in public budgeting during the period under review, such as in the powers of the Court of Auditors and in Parliament's involvement in drawing up the budget. Progress in reform was achieved primarily at national level, while there are considerable capacity bottlenecks at the lower administrative levels. Significant deficits remained overall in all phases of the PFM cycle, making the efficient provision of government services and the implementation of investment projects more difficult.

Despite some positive partial results, not even close to all the objectives were achieved with the GBS instrument and the complementary measure (CM), so the effectiveness is rated as only satisfactory.

Effectiveness rating: 3

Efficiency

From an efficiency perspective, the financing and reform functions that budget support was to fulfil should be assessed separately.

With a total of just under EUR 51 million, the share of German general budget support in the budget of the Tanzanian central government was marginal in the six fiscal years of the period under review[3]; the effect of the German GBS on the growth of the Tanzanian economy and on the poverty situation cannot be reliably quantified due to the large number of intervening variables to be taken into account. In the intervention logic of the financing objective for budget support, the project's production efficiency is considered very good. This is because the budget support meant greater revenue for the Tanzanian budget, so additional state expenditure in the sectors of health, education, drinking water, agriculture, infrastructure and energy became possible, which (also) benefited poor parts of the population without needing any additional coordination, etc.

The allocation efficiency of the GBS financing function is still rated as good, although the financing effect had a stronger impact at the partner's central government level. Budget allocations to the lower government levels were not always predictable here and were also irregular. On a positive note, the inflow of multi-donor GBS funds did not crowd out any revenue from the Tanzanian state budget. While the share of own revenues in the state budget financing fluctuated, it did not continuously decline. However, actual own revenues generally remained lower than was originally assumed during the budget planning, which necessitated expenditure cuts for investments and/or additional borrowing.

With donor engagement for the GBS instrument declining, the share of budget support funds in total ODA received by Tanzania in the years 2010–2015 declined significantly, from 31.4% at the beginning of the period under review to only 21.7% in 2015. The share of all GBS funds as part of the committed and predictable financial support for Tanzania (Country Programmable Aid/CPA) tended to decline during the period under review, with strong fluctuations from year to year. Among other things, these fluctuations were

[3] For the entire period under review, the German share of the joint GBS in Tanzania was only 1.6%, and only 0.03% in terms of overall economic value added.

caused by the disbursement of budget support contributions in tranches; for the Tanzanian government, this had a considerable impact on the predictability of budget grants.

The initial expectation of falling transaction costs alongside increasingly routine political dialogue was not fulfilled; the political dialogue which intensified and at times became more difficult on the part of the donors tended to be associated with rising transaction costs. In this respect, the production efficiency of the reform function was only satisfactory.

Otherwise, the PAF-based policy dialogue with the partner government strengthened the institutional capacities of Tanzanian financial management at the central state level; this applies in particular to the Court of Auditors and to parliamentary control of budget planning. The partner government was also strongly sensitised to the urgency of better corruption prevention. While these positive results fell short of donor expectations, they justify assessing the allocation efficiency of the reform function within the framework of budget support (including the CM) as satisfactory and better[4].

In terms of the Aid Effectiveness criteria of ownership, alignment and harmonisation, the financing function of budget support was more important than the reform function; we therefore weight the valuations of the production and allocation efficiency for the financing function at two-thirds, and that of the reform function at only one-third.

Efficiency rating: 2

Impact

The aim of the FC project PRBS at the impact level was to contribute to the financing and implementation of MKUKUTA II and thus help reduce poverty and strengthen Tanzania's overall economic performance. The evaluation of MKUKUTA II indicates that, despite sustained high economic expansion with overall economic growth rates of up to 7.9% per annum and solid macroeconomic developments during the period under review, progress in reducing income poverty was relatively slow. This was also due to the high population growth of around 3% per annum. Economic growth was driven in particular by the sectors of construction, communication and finance. At around 3%, the annual growth rates of the agricultural sector lagged far behind expectations, so the poverty-reducing effects were too low and extreme urban-rural differences still prevail.

By contrast, the development of the Human Development Index (HDI) was more positive; in the period under review the HDI rose by an annual average of 1.3%. With a figure of 0.531 and occupying 151st place out of 188 countries in 2015, the HDI of Tanzania is slightly above the average in Sub-Saharan Africa and above the values of comparable countries such as Côte d'Ivoire or Uganda. Other indicators such as child and maternal mortality or access to drinking water also improved during the implementation of MKUKUTA II. However, the overall impact of the financing function in the social sectors fell well short of the targets, and the effects of these positive developments on the reduction of income poverty are likely to be marginal. For example, the proportion of the population with access to clean water only improved from 54.8% in 2006 to 55.4% in 2012 and to 55.6% in 2015, while the improvement in the proportion of the population with access to waste water disposal was slightly better, up from 11.4% in 2006 to 14.0% in 2012 and to 15.6% in 2015 (World Bank). In addition, some indicators deteriorated significantly, such as the net enrolment rate in primary schools.

For the reform function, progress was made in terms of transparency and accountability during the period under review, in the raw materials sector for example. At the same time, downward trends emerged regarding the protection of freedom of expression and privacy, particularly towards the end of the period under review. Measured against the Corruption Perception Index, corruption control deteriorated slightly and Tanzania was temporarily suspended by the Extractive Industries Transparency Initiative for failure to fulfil its reporting obligations. The correlation between these (positive and negative) developments in governance and general budget support cannot be reliably determined. The political dialogue, the PAF and the PFMRP as part of GBS may have supported the implementation of governance reforms, but the Tanzanian government showed a clear will to reform even before the implementation of the PRBS project. It can therefore only be speculated whether the improvements in governance would also have taken place with-

[4] The contribution of the FC project PRBS I/II and the CM PFMRP to these positive results cannot be quantified.

out GBS. Nor is it possible to make a reliable estimate of the influence that the withdrawal of several donors from general budget support had on the GBS reform goal. At the very least, donor influence on the partner government's reform agenda declined.

Although the demonstrable impacts remained relatively limited, we still rate them as satisfactory as progress was discernible in terms of both the financing and the reform function.

Impact rating: 3

Sustainability

From today's perspective it can be assumed that the Tanzanian government will continue its development strategy geared to economic growth and poverty reduction. The prospects for stable economic growth in the coming years are considered favourable.[5] However, overall economic growth is expected to be accompanied by a significant increase in current account deficits, which will have to be offset by corresponding net capital imports. If this is facilitated by foreign direct investments, the country's dependence on financial support from donors could diminish.[6] In any case, GBS is increasingly viewed critically by donors who (again) tend to prefer sectoral basket funding or project financing because of its "national visibility".

Whether additional financing for public social services can be mobilised with increasing own income as GBS payments into the state budget fall or disappear completely depends, among other things, on further reforms of public financial management. There is still considerable room for improvement here, particularly at provincial and local administration level, where there is a lack of qualified human capital. Several of the observed positive effects of good governance will be maintained in the short to medium term, even if the donor reform pressure eases with the abolition of the GBS lever. The fight against corruption, which had temporarily eased in previous years, was stepped up again from 2015; however, doubts have arisen about the government's understanding of democracy.[7] From today's perspective, over the medium to long term there are considerable risks to the sustainability of the positive impacts that may result from Tanzania's domestic political development. The emerging trend of the government's increasing repression of the opposition and dissatisfied civil society groups carries the risk of violent conflicts and politically motivated strikes; political instability usually leads to a withdrawal of foreign capital and to increasing restraint from foreign investors; Tanzania's economy, however, depends on capital imports for its growth strategy, and not only from the People's Republic of China.

Taking into account Germany's withdrawal from GBS participation and the diminishing trend of GBS payments by the remaining donors, the sustainability of PRBS I/II and PFMRP is deemed satisfactory. German FC and other donors ended their GBS commitment primarily because of the more difficult communication with the Tanzanian government in the reform-oriented political dialogue. The discernible positive effects of the projects will most probably not be sustained since the "reform leverage" of the policy dialogue established under the PRBS I/II is no longer available for German FC, and German DC also ended the complemetary measures for the PFMRP. In any case, the Tanzanian government intends to reach an agreement with donors to switch from general budget support to sectoral budget support. The new Economic Management and Fiscal Governance Programme, prepared in 2017 with financial support from the EU, Denmark and Sweden, provides for a policy dialogue within which human rights and democratic issues in Tanzania can also be discussed.

Sustainability rating: 3

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[5] According to the current predictions of the IMF, annual real GDP growth rates of well over 6 percent are expected for Tanzania in the years up to 2023.

[6] Alternative deficit financing through additional borrowing abroad would be problematic as Tanzania still has Heavily Indebted Poor Country (HIPC) status and has not yet reached the completion point of the HIPC initiative.

[7] Kabwe, Zitto (2017): From Democracy to Autocracy? Blog Africa Research Institute 6 February 2017, London (https://www.africaresearchinstitute.org/newsite/blog/tanzania-democracy-autocracy/; last accessed: 11 May 2018).

Paget, Dan (2017): John Magufuli has changed Tanzania in just two years as president. Quartz, 8 November 2017 (https://qz.com/1123780/tanzanias-president-john-magufuli-is-changing-his-country-for-better-and-for-worse/; last accessed: 10 May 2018).

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

Projects 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

Rating levels 1-3 denote a positive assessment or successful project while rating levels 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. Rating levels 1-3 of the overall rating denote a "successful" project while rating levels 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” (level 3).