

## Ex Post-Evaluation Brief TANZANIA: PRSC I - VI



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|--|---|--|
| <b>Sector</b>  | 21010 Structural Adjustment   |  |
| <b>Programme/Client</b>                                    | Co-financing of PRSC I – VI, BMZ No.:<br>(1) 2003 65 148, (2) 2005 65 267*, (3) 2006 65 273*,<br>(4) 2007 65 578* |  |
| <b>Programme executing agency</b>                          | Finance Ministry of the Republic of Tanzania  |  |
| <b>Year of sample/ex post evaluation report: 2010/2013</b> |   |  |
|  | Appraisal<br>(planned)  | Ex post-evaluation<br>(actual)   |
| <b>Investment costs (total)</b>                            | (1 to 4) n.n.   | (1 to 4) n.n.  |
| <b>Counterpart contribution (company)</b>                  | (1 to 4) n.n.   | (1 to 4) n.n.  |
| <b>Funding, of which budget funds (BMZ)</b>                | (1) EUR 10 million<br>(2) EUR 5 million<br>(3) EUR 15.2 million<br>(4) EUR 8 million                              | (1) EUR 10 million<br>(2) EUR 5 million<br>(3) EUR 15.2 million<br>(4) EUR 8 million |

\* random sample 2010

**Short description:** The project is part of an overall poverty-reduction programme (PRSC) planned by the World Bank over an eight-year period (2003-2010), which was implemented in several tranches. The German co-financing contribution amounting to EUR 38.2 million (phases I-VI) in total was spread over several fiscal years and formed part of an overall package sponsored by eleven bilateral donors, the EU and the World Bank. The programme's objectives were determined by the Tanzanian government jointly with the donors in a coordinated matrix. Responsibility for the implementation of the measures and reforms rested with the individual ministries, which were closely involved in the coordination process. The disbursement was made once the defined targets were met.

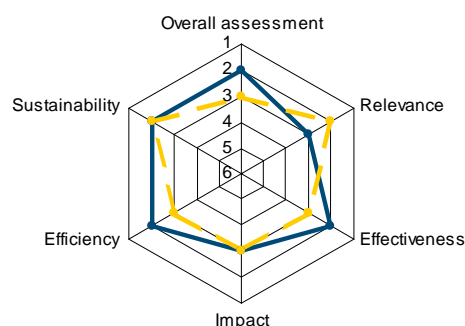
**Target system:** The PRSC strategy focused on measures and reforms in the public budget and financial management, in public remuneration policy and in various sectors (agriculture, education, health-care, water, transport, energy). Its focus also included promoting the private sector, growth policy, environmental protection and combating corruption. The measures were designed to generate broad-based, sustainable growth and to improve the general living conditions as well as the quality of governance. In the long term, this should reduce poverty.

**Overall rating: Note 2 (PRSC I-III)  
Note 3 (PRSC IV-VI)**

**Points to note:**

- Significant progress in the area of public services, especially in the education, health and infrastructure sectors, as well as in the area of public financial management.
- Clearly positive contribution to strengthening the country's self reliance and reducing transaction costs.
- The developments regarding the quality of governance are mixed.

**Rating by DAC criteria**



— PRSC-Project I-III      — PRSC-Project IV-VI  
Insufficient comparable projects available

## EVALUATION SUMMARY

The four PRSC FC tranches are evaluated together for the following reasons:

- i) In terms of the methods of implementation, they are all part of a uniform serial programme.
- ii) The effects of the policy and reform measures agreed in the PRBS framework (Poverty Reduction Budget Support) /PRSC are generally designed for a medium- to long-term horizon. It is, therefore, virtually impossible to separately evaluate the effectiveness, efficiency and overall developmental impact of the four individual tranches, each of which has an implementation period of one to two years.

For evaluation purposes, the FC tranches are divided into two time sections: PRSC I, II and III (1st time section) as well as PRSC IV, V and VI (2nd time section).

### Overall rating:

With the basic focus on the development strategies of the Tanzanian government and the comparatively high degree of donor harmonization, the PRBS / PRSC mechanism has made a clearly positive contribution to strengthening the country's self reliance and to reducing transaction costs.

There is evidence that in the course of the implementation of the PRBS/PRSC, major progress was made in the area of public services, especially in the education, health care and infrastructure sectors, as well as in the area of public financial management. These positive developments are at least partly due to both the external, discretionary budget financing provided in the framework of PRBS / PRSC and to a corresponding orientation of the political dialogue. On the other hand, the developments with regard to the quality of governance are mixed. In particular, the at best half-hearted efforts to investigate several major corruption scandals (PPRC IV-VI) are unsatisfactory.

In the period from 2003 to 2009, Tanzania made progress in the area of human development, as measured against the Human Development Index. Yet despite the high GDP growth compared to the 1990s, Tanzania did not succeed at reducing the continued high incidence of poverty (overall goal of the project) as desired.

However, the comparison with other countries in the region and with other beneficiary countries of German government aid suggests that the objectives formulated in the spirit of the Millennium Summit at the start of the second millennium were extremely ambitious and could only be reached in a few cases. It is a fundamental challenge to implement basic and complex sectoral and cross-sectoral reforms and use these to promote poverty-reducing growth in the short term in an environment that is latently instable both macroeconomically and institutionally. Accordingly, the expectations regarding the scope and speed of the reform measures to be implemented by the Tanzanian government appear increasingly high, especially

for PRSC IV-VI. While it is clear that the first-generation reforms are aimed at the relatively easy task of eliminating obvious deficits, the reforms of the second and third generations are increasingly complex and lengthy. In other words, it is likely the pace of reforms will slow down and that the benefits of the reforms in the budget financing will decrease. This fact should be "factored in" accordingly.

Against this background and on the basis of the following individual ratings, PRSC I-III (BMZ No. 2003 651 48 and 2005 65 267) are rated overall as good (**rating 2**), and the tranches PRCS IV-VI (BMZ No. 2006 65 273 and 2007 65 578) are rated overall as satisfactory (**rating 3**).

### Relevance

The FC projects are part of the general efforts to direct donor interventions more strongly towards the development priorities and strategies of the partner, to strengthen national systems and use them for the implementation (especially PFM), and to harmonise the conditions tied to the individual donor contributions.

Fundamentally, it should be noted that the instrument of general budget support in the Tanzanian context in 2003, i.e. when joining the PRBS/PRSC mechanism, was considered to be a suitable way to finance development. At this point in time, the Tanzanian government could look back on the successful implementation of a comprehensive macroeconomic reform programme (Thornton, 2005, 104f.). Using a restrictive monetary policy, successful budget consolidation and fundamental PFM reform measures, it was possible starting in the mid-1990s to drastically reduce inflation, stabilise the Schilling against the reserve currencies, reduce the budget deficit and stimulate economic growth. In 2003, Tanzania was still regarded as the regional star pupil due to its very speedy and successful implementation of the HIPC programme (within one year, compared to the normal 3 years). With the transition from a single-party to a multi-party system in 1992 and the first democratic election in 1995, the general guarantee of freedom of the press and opinion, the rule of law, and adherence to human rights (no government controlled violations of human rights according to the Ministry of Foreign Affairs), the key conditions for good governance have been and are being met (see BMZ, 2008; 2001).

The PRBS/PRSC target system (including the German contribution) is derived directly from the PRS or the national poverty reduction strategy (NSGRP). Accordingly, the FC tranches to be evaluated are aimed at making a contribution to solving the central development problems identified in the framework of the national strategies. With the emphasis on poverty reduction, broad-scale growth and the expansion of public services, especially in the areas of health care, education and infrastructure, the programme also contribute directly to achieving the Millennium Development Goal.

Furthermore, the projects PRSC I-III are congruent with the objectives of the Tanzania Assistance Strategy (TAS 2002-2005), in particular the requirement for increased donor harmonisation (formulation, monitoring, evaluation and implementation). TAS 2002 states that programme-based approaches are the preferred way to cooperate with donors (MoFT, 2002, 10). The Joint Assistance Strategy (JAS 2006), which has been in force since 2006, applies to the PRSC IV-VI programme. It describes budget assistance, in line with the agreements of the High Level Forum of Paris, as the most appropriate instrument to guarantee the orientation of the donor contributions towards the development targets of the government, reduce transaction costs and increase self-reliance (MOFT, 2006, 16). The PRSC IV-VI programme also pursue the goals and priorities formulated in the BMZ country concept.

One disadvantage of the complete orientation towards the target system of the national development strategies is that if any deficits exist in the identification of cause-and-effect relationships and the setting of objectives, this deficit is almost inevitably reflected in the targets set for the FC measures. This problem arises several times with regard to the four FC projects: according to the two programme appraisal reports on PRSC I/II and III, the overall objective was to make a contribution to implementing the PRS and thus to reducing poverty. This followed the conclusive chain of effects derived from the PRS, according to which reducing poverty was defined as an impact to be targeted from the economic growth to be generated and the improved level of public services (GoT, 2000, 42ff.). This interdependence, however, was not taken over in this form in the NSGRP. Instead, the reduction of income poverty is defined in the follow-up strategy of the PRS only as an operational objective within the context of achieving the outcome of broad-scale growth (GoT 2005, 33f.).

To account for this modified target system in the NSGRP without completely adopting this chain of effects that conflicts with the preceding strategy, the overall objective of the FC tranches PRSC IV-VI is now to contribute to the implementation of the NSGRP and thus to the reduction of poverty and the strengthening of overall economic productivity in Tanzania.

Some of the formulations of the programme objectives (outcomes) for the FC projects still seem to be unclear within the target system. In the programme appraisal report on the co-financing of PRSC III, programme objectives are stated that are not aligned with those of the programme appraisal report on the co-financing of PRSC I and II, even though both tranches relate to the PRS. Formally, for example, the reduction of income poverty and ensuring macroeconomic stability are programme targets for the co-financing of PRSC I and II, but not, however, for the project to co-finance PRSC III. Likewise, the appraisal report on the programme PRSC IV-VI (co-financing of PRSC IV and V; includes the review of resources for the co-financing of PRSC VI) contains some deviating programme objectives. It is clear that the adjustment of the programme objectives in the appraisal on the programme PRSC IV-VI was based on the new development strategy. However, this leads to a situation in which the program objectives, which can only be reached realistically in the medium to long term, changed three times over the course of the six years of implementation, and that the same targets were sometimes assigned to different levels of impact.

Since these deficits are partly due to the generally positive effort to align the targets of the projects to the national development strategies (NSGRP), and therefore only the divergent target framework for the projects within PRSC I-III can be objected to, the relevance for PRSC I-III is rated as satisfactory (**sub-rating 3**) and PRSC IV-VI is still rated as good (**sub-rating 2**).

### Effectiveness

The described formulation of the programme objective, which changed in parts during the implementation period, also makes it difficult for this ex post evaluation (EPE) to estimate the extent to which the programme objective has been achieved. To help with this, the following classification is made, which takes into account the assumptions of the chain of effects:

The results/outcomes in the area of poverty reduction (including income poverty), human development and macroeconomic performance are described at the overall objective level, i.e. in the context of the overall developmental impact. The effectiveness, i.e. achieving the programme objectives (outcomes), is evaluated according to the following criteria:

- i) Public financial management, PFM (budget planning, budget implementation, accounting, auditing and public procurement);
- ii) Quality of governance (including effectiveness of the public administration) and anti-corruption measures;
- iii) Public services, especially in the areas of health care, education, water and infrastructure.

The expectations regarding the added value resulting from German participation are not explicitly described in the programme appraisals. The form of participation (co-financing of the PRSC by the World Bank), the timing of the initial commitment<sup>1</sup> and the amount of the contribution (to start with only EUR 5 million per year) suggest that it is initially a test of the general budget assistance financing. But it is noteworthy in this respect that the German contribution increased only slightly in the following years and that the share of the German financing volume in the PRBS/PRSC mechanism, which was constantly below 3% (see below), remained very small also in comparison to the other bilateral donor contributions. It is therefore relatively obvious that although this approach ensured that German development cooperation constantly participated in the political dialogue, a strategic orientation to the form of cooperation preferred by the Tanzanian government, i.e. general budget assistance (see below), was avoided.

A three-stage **PFM reform programme** has been implemented since the end of the 1990s. While the first stage (1998-2004) focused initially on more effective expenditure controls and on ensuring budgetary discipline (reduction of misuse, establishment of accountability and control systems), the second stage (2004-2008) focused more on the income side, debt

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<sup>1</sup> The BMZ defined the formal basis for the procedure for German involvement in projects of joint, programme-oriented development cooperation projects for the first time in 2001 (BMZ, 2001).

management and the strengthening of external auditing, as well as on the budget as a planning and implementation tool. The PEFA report (World Bank, 2005), which covers the PRSC I-III programme, certifies that the Tanzanian government made substantial progress in some cases in implementing the first-stage measures. Improvements were identified in particular regarding the control of personnel expenditures, internal auditing and the strengthening of the legal framework in procurement. On the other hand, the assessment of the progress in implementing the second stage was much less positive (World Bank, 2010, 51ff.); this is the period which largely corresponds with the implementation of PRSC IV-VI. The additional measures to increase the planning and control function of the budget were hardly implemented at all. The budget continued to cover only around 90% of the expenditures made in the public sector. The sector strategies are hardly heeded at all in the budget or in the medium-term financial planning. Despite the deployment of the IT-based "Integrated Financial Management Information System", which has been in the process of being established since 2001, the transfer of funds to the ministries and subordinate authorities is difficult to predict (GoT, 2009, 45f.). On the other hand, external control and accountability systems were strengthened in some cases. However, this was mainly accomplished only due to more intense PRBS/PRSC political dialogue after several massive cases of fraud and corruption had become known. For example, the national audit office received better financial support and additional staff; the scope, quality and timeliness of external auditing have increased accordingly since 2005. Although parliamentary supervision (examination of the report of the audit office, summoning and interrogation, as well as issuing of recommendations) has been strengthened (ITAD et al., 2013), the legislatures sanction options continue to be insufficient (World Bank, 2010, 58).

One ambivalent development concerns **the quality of governance**, especially with regard to combating corruption. During the implementation of PRSC I-III, there were initially signs of progress regarding the fight against corruption and in the endeavour to strengthen the accountability of the Tanzanian government to parliament and the population (World Bank, 2006, 16). A major effect in this respect was to be achieved by the strengthening of control functions, especially in the areas of procurement, accounting and auditing, within the scope of the above-mentioned Public Financial Management Reform programme. Furthermore, measures were taken to increase the effectiveness of the Prevention of Corruption Bureau (PCB, from 2007 Prevention and Combating of Corruption Bureau). In PRSC I-III, initial steps had already been commenced to revise the 1991 Prevention of Corruption Act. However, the adoption of the law, which was intended to grant the PCB more extensive competencies and rights, was delayed numerous times and did not come into force until 2007.

The effectiveness of these measures was, however, called into doubt by three large corruption scandals in 2006 and 2007 (supposed fraudulent regulation of non-legitimated old debts by the Tanzanian Central Bank, alleged corruption in the awarding of a large contract in the energy sector, and the explosion in costs for the new construction of an administration building of the Bank of Tanzania due to supposed fraudulent contracting and billing). Directly after all three cases became public, the Tanzanian government gave the impression that it was

taking effective measures to combat corruption and impose tighter sanctions; however, none of these cases ever resulted in any civil or criminal charges being brought. The Prevention and Combating of Corruption Bureau in particular was unable to contribute adequately to the investigation of these cases. As a result, Tanzania slipped in the ranking of Transparency International from 92 (2.5 KI: 2.0-3.3; 2003) to 100 (3.0, KI: 2.6-3.2; 2011) during the implementation of PRSC I-VI.

**Public services:** Under PRSCI-III, expenditures in the sectors classified by PRS as priority sectors, i.e. education, health care, water, agriculture, infrastructure and energy, increased from 10.2% of GDP in fiscal year (FY) 02/03 to 14.6% of GDP in FY 04/05 (World Bank, 2006, 14). It must be assumed that the fungible funds made available in the PRBS/PRSC mechanism, which amounted to up to 21% of the total budget during PRSC I-III, contributed significantly to this positive trend.

If we review the sectoral output and outcome indicators established by the World Bank in the reporting on PRSC I to III, it is evident that the increase in public expenditures in the education and infrastructure sectors coincides with what are in some cases considerable improvements in the basic public services.<sup>2</sup> For example, the net and gross completion rates for children of primary school age were significantly increased during PRSC I-III so that Tanzania will, in all probability, achieve MDG 2. It can also be assumed for PRSC IV-VI that the general budget assistance, with an average share of around 14% of the total expenditures (2013, ITAD et al.), will contribute significantly to the financing of the prioritised sectors.

With the uniform PRBS/PRSC-PAF that was redesigned in 2005, sectoral output and outcome indicators were introduced for monitoring the medium-term impact. These indicators suggest that the expansion of public services, especially in the health care, infrastructure, energy and water sectors, were successfully continued in PPRC IV-VI. The progress made in the health care sector is particularly noticeable. Targeted interventions in this sector have led to a considerable decrease in the incidence of HIV, malaria and tuberculosis, as well as young children- and infant mortality (below the age of 5 years, respectively 1 year). This means that Tanzania has made significant progress to reaching MDG 4 and 5.

Based on the indicators contained in the PAF, positive results have also been achieved in the development of the water, infrastructure (including roads) and energy sectors compared to other recipients of German budget assistance. However, a certain stagnation is observable in the education sector in PRSC IV-VI in comparison to PRSC I-III. In particular, the indicators for secondary education remain unsatisfactory.

All in all, it is apparent that the effectiveness of the PRSCIV-VI projects has declined compared to PRSC I-III. This is certainly due in part to the fact that since the start of the comprehensive reform efforts in the mid-1990s, urgent and obvious deficits have been eliminated

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<sup>2</sup> The data available for the agriculture, healthcare, water and energy sectors are insufficient to provide a reliable assessment.

first. By comparison, the reform measures of the second and third generation were considerably more extensive, complex and thus protracted. Accordingly, the effectiveness for PRSC I-III is rated as good (**sub-rating 2**), and that for PRSC IV-VI is still rated as satisfactory (**sub-rating 3**).

### Impact

In the case of budget assistance, it is virtually impossible to evaluate the developmental impacts according to the ex post evaluation criteria, i.e. in the sense of a relatively precise attribution of the effects of outcomes and impacts. Nevertheless, in order to arrive at an approximate answer to the question of development impact, relevant socioeconomic developments over a period of time have been tracked in comparison to other countries in the region and to other beneficiary countries in the region that received German budget assistance (mean value ABH Dtl.)<sup>3</sup>.

**Economic growth:** Following economic stagnation and recession in the 1990s, in which the average per-capita income increased by only around 0.3% p.a., a sustained upturn in economic growth commenced in FY 98/99. Per-capita income increased by around 3.8% p.a. in the period from 2000 to 2004 (PRSC I-III) and by around 4.0% p.a. in the period from 2005 to 2008 (PRSC IV-VI).

|  | Fiscal year |       |       |       |       |       |       |       |       |       |       |  |
|--|-------------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|--|
|  | 00/01       | 01/02 | 02/03 | 03/04 | 04/05 | 05/06 | 06/07 | 07/08 | 08/09 | 09/10 | 10/11 |  |
| Real income growth (% p.c.)                | 2.3         | 3.3   | 4.4   | 4.1   | 5.0   | 4.5   | 3.8   | 4.2   | 4.4   | 3.0   | 3.9   |  |
| Inflation (%)                              | 5.9         | 5.1   | 5.3   | 5.3   | 4.7   | 5.0   | 7.3   | 7.0   | 10.3  | 12.1  | 10.4  |  |
| External debt of public sector (long-term) | 58.6        | 53.2  | 55.4  | 51.6  | 50.9  | 45.6  | 17.1  | 18.9  | 17.9  | 21.7  | 24.3  |  |
| Budget deficit (in % of GDP)               | -1.6        | -1.1  | -1.6  | -3.8  | -3.5  | -5.5  | -5.0  | 0.0   | -4.8  | -5.7  | -7.4  |  |
| Budget deficit before grants (in % of GDP) | -5.3        | -5.6  | -7.8  | -9.9  | -11.3 | -10.4 | -9.1  | -6.9  | -9.9  | -12.0 | -13.2 |  |
| Income (% of GDP)                          | 12.0        | 12.1  | 12.1  | 12.4  | 13.6  | 12.6  | 14.4  | 15.9  | 16.2  | 15.8  | 16.3  |  |

Source: IMF Country Report No. 10/351, 08/178, 06/138, 04/285, 03/238, 03/1.

However, compared to the regional average and the average of beneficiary countries of German budget assistance in Sub-Saharan Africa (SSA), the growth rate of per-capita income is clearly below average.

The considerably more stable general macroeconomic conditions compared to the 1990s are due mainly to the implementation of the comprehensive structural adjustment measures under the aegis of the IMF prior to and during the HIPC Initiative. Essentially, macroeconomic stability has prevailed during the entire programme implementation (PRSC I-VI). Only since FY 08/09 do the negative external shocks from the global economic crisis become noticeable (lower growth as well as an increase in both inflation and the budget deficit).

<sup>3</sup> These are Burkina Faso, Ghana, Mali, Malawi, Mozambique, Zambia, Tanzania, Uganda and Rwanda.



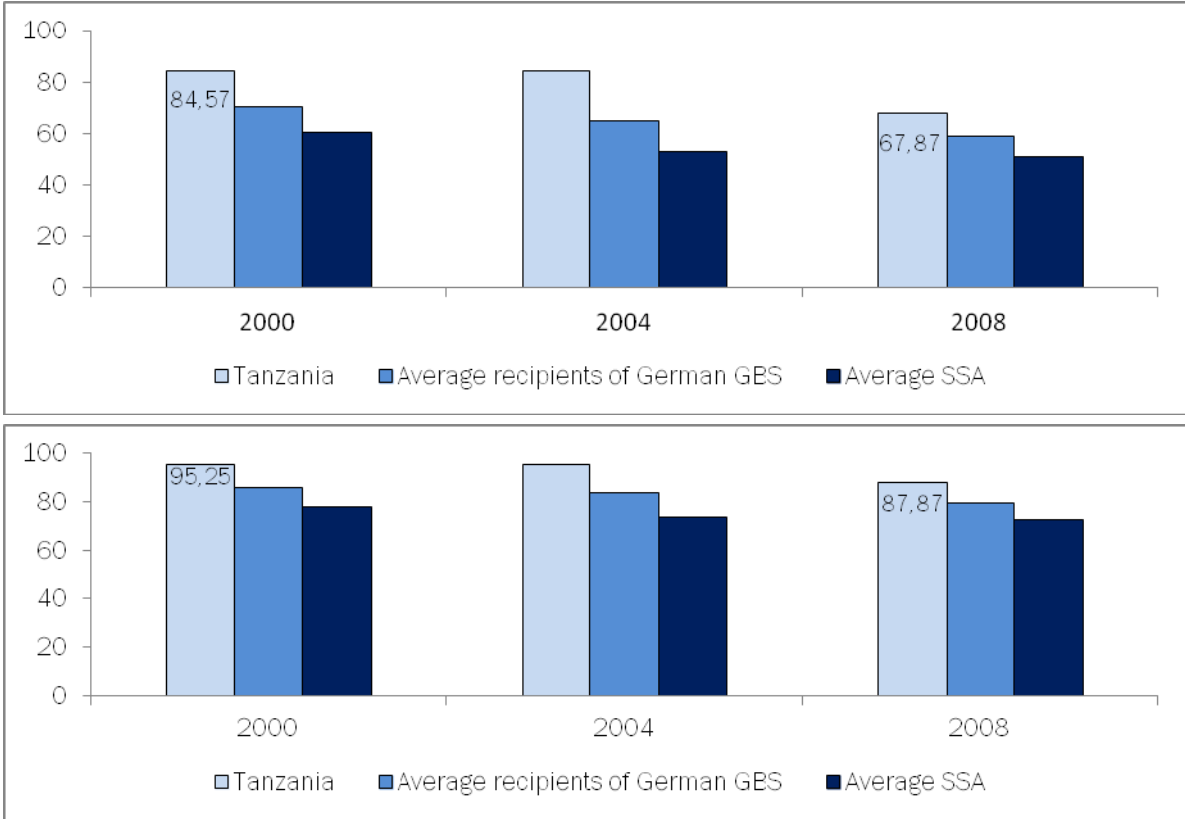
The continuous expansion of the own financing capacities (including tax income) is a very positive development. However, these capacities are not sufficient to reduce the dependence on external financing (grants) significantly (see table on budget deficits before grants).

It must be assumed that an ongoing stabilising effect could be achieved through both the PRBS/PRSC political dialogue on macroeconomic developments and through the direct PAF conditions.

Developments in the area of **poverty reduction** are less positive. According to the results of a budget survey (National Statistical Service, 2009) conducted in 2007, the share of the population that could not meet its basic needs because its income was too low, and which is therefore defined as poor, was only reduced from around 36% in 2000 to around 33% in 2007. Since the change is negligible in statistical terms, this cannot be regarded as an actual reduction in poverty (according to the definition of satisfying basic needs). Due to the large growth in population (around 3.3% per year), the absolute number of people affected by poverty even increased by around one million.

On the other hand, if we use the absolute and internationally comparable poverty levels of 1 or 2 PPP-USD, it is apparent that a comparably significant reduction in the incidence of poverty has occurred. This also applies in comparison with other beneficiary countries of German budget assistance (average recipients of German GBS).

*Percentage of the population with less than 1 PPP-USD per day*



However, the percentage of the population living below the 1 or 2 PPP-USD limit continues to be above the regional average.<sup>4</sup> The percentage of the population that lived below the poverty level of 1 USD in 2007 has fallen since 2000 from around 85% to now about 68%, while the percentage of the population living below the 2 USD limit fell from around 95% to 88%.

It is accordingly apparent that economic growth had only a limited impact on the reduction in poverty. This is mainly attributable to the fact that overall economic growth is primarily driven by sectors in which only a small percentage of the working population is employed (mining, construction, telecommunications, financial services). On the other hand, growth in the employment-intensive agricultural sector was below average in this period, meaning there was a major shortfall in reaching the target of broad-scale growth.

A much more positive picture emerges with regard to the **human development** indicators. The value of the Human Development Index (HDI) increased from 0.37 in 2000 (rank 156 of 174) to 0.46 in 2009 (rank 152 of 187), and thus now corresponds to the regional average of Sub-Saharan Africa. The positive development of the HDI subindicators Education and Health is mainly responsible for this increase. The positive effects of the expansion in government services are reflected in this increase (see effectiveness).

Against the background of the below-average performance in the central areas of poverty reduction and growth compared to the other countries of the region, it is clear that the expectations for both PRSC I-III and PRSC IV-VI were not met. The public services and human development areas, however, show significantly positive effects. Since no negative effects are evident in the overall developmental impact, **sub-rating 3** (satisfactory) is awarded for all stages I-VI.

### Efficiency

To evaluate the efficiency of general budget assistance, the following OECD/DAC (2005) criteria are used: i) quality of the political dialogue, ii) amount of the transaction costs and iii) predictability of donor contributions.

The core elements of a structured and harmonised political dialogue (agreement of reform measures, appraisal of the achievement of objectives and payment) were present from the start in the Tanzanian budget assistance. These elements were defined formally in the "Partnership Framework Memorandum" signed in 2006.

The annual process of negotiating the target agreements and evaluating the achievement of objectives took place in a transparent manner with the involvement of various interest groups.

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<sup>4</sup> The exact limit for extreme, absolute poverty is PPP-USD 1.08 per day and person. This poverty level is based on a basket of goods (almost exclusively food) that are essential for maintaining life. The poverty level for absolute medium-level poverty is PPP-USD 2.15 per day and person. This poverty threshold was also determined based on a basket of goods that includes expenditure on subsistence-safeguarding consumption, as well as on clothes, spending for housing and fuel.

The results orientation of the process was significantly enhanced when the PAF was conceptually revised in 2005. Compared to other budget support programmes, the PAF has displayed an above-average level of results orientation since it was applied in 2005. Central outcome and impact indicators have been tracked in the core sectors over the medium term.

The political dialogue within the scope of the PRBS/RPSC has also helped to advance crucial political and reform measures: for example, a consensus was reached politically about the necessity of the very comprehensive PFM reforms, and the public availability of information about the budget was improved. On the negative side, however, a mutual loss of trust occurred during PRSC IV-VI. In particular, the initial slow pace of the investigation into the above mentioned corruption scandals and the donor perception that the government is less and less willing to push through on important second and third-generation reforms have caused atmospheric disturbances and led to disagreements.

The scope of the annually allotted budget assistance has increased sharply during the course of the implementation of the programme, i.e. from 03/04 to 08/09, from approximately USD 400 million at the start to USD 680 million in FY 08/09.<sup>5</sup> The percentage of budget support funds in the national budget (overall expenditure) amounted to between 21.0% (FY 04/05) and 13.6% (FY 08/09) and made up more than 35% of the entire official development assistance (ODA) in both PRSC I-III and in PRSC IV-VI.

Owing to the fact that since 2003, considerably more than one third of the entire ODA was allocated within the scope of a widely harmonized instrument, it can be assumed that the budget support led to a significant reduction in transaction costs. From the Tanzanian viewpoint in particular, the administrative expense caused by the budget assistance was well below that which would have been expected from individual projects.

However, it is apparent that the political dialogue, which was initially relatively focused, developed into an increasingly complex and less focused process shortly after the establishment of the PRBS, partly because of the entry of the World Bank (and the German co-financing) and the associated introduction of separate PRSC conditions to the FY 03/04, and also due to other donor specific requirements. In many cases, the sometimes different development policy priorities could only be covered by imposing even more conditions. As a result, the scope of the PAF increased continually as early as PRSC I-III. The number of "triggers" to be agreed and appraised in the PAF rose from 28 initially to 55 in FY 04/05.

Partly following the recommendations of an intermediate evaluation, the PRSC conditions were integrated into the structure of the PAF and three separate objective levels were introduced (Underlying Processes, Temporary Process Actions, and Outcome Indicators). Despite this step in the direction of harmonisation and increased results orientation, the number of PAF indicators continued to rise noticeably in the following years (FY 06/07: 71, FY 07/08: 89; FY 08/09: 79) This, in turn, was accompanied by increasing transactions costs, which

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<sup>5</sup> The German share amounted to between 1.3% (FY 04/05) and 2.8% (FY 07/08).

were judged to be disproportionately high in the context of budget support. The evaluation of the PAF and the negotiation of new indicators were assessed as costly, time- and resource-consuming.

Overall, the predictability of PRBS/PRSC funds is assessed as excellent compared to other methods (basket and project financing). Whereas there were initially significant delays in the provision of the agreed donor funds in the period FY 01/02 and 02/03, i.e. before German participation, the planning reliability had already improved noticeably in FY 03/04 and 04/05. The declared goal was to pay out the budget support contributions in the first quarter of the specific FY (front-loading). It was possible to further improve the predictability in the course of PRSC IV-VI. External factors also played a role, in particular the continuous devaluation of the Tanzanian Schilling against the USD and EUR, as well as the short-term immediate assistance of the World Bank and the EU KOM during the global economic crisis and the price shocks for basic food. Accordingly, the predictability of the budget assistance contributions are rated as excellent in the PEFA report 2009 (World Bank, 2009, 58), also during Phase II.

However, for each FY for which information on the predictability of the individual donor contributions is available for the annual PRBS/PRSC review, it is evident that the German contribution represents a negative exception. In the Annual Review Report 2006 and in the Annual Review Report 2007 (GoT, 2006 and 2007), the predictability of the German contribution received the worst rating in each case. This is largely due to the procedural requirements of the German development cooperation (government negotiations, appraisal, mandatory agreement of the Budget Committee of the German Parliament (Bundestag), etc.), which impede timely provision of the annual budget support co-financing.

All in all, the efficiency of the PRSC I-III programme is rated as good (**sub-rating 2**) and that of the PRSC IV-VI programme is rated as satisfactory (**sub-rating 3**).

### Sustainability

The share of the PRBS/PRSC in the Tanzanian budget has fallen since the implementation of the programme evaluated here from 13.6% in FY 2008/09 to around 10% in FY 2010/2011. Since 2009, two bilateral donors, the Netherlands and Switzerland, have left the circle of budget support donors as part of a strategic realignment of their commitment. Nevertheless, the budget support remains a major contribution to the Tanzanian budget. As far as sustainability is concerned, this is a positive development: while donor contributions remain relatively consistent, when measured in Tanzanian Schilling, the Tanzanian government is expanding its self-financing capacities – albeit slowly. With their continued and still significant commitment, the donors are signalling their willingness to provide a long-term development contribution oriented to sustainability.

It was also possible to ensure macroeconomic stability and continue essentially sound fiscal policies in the subsequent fiscal years that are no longer taken into account in this ex post evaluation. The reports on the annual PAF evaluations from the years 2010 and 2011 also

suggest that the Tanzanian government is basically sustaining its reform efforts and that this is generally being recognised by the participating donors. The progress in the annual appraisal was rated as "satisfactory" overall for both years.

While the efforts to investigate the major cases of corruption (see above) were insufficient when the scandals first came to light, as was the criminal and civil prosecution of those responsible, a dialogue on the topic of corruption has since been initiated at the highest political level. Whereas the number of cases of corruption that were concluded with a legal conviction stagnated at around six per year between 2000 and 2005, this figure has risen significantly since 2006 to 64 per year (2010). In addition, the government assets recovered during corruption proceedings have been increased since 2000 to around EUR 4.5 million (2010). These are tentative initial signs that the Tanzanian government is assigning a higher priority to combating corruption, not least because of the quite substantial pressure of budget donors.

On the other hand, it is clear that the overall objective of the evaluated FC tranches, namely to achieve a socio-economically significant reduction of poverty in a period of around six years, is much too ambitious. Thus, Thornton (2011, 7) suggests that poverty reduction induced through economic growth is a significantly more long-term approach.. A substantial increase in productivity and a structural change in the composition of domestic production are just two of the measures needed to achieve this; and these are processes which generally require decades to achieve an impact. It is also evident that, in the long term, economic growth is a necessary but insufficient condition for sustainable poverty reduction. Donors should therefore adapt their expectations accordingly in this regard.

It is also apparent that in the case of Tanzania, as in other countries, a certain level of dissatisfaction has arisen over time among donors about the scope of the reform measures that have been implemented and the results that were achieved. This is certainly partly attributable to the fact that, whereas the initial political dialogue focused mainly on obvious and urgent deficits that could be remedied with measures that were easy to implement (quick wins), structurally complex second or third-generation reforms face larger obstacles and are much more difficult to organise. It appears to be not only necessary but also crucial that the donor community engage in a critical but supportive political dialogue with the Tanzanian government for these phases in particular.

The scope of the PAF is directly linked to this issue: as in other countries (such as Zambia, Uganda), the PAF was only partially suitable as an instrument for a focused and prioritised political dialogue in the period under review in this ex post evaluation, as its capacities were overtaxed. On several issues it instead represented the aggregate of the specific development interests of the participating donors. It was also evident that as soon as the donor community doubted the willingness of the beneficiary to implement reforms, the number of PAF indicators increased. In the meantime, the scope of the Tanzanian PAF has been substantially reduced (around 50 indicators) and the focus has been narrowed to priority reforms and political measures.

Against this background, the sustainability of the PRSC projects I-VI is still rated with good **(sub-rating 2)**.

## 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:

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

Ratings 1-3 denote a positive or successful assessment while ratings 4-6 denote a not positive or unsuccessful 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).