

## CHAPTER VI: IMPLEMENTATION ARRANGEMENT

### 6.1 Introduction

This chapter explains the implementation arrangements for NSGRP, which include institutions, roles and responsibilities, harmonization and rationalization of key national processes, a need for a communication strategy, management and organizational issues and capacity development.

### 6.2 Institutions

The outcome-based approach adopted in NSGRP brings to the fore issues of cross-sector collaboration, inter-linkages and synergies in achieving priority outcomes. The key local actors that will implement the strategy include central government ministries and LGAs, independent departments and agencies (MDAs), private sector, Civil Society Organizations (CSO) and Communities. Parliament will play an oversight role over the government in the implementation process. Likewise, the Development Partners (DP) will play a supportive role in the implementation of NSGRP.

Based on the synergies and inter-linkages, key actors are grouped into five broad sectors or areas of collaboration: (i) the macro sectors; (ii) productive sectors; (iii) social service sectors; (iv) economic service sectors; and (v) public administration sectors. The cross-cutting issues have been mainstreamed into the NSGRP broad clusters. Mainstreaming will further be taken up by individual sectors.

#### Macro sectors

The areas of collaboration include macro policy frameworks, cross-sectoral issues and coordination and supervision/monitoring at national and local levels. Major areas include financial mobilisation and management, particularly fiscal and monetary issues at central and local government levels as well as policy coordination. Private sector and civil societies will be involved in a consultative process on macro policies.

#### Productive sectors

The areas of collaboration include public and private investments, markets and regulatory institutions, communication, employment and cross-cutting issues. Key sectors include: agriculture, mining, trade and industry, with particular attention to small and medium enterprises (SMEs). Main actors in this area include the private sector and the government, which will play an enabling role in selected areas of production.

#### Social service sectors

These sectors include education, health, water and sanitation. The possible areas of collaboration include improvement in access of quality and equity in delivery as well as social protection. The

actors to be involved are LGAs, private sector, central government ministries and civil society organizations, including the faith-based ones.

#### **Economic services sectors**

These include roads, construction, transport and communication, energy, water, lands, storage facilities and Information and Communication Technology (ICT). The possible areas of collaboration are investment, joint ventures, regulatory framework, and employment, infrastructure and cross-cutting issues. Actors include the respective central government ministries and LGAs, the private sector and the community at large.

#### **Public administration sectors**

The areas of collaboration include policy guidelines, administration of law, peace, security protection of human right and stability. The actors include Central Government ministries and LGAs.

#### **Parliament**

The Parliament will maintain its oversight role over government ministries based on the current structure of Parliamentary select committees, which is by sector. Members may be included in special working groups where appropriate.

### **6.3 Roles and responsibilities**

The following are the roles and responsibilities of key institutions in the implementation of NSGRP.

#### **6.3.1 MDAs and LGAs**

MDAs and LGAs will have the following responsibilities:

- Coordinating the NSGRP and Poverty Monitoring System and work closely with other actors to ensure that progress in achieving poverty reduction outcomes is monitored and evaluated.
- Facilitating the interface between the national poverty monitoring system and Local Government M&E on different aspects of monitoring and ensure cross-cutting issues are adequately coordinated and mainstreamed during the implementation of the NSGRP.
- Establishing and incorporating NSGRP priorities in the guidelines for the preparation of Medium-Term and Annual Plan and Budget.
- Mobilizing, allocating and monitoring of financial resources made available to NSGRP actors.
- The Ministry responsible for public service management in collaboration with other actors within the government will coordinate capacity building and skills development programmes.
- The sectoral ministries will be responsible for policy guidance, supervision, coordination, implementation and monitoring activities, which are contributing towards achievement of

particular poverty reduction outcomes in their sectors and across sectors. They will also be responsible for identifying detailed priority activities (sectoral and cross-cutting) that will be taken up during the implementation of the NSGRP.

- Ministry responsible for local government will coordinate implementation of programmes at regional and district level. It will also be responsible for capacity building measures at the local government levels. On the other hand, the ministry will lead in collection and dissemination of data from grassroots level to the national level and vice versa.
- At the district level, LGAs (district/town/municipal/city councils, village/*mtaa*) will plan and implement programmes within their areas of jurisdiction, in collaboration with other actors, including communities and households through participatory process.

### **6.3.2 Non-government actors**

Findings from consultations identified key roles for non-Government actors in achieving desired outcome of poverty reduction.

#### **Communities**

Communities will participate in planning, implementation and monitoring community activities supported by government and other actors. Communities will also monitor quantity and quality of services delivered to them. Mechanism will be developed to enable communities to make leaders, local authorities and central government accountable to the people they serve.

#### **Private sector**

The private sector has an important role to play in achieving poverty reduction outcomes because of its central role as the engine for economic growth. The government is reducing its role to core functions of policy formulation, economic management, provision of economic and social infrastructure, and legal and regulatory framework, maintenance of law and order as well as selected areas of public-private sector partnership. The factors that hinder the active private sector participation in the economy will be addressed through friendly trade and investment policies.

#### **Civil Society Organizations**

The civil society organizations are key actors in poverty reduction. Their roles and responsibilities will include: building local capacity and empowering communities; participating in monitoring and evaluation at national and community level; mobilizing and enhancing community participation; and mobilizing community resources for poverty reduction. CSOs will advocate for accountability of its members and government to the people. CSOs will work closely with the government ministries and local authorities to ensure that cross-cutting issues are included and implemented in the sectoral and district plans.

In order to improve the effectiveness of civil society organizations there is a need to review and strengthen the organizational and management frameworks at national, regional, district and community levels.

### **6.3.3 Development Partners**

Development partners will continue to work closely with key local actors in addressing poverty reduction outcomes. According to the thrust of the Rome and Paris Declarations, Tanzania Assistance Strategy and Joint Assistance Strategy, the development Partners will use the existing agreed national systems and processes to provide additional financial, technical and other support in the implementation of the poverty reduction strategy geared to the achievement of the Millennium Development Goals. Development Partners will also facilitate capacity building initiatives within the poverty reduction framework as well as participating in monitoring and evaluation.

### **6.4 Harmonisation and rationalisation of national policy processes**

There are several key national level processes, namely: -

- NSGRP and Poverty Monitoring System (NSGRP/PMS);
- Public Expenditure Review (PER), Budget Guidelines and Medium Term Expenditure Framework (MTEF); and
- Tanzania Assistance Strategy (TAS), Poverty Reduction and Growth Facility (PRGF), Poverty Reduction Budget Support (PRBS), Poverty Reduction Support Credit (PRSC) and Joint Assistance Strategy (JAS).

The key actors including government will ensure that all these key processes are appropriately sequenced and properly timed in order to provide adequate linkages and synergies among them. The NSGRP and Budget processes are at the centre of all processes. The NSGRP outputs will feed into the PER process, which again informs the preparations of budget guidelines. The budget guidelines inform sectoral budgets and MTEF preparations. TAS/JAS process will also inform the PER process on external assistance.

There are, among Development Partners, efforts to harmonise and rationalise processes by encouraging joint missions and reviews. Bilateral partners and multilateral organisations that are directly supporting the Government budget through the PRBS/PRSC facilities have streamlined required actions by applying the same Performance Assessment Framework and carrying out joint reviews under the PAF. Development Partners themselves have reorganised themselves so as to provide internal coherence amongst themselves in the context of TAS/JAS and the Rome and Paris Declarations. In that way, they will be seeking to harmonise or reduce missions and reporting frameworks and making it possible for the Government to have ample time to concentrate on core activities. With regard to PRGF, the IMF will continue with its efforts to align their review missions

with the budget cycle and coordinate with other development partners. The harmonized calendar will be reviewed and shared widely. The Proposed Annual Cycle is shown in Table 6.1.

**Table 6.1: Proposed Annual Process Cycle**

Quiet Time shaded →	July	August	September	October	November	December	January	February	March	April	May	June
PRS	National Poverty & Human Dev't Report	Joint Staff Assessment	PRS Review/Progress Report	Poverty Policy Week						Participatory Poverty Assessment field work	National Poverty Analysis published	
PER	On-going PER Meetings											
	Annual Work Plan Set	TOR Circulated		Deadline for Donor Submission of Projections Data				External Review	PER Annual Meeting/ External Review Report			PER workplan
			Sector PERs & Macro Studies conducted and finalized					Cycle of PER Sector Reviews of PER Studies/ BGS/ Budget Inputs				
GOT Budget & MTEF	Govt Budget Session				Budget Guidelines Preparation				Tax Task Force	Budget and MTEF Preparation		Government Budget
								Sector Budget and MTEF Preparation				
PRBS/PRSC					Annual Review/ Pre-Appraisal			Budget Review /*		Mid-Term Review/ Appraisals and Negotiations		
PRGF /**			IMF PRGF**		IMF Staff PRGF Report issued			IMF PRGF**	IMF Staff PRGF Report issued			
Consultative Group	CG Meeting (date to be agreed based on need)											
FAS/Harmonisation Process		Annual Implementation Report Issued	Group Meeting			Group Meeting			Group Meeting			Group Meeting

\*/ Strategic Issues covered by PRSB/PRSC Budget Review in September; performance issue covered by PER External Review in February

/\*\*PRGF Meetings to be linked with key PRBS/PRSC processes; IMF has signalled its readiness to align its review missions with the government budget cycle and to coordinate activities with other development partners.

One of the preconditions for harmonization and rationalization is the establishment of strong national systems such as the PER, the poverty reduction strategy and sector reviews as well as sustained reforms of core programmes. Support by development partners in these reforms has been substantial. However, there is need for increased efforts in building and strengthening local capacities in the MDAs and LGAs responsible for taking the reforms forward.

## 6.5 PMS Communication Strategy

The government is committed to opening up and maintaining channels of communication with key stakeholders, including MDAs, private, sector civil society organizations and vulnerable groups, communities and Development Partners, with a view, to create a sense of national ownership and enlist broad participation. The PMS communication strategy will be a tool for reaching stakeholders as well as an effective feedback mechanism. It will facilitate opportunities for debate, dialogue and

sharing of knowledge to strengthen the development and implementation of poverty reduction strategy. The strategy will complement existing communication interventions.

### **6.6 Management and organizational issues**

Management and organizational needs of the NSGRP will also be addressed. The PER and NSGRP work will be organized in a manner that sector inter-linkages and synergies are realized. This will require, for example, moving from sector-based PER/reviews to cross-sector collaboration based PER/reviews, e.g. health reviews can be combined with water and education. Structures and incentive systems will be put in place to enable the cross-sector collaboration mechanisms to work effectively and efficiently.

### **6.7 Mainstreaming cross-cutting issues**

In order to adequately mainstream cross-cutting issues steps have been taken to integrate them into the NSGRP. The next step is to mainstream the cross-cutting issues into sector strategies and programmes. Sectors will revisit their sectoral development plans in light of the NSGRP and PER through sector working groups, in collaboration with the NSGRP Cross-cutting Working Group. Furthermore, local authorities will also have to revisit their plans in light of the NSGRP and mainstream cross-cutting issues into their district development plans.

### **6.8 Capacity development needs**

Following the shift from priority-sector to outcome-based approach, implementation of the NSGRP will demand change in mindset, orientation of skills, work processes, instruments, procedures, staffing and institutional set-up to support cross-sector collaborations in order to achieve shared poverty reduction outcomes and the Millennium Development Goals. Capacity building for harmonising and achieving greater policy coherence and synergy, between the NSGRP and other processes, will be an imperative. Capacity building needs of the private sector, civil society and communities will be identified and addressed so that they can more effectively engage in the policy processes. The reform processes will continue to be a framework within which capacity issues will continue to be addressed.

#### **6.8.1 Training requirements**

Priority will be given to training of key actors in central and local governments, civil society and private sector in designing, implementation and monitoring of pro-poor policies and strategies. Tailor-made sensitisation programmes and enhancement training modules, to suit the requirements of different cadres will be prepared in collaboration with training and research institutions. Moreover, capacity building of the actors at district level is critical, given the role of local governments in implementation of the NSGRP. These will be addressed through Local Government Reform Programme (LGRP), poverty monitoring process, as well as other interventions.

### **6.8.2 Systems development**

The budget process of resources allocations and monitoring systems will be designed to capture priority goals, operational targets and cluster strategies. The NSGRP articulates the cluster strategies and intervention packages, which will enable actors like MDAs, local governments, private sector, communities and CSOs, to further prioritise and sequence the actions/activities in their respective areas of operation. The Ministry of Finance has developed a software system (SBAS), which makes it possible to link the resources allocation to MDAs as per NSGRP targets. In addition, the PMS will be reviewed to enable better reporting on progress made towards achieving agreed poverty reduction outcomes and MDGs. Efforts will be made to improve the routine data and functioning of monitoring and evaluation system at all levels of local government. Focus will be on developing integrated management information systems.

### **6.8.3 Technical assistance**

Following the study on technical assistance, the Government will develop Technical Assistance Policy. The required technical assistance (TA) will focus on building capacity for poverty reduction. The key actors, including the government, will ensure TA is used properly to build national capacities with a view to improving quality of the capacities of individuals, institutions, and systems.

## **CHAPTER VII: MONITORING AND EVALUATION OF THE STRATEGY**

### **7.1 Introduction**

Monitoring implementation of NSGRP and evaluation of progress will be done under the Poverty Monitoring System (PMS), which was established in the year 2001 and is now operational. The PMS is guided by the over-arching principles of the NSGRP and is based on challenges and lessons learned in monitoring the PRS(P), and the fact that there are new developments associated with NSGRP.

In view of these developments, there are new demands on the PMS, which require review of both the indicators and the institutional set-up. The review of the institutional arrangements will focus on capacity building measures and mechanisms for ensuring efficiency and effective delivery of the expected outputs. This will be done in the process of developing the Poverty Monitoring Master Plan in line with the NSGRP.

The revision of the PMS/PMMP is intended to:

- Improve data collection, reporting and use; and align the indicator-monitoring programme to fit the new focus on priority outcomes including addressing cross-cutting issues. Through this programme the strategy for strengthening the routine data collection will also be finalized and implemented to ensure that data are available for monitoring and evaluation.
- Review the institutional arrangements in view of the challenges and lessons learnt in operationalization of the PMS and close any existing gaps.
- Provide mechanism for evaluation of the NSGRP strategies.
- Integrate the targets of the NSGRP and Millennium Development Goals fully into the PMS.

### **7.2 Status of the Poverty Monitoring System: challenges and lessons learnt**

The monitoring activities of the PMS have been coordinated by four Technical Working Groups of the System: Censuses and Surveys, Routine Data Systems, Research and Analysis; and Dissemination, Sensitisation and Advocacy. During the life of the PMS the Surveys and Censuses Group was able to generate and make initial analyses of the survey data, according to its work programme. The Routine Data Group concentrated on capacity building of data collectors. Analysis and further research into areas where knowledge gaps were observed was also done according to schedule under the Research and Analysis Technical Working Group.

The combination of the collection of survey data and additional data from routine data collection systems and further research work and analyses done under the Research and Analysis Technical Working Group enabled the production of the three Progress Reports (2000/01, 2001/02, 2002/03) and two Poverty and Human Development Reports of 2002 and 2003. The results of the monitoring system were disseminated using different methods, including printing of the main documents and



distribution, production of popular versions, organisation of annual Poverty Policy Weeks, and production of Newsletters, posters and radio programmes, and through the poverty monitoring website.

There are, however, critical challenges that need to be addressed in the second cycle of monitoring progress and evaluating outcomes and impact of the NSGRP. The Routine Data system Technical Working Group has not yet succeeded to pull together data from routine systems of sectoral ministries. More efforts will be directed towards strengthening the M&E system at all levels of local governments and linking it with the PMS.

General sensitisation of the different stakeholders across sectors and particularly in areas where data are collected, to make good use of the information generated, for decision-making remains one of the important success factors and challenge to the system. More innovative ways of disseminating the information generated and sensitisation of the general public will be sought through the development of a Communication Strategy for the NSGRP and Budget. The revised PMS will also, more than in the past, focus on the evaluation of the clusters of strategies.

In addition, funding for the major surveys and strengthening the capacity of the key actors in local governments to collect, analyse and use data as well as ensuring quality of data collected remain critical. Indeed, there is a need to ensure that the Poverty Monitoring System responds to NSGRP requirements and remains relevant and effective in tracking progress of implementation. Outlined below are the objectives of the PMS. The outline is designed to meet the new demands of the NSGRP. The strategy for meeting the objectives is also addressed.

### **7.3 Objectives of the Poverty Monitoring System**

The PMS is a national system designed to meet information needs of different stakeholders including: policy makers, civil servants in the central government, local government officials, civil society organisations, research and academic institutions, external development partners, the media and the general public. The specific objectives of the system are:

- (i) To ensure timely availability of data.
- (ii) To ensure proper storage, easy access and use by different stakeholders.
- (iii) To analyse data and disseminate the findings to stakeholders.
- (iv) To promote evidence-based decision making at all levels through monitoring and an increased attention to evaluation.
- (v) To ensure that targets of global initiatives (e.g. MDGs) to which Tanzania is committed to are integrated into the system and localised.

To achieve these objectives, the PMS will:

- Focus on monitoring implementation and evaluating progress in all the three major clusters of the NSGRP outcomes i.e. growth and reduction of poverty, improved quality of life and social well-being as well as governance and accountability.
- Increase attention to monitoring at all levels, particularly making linkages between PER process and Public Service Management. Process monitoring will also take place where appropriate.
- Create more space for on-going evaluation.
- Link with the M&E system of the local governments and other systems to ensure adequate provision of more disaggregated data so as to facilitate monitoring at all levels (regional, district, ward, village and *mtaa*), while still focusing on national level monitoring.
- Expand national census and survey programme to ensure greater coverage of indicators for monitoring performance, to include agriculture and (SME) business surveys and industrial output.
- Expand the Tanzania Socio Economic Database (TSED) through additional thematic seminars to derive data for NSGRP monitoring for all sectoral groups, regions and districts.
- Strive to collect and analyse more qualitative information and increase participatory monitoring through PPAs, poverty maps and social atlas and other methodologies. It will also possess a more guided research and analysis programme to evaluate change in or progress towards the desired outcomes of the NSGRP.
- Complete integration of the MDG targets and indicators into the NSGRP indicators set and into the TSED.
- Review the pooled fund arrangement together with its manual and explore further funding opportunities for the donor community to pool its funds and consolidate input for poverty monitoring, and for government to obtain funding through general budget support.

#### **7.4 Strategy for monitoring and evaluation**

The strategy will consist of a multi-pronged approach of special institutional arrangements. It will target data collection, analysis, storage, dissemination and communication and strategic linkages with other monitoring systems. It will also work for improved funding modalities.

##### **7.4.1 Institutional arrangements**

The PMS institutional capacity will be strengthened to deliver the expected outputs and ensure sustainability of the monitoring and evaluation activities. Special measures will be taken to strengthen capacities in areas where performance is observed to be weak. These arrangements will be necessary as all sources of information, including the surveys and censuses, routine administrative data and research and analysis will be captured, analysed, disseminated and evaluated under this single system, to ensure its robustness.

### 7.4.2 Monitoring

*Indicators:* The revised list of indicators that was developed to meet the information needs of different stakeholders at the national level will continue to be used. However, the indicator set will be reviewed to meet additional information requirements necessitated by the new developments in NSGRP. Indicator setting will be done using the inter-sectoral approach that pervades the implementation of the NSGRP. MDG targets and indicators will also be addressed by the PMS to enable sustained reporting on these global indicators.

*Data Collection and Storage:* Emphasis will be placed on data quality and the routine administrative data systems will be strengthened and harmonised accordingly. The census and survey programme will be expanded to include other data that are currently not being collected. This is expected to include the conduct of business surveys. The development of TSED will continue as a way of providing a one-stop centre and reliable storage with easy access to the information and data.

*Data Analysis:* The current PMS has a strong research and analysis component and has so far conducted various studies including Participatory Poverty Assessment. This component will be retained and further mandated to expand its analytic capacities and to employ qualitative methodologies to further explore topics of critical importance to poverty reduction. The Poverty and Human Development Report, which is now being produced, will also become more focused and will target in-depth research issues such as HIV and AIDS and other areas of vulnerability.

*Data Dissemination and Communications:* The PMS will have a dissemination, advocacy and sensitisation strategy that is operational through a communications mechanism, designed to manage inter-sectoral linkages. It is currently important to the NSGRP and providing mechanism for receiving continuous feedback from the regions, districts, wards, villages, hamlets and *mitaa*. The strategy is intended to improve communications for advocacy of the NSGRP, MDGs and PMS, facilitate understanding of the PMS indicators and increase participation at all levels.

### 7.4.3 Evaluation

Evaluation will be done at three levels. First, internal evaluation will continue through the production of the Poverty and Human Development Reports (PHDR) and the PER process. Second, additional space will be created for on-going evaluation mechanisms through Participatory Poverty Assessments and other methodologies such as service delivery reports and other qualitative assessments, particularly of the reform programmes (e.g., public sector reform and local government reform). Third, a comprehensive review, informed by annual progress reports produced under national consultative processes, will take place at the end of the NSGRP period in 2010.

#### **7.4.4 Linkages to other monitoring and evaluation systems**

The monitoring strategy will pay particular attention to linkages with other monitoring and evaluation systems to ensure that the different monitoring systems at different levels inform each other. Operationally, the emphasis will be on generating relevant data to meet the information needs of different stakeholders and creating awareness of the available information for its effective use in planning and decision making. Specifically, the PMS will:

- Strengthen linkages with the Local Government M&E system.
- Enhance use of information at local authorities – district and town councils.
- Align and harmonise regional and sectoral needs for information and for greater coherence within the national monitoring system.
- Harmonise output/information from Public Expenditure Review (PER) reports with the PMS output indicators. It will be important to track targets set for indicators and feed results back for actual policy making.

#### **7.5 Implementation mechanisms**

The PMS will be implemented through:

- An institutional structure comprising Technical Working Groups, the NSGRP/PMS Technical Committee and the National Poverty Monitoring Steering Committee. The Terms of reference for these institutions will be elaborated in a revised PMMP.
- Priorities set for the (multi-year) national census and survey programme as they relate to the monitoring indicators.
- A rationalized and harmonized system of routine data collection at the national and regional levels.
- Capacity development at the local government level for data collection, analysis and usage.
- Guidelines for determining research priorities that will include outcome and impact evaluations of the poverty reduction outcomes.
- Dissemination plans targeted to key stakeholders such as the national and regional government, LGAs and civil society.
- A communications strategy.
- A pooled-fund arrangement for managing the PMS activities.

#### **7.6 Monitoring tools and deliverables**

Output and deliverables of the PMS II will be:

- Annual Progress Report, using PMS output to both indicate progress and update the NSGRP, thus making the NSGRP a living document.
- Bi-annual Poverty and Human Development Reports – utilizing data from the PMS and also from its commissioned research and evaluations. It will also focus on in-depth analysis of critical issues such as HIV and AIDs.

- Analytical reports on surveys and censuses.
- A rolled out TSED to all sectors and to regions and districts and updating relevant indicators and the metadata.
- MDG Reports (2001 and 2005).
- A communications strategy with an interactive element to facilitate ongoing feedback from stakeholders.

The poverty monitoring website [www.povertymonitoring.go.tz](http://www.povertymonitoring.go.tz) with links to the national website will be used as part of the monitoring mechanism of the PMS and a key tool in the communications strategy.

## **CHAPTER VIII: NSGRP FINANCING STRATEGY**

### **8.1 Introduction**

This chapter assesses the financing implications of reaching NSGRP targets. It revisits key features of PRS (P) financing framework and related challenges; and then presents the financing framework for the NSGRP, methodology for estimating financing requirements and the financing strategy. Mobilisation of resources will place emphasis on domestic sources, particularly the contribution of the private sector and community-based initiatives as well as government and foreign assistance, with a long-term objective of reducing aid dependence. Implications of the financing framework in terms of macroeconomic stability and management as well as the risks associated with external shocks and natural calamities are also highlighted.

### **8.2 Review of PRS (P) financing framework**

The approach followed to derive financing estimates of PRS (P) was to estimate the government's budgetary requirements of priority sectors and priority activities within them. The priority sectors were Education, Health, Water, Agriculture, Roads and Judiciary, plus HIV/AIDS as a cross-cutting issue. Lands sector was added later to the priority sector list, while the Judiciary was broadened to include all departments under the Ministry of Justice and Constitutional Affairs and the Ministry of Home Affairs – all under the umbrella name - Justice System.

The costing of priority interventions was based partly on the analysis of recurrent cost implications of sector programmes and inputs from the PER and MTEF. The cost of health, education, water and roads was based on an estimate of the basic unit of service. The estimates of remainder of the sectors were based on PER/MTEF estimates. From these estimates financing requirements were derived for the medium term subject to availability of the resource envelope.

The estimation of financing implications of implementing PRS (P) presented a number of challenges:

- (ii) The information available was often insufficient to determine the unit cost, especially in the social sectors where inputs and outputs are hard to measure.
- (iii) Weak link between policies, actual costs and resource allocations – mainly because costs of most policies were unknown. They also complicated the estimation process.
- (iv) The financial implications of poverty-reducing interventions within “non-priority sectors” were not explicitly considered in PRS (P). As such, the financing plan was not comprehensive.
- (v) The interdependent nature of the PRS (P) goals and institutional arrangements that guided resource allocation (through the MDAs) made financing delineated by sector less meaningful.

The financing strategy under PRS (P) centred on government budgetary allocations to priority sectors and activities. This was complemented by donor support through basket financing, direct project funds, as well as contributions by private sector, communities, NGOs and other stakeholders. Poverty-reducing interventions outside the priority sectors were financed through allocations to “other priorities” (e.g., energy) in the general government budget.

### **8.3 NSGRP financing framework**

#### **8.3.1 Basic considerations**

- The estimation of NSGRP financing builds on the PRS (P) approach, while trying to address some of the weaknesses noted above, but focusing more on costs of attaining specific outcomes.
- Recognises that some of the targets/outcomes are multi-sectoral or interdependent thus requiring clear identification of cross-sectoral interventions and therefore financing needs.
- Under NSGRP, the financing of poverty interventions will continue to depend mainly on domestic resource mobilization efforts. Although the Government has shown resolve to reduce dependency on foreign financing, this source of financing will remain crucial in supplementing domestic resources for the foreseeable future. The government will continue to urge donors and other stakeholders to direct their support to poverty-reducing interventions.
- In view of the fact that implementation of NSGRP interventions is not limited to Government, it includes the private sector, CSOs/NGOs and communities. Thus establishing the total financing requirements for implementing the NSGRP requires going beyond MDA requirements. Other sources of financing will involve contributions from the private sector and CSOs (mainly in service provision), communities, and households. In order to estimate overall required resources by all actors the needs-based methodology will be used. However, this costing exercise will require more time than the MDAs, NSGRP-BAS.
- NSGRP financing requirements are estimated under the assumption that the economy will grow by 6-8 percent annually over the medium term and maintained at same level for the remainder of the NSGRP period. This is important for domestic mobilization targets to be realized. Other basic assumptions underlying these projections are:-
  - reduction of consumer price inflation to 4.0 percent by end-June 2005 and thereafter maintain it at 4.0 percent or below, consistent with major trading partners;
  - controlling the expansion of broad money supply ( $M_2$ ) consistent with GDP growth and inflation targets; and,
  - maintaining foreign reserves above a value equivalent to 6 months of imports of goods and services.

Finally, it is assumed that the sustained macroeconomic stability will increase resilience of the economy to external shocks and natural calamities.

- GFS classification is used to link the budget and poverty-reducing interventions identified under each cluster strategy and targets.

### 8.3.2 Estimation of financing requirements

*Methodology:* There are various approaches to costing PRS(P) financing requirements such as the Millennium Project Approach, the World Bank MAMs, and others. The choice of the methodology used to estimate NSGRP requirements was dictated by:

- Government decision to move from priority sector-based to outcome-based NSGRP;
- Need to make an explicit link between NSGRP strategies and the budget;
- Limited time between finalisation of NSGRP and preparation of the 2005/06 budget, which will begin implementing the NSGRP;
- Wide variation in available data/information needed to apply the various methodologies (some sectors had PER reports, well-costed MTEFs, strategic plans while others did not);
- Consideration that NSGRP is a rolling document to be revised by learning from implementation;

The methodology for preliminary costing of the NSGRP involved the following main steps:

- (i) Regrouping of all NSGRP cluster strategies by Vote and identification of those that have expenditure implications.
- (ii) Each MDA matched its MTEF targets and strategic objectives drawn from strategic plan with NSGRP cluster strategies, making sure that NSGRP cluster strategies are also consistent with performance codes (GFS) provided by the Ministry of Finance.
- (iii) MDAs use their existing MTEFs to identify activities and related input costs needed to meet a particular target consistent with NSGRP cluster strategies.
- (iv) Each MDA estimated its total resource requirements (unconstrained) using a Microsoft Access software system called Strategic Budget Allocation System (SBAS) based on inputs from step (iii). Requirements for other MTEF targets (Other-NSGRP targets) and other strategic objectives were estimated in a similar manner.
- (v) Estimation of resource requirements for LGAs and regions was done based on historical ratios between allocations/transfers to them and total resource availability.
- (vi) Overall the Budget Guidelines Committee using the macro version of SBAS aggregated resource requirements.
- (vii) Development of a financing strategy – distinguishing between sources, funding and emerging gap.



#### 8.4. NSGRP financing strategy

Like PRS (P) the financing strategy for NSGRP assumes that the public sector will play a critical role in the implementation of the strategy to invigorate the participation of the private sector – the engine of growth. However, attempts to quantify the contribution and financing requirements of other actors (private sector, NGOs, and communities) require more time and data.

Overall projected resources for the implementation of NSGRP -related interventions and other government commitments is based on the Medium Term Plan and Budget Framework for 2005/06 – 2007/08 (Table 8.1) while ensuring consistency with macroeconomic targets.

**Table 8.1: Budget Frame (2004/05 – 2007/08)**

	Tsh. Million			
	2004/05 Budget	2005/06 Ceilings	2006/07 Projections	2007/08 Projections
<b>I. TOTAL RESOURCES</b>	<b>3,347,539</b>	<b>4,103,144</b>	<b>4,355,669</b>	<b>4,561,157</b>
Domestic revenue	1,739,288	1,983,125	2,261,168	2,580,582
Programme loan and grants	434,476	822,358	834,392	846,603
Project loans and grants	587,441	788,135	819,840	831,837
Basket Support Loans	109,956	73,281	66,801	2,799
Basket Support Grants	160,488	199,305	197,024	164,680
HIPC relief IDA, IMF and ADB	74,664	111,503	98,669	103,454
Non Bank Borrowing	0	0	0	0
Bank Borrowing	231,111	115,018	77,774	31,201
Adjustment to cash	0	0	0	0
Privatisation Funds	10,115	10,420	0	0
<b>II. TOTAL EXPENDITURE</b>	<b>3,347,539</b>	<b>4,103,144</b>	<b>4,355,669</b>	<b>4,561,157</b>
<b>RECURRENT EXPENDITURE</b>	<b>2,255,948</b>	<b>2,744,955</b>	<b>2,932,829</b>	<b>3,174,753</b>
CFS	481,175	556,358	564,805	605,760
Debt service	317,825	298,377	309,048	329,780
Interest	168,438	165,017	177,261	184,006
Amortization	149,387	133,360	131,787	145,774
Others	163,350	257,981	255,757	275,980
Recurrent Exp.(excl. CFS)	1,774,773	2,188,597	2,368,024	2,568,993
o/w Salaries & wages	551,159	681,897	759,344	845,980
Other Charges	1,193,248	1,358,415	1,565,291	1,667,141
Designated Items	30,366	148,285	43,390	55,872
Expenditure Float				
Payment of Arrears	0	0		
Contingency	0	0		
<b>DEVELOPMENT EXPENDITURE</b>	<b>1,091,591</b>	<b>1,358,189</b>	<b>1,422,840</b>	<b>1,386,404</b>
Local	233,705	297,469	339,175	387,087
Foreign	857,886	1,060,721	1,083,665	999,317

Source: Ministry of Finance

Public financing of NSGRP interventions are projected to increase by 3 percent of GDP annually to cater for increases in expected expenditures, taking into account a gradual increase in domestic revenue mobilization and donor support at 2 percent of GDP annually. The Government will strive to aggressively accelerate domestic revenue mobilization (through further tax reforms, improvement in tax administration and collection and clamp down on tax evasion) without unduly distorting economic activities.

Domestic revenue is projected to increase from about 13.8 percent of GDP in 2004/05 rising gradually to 14.6 percent in 2007/08. Thereafter domestic revenue is projected to increase to 15.5 percent by the end of 2008/09. Estimated donor contributions are based on historical trends and will be updated as donor pledges and commitments are submitted to the Government through the PER process. Total external support including HIPC relief is projected to decline from 14 percent of GDP in 2004/05 to 11 percent in 2007/08 in line with indicative figures of donor support.

On more optimistic view, it is expected that development partners will honour their promises, made in Monterrey and other meetings, to scale up levels of resource disbursement, particularly in outer years of the implementation of the NSGRP - a vehicle for achieving MDGs.

Unresolved challenges related to estimation of financing requirements for implementing NSGRP:

- Treatment of donor funds (how can these be aligned with government priorities)
- Alignment of money going through basket funds with “new” outcome-based (non-sectoral) priority interventions
- How to synchronize formula-based grant allocation to LGAs (which is sectoral) with outcome-based interventions approach.
- Quantification of the magnitude and direction of contributions by private sector, communities, and other stakeholders.

### **8.5 Risks related to NSGRP Financing Framework**

The Tanzania economy remains vulnerable to high aid dependency to the extent that a substantial amount of its budget will continue to depend on donor support over the immediate future. As such it will be necessary to guard against adverse effects on competitiveness, Dutch disease effects, debt sustainability and the Government’s fiscal position by ensuring more effective use of development assistance and focusing on strengthening of institutions to enhance the absorptive capacity.

Overall macroeconomic stability and financing of the first year of NSGRP could potentially be affected by strategic government expenditure needs such as the forthcoming general election. However, Government commitment to enforce expenditure discipline and adherence to monetary policy targets will be maintained through continued implementation of key reforms (PFMRP, LSRP, LGRP, PSRP, etc).

Adverse developments in the global economy and unforeseen natural calamities could thwart the financing of NSGRP depending on the ability of the economy to adjust or hedge against such events.

The financing gap is large and is unlikely to be fully filled by the projected resources. This is also compounded by unpredictability of development assistance (evidenced by wide divergence between donor pledges/commitments and disbursements) and low revenue base given the current structure of the economy dominated by subsistence and informal activities. In addition to the desire to reduce aid dependency over the medium term the Government will also strive to maintain fiscal prudence.