

**Keynote Speech made by Anne Makinda, MP,  
Deputy Speaker of the Parliament of Tanzania,  
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**MUTUAL ACCOUNTABILITY, AID EFFECTIVENESS  
AND  
THE ROLE OF PARLIAMENTS**

**1.0 Introduction**

**1.1 Importance of Mutual Accountability**

Mutual accountability takes into account the fact that the policies and actions of both donor and recipient countries have an impact on the effectiveness of aid and on the outcomes of development efforts. It focuses on results-oriented development partnerships, commitments on both parties of the partnership, and an emphasis on systematic review and monitoring of the development programs.

Genuine mutually accountable aid processes must be based on country ownership of the development agenda and leadership of the implementation framework, taking into account mutually acceptable donor practices. Accordingly, domestic accountability processes have to be strengthened and enforced. This will ensure that the process and strategies developed will enjoy support from both the political leadership and institutions involved in the implementation process. Mutual accountability is enshrined in various international and regional mandates. At the

international level, for example, according to the G-8 Africa Action Plan, development partners have committed to increase the quality and quantity of their support to Africa. The New Partnership for Africa's Development (NEPAD), at the regional level in Africa, focuses on country ownership and governance and the OECD's commitment to support NEPAD.

Expanding on NEPAD, it should be noted that NEPAD is essentially an African initiative, which evolved from the desire to forge successful national, regional and international partnerships. The NEPAD framework has a peer review mechanism whereby participating African countries engage in mutual evaluation of progress in implementing specified targets. The mutual accountability principle in NEPAD would then imply that, in addition to self-monitoring and evaluation of a country's efforts, the policies and actions of partners are expected to be supportive in the attainment of the desired development outcomes.

## **1.2 Aid Effectiveness**

Aid effectiveness, to a large extent, depends on coordination and harmonization of development initiatives and donor confidence in the aid receiving country's government and respective institutions involved. In this regard, one could well envisage variable roles with, say, the donor assuming more limited or consultative roles during the initial stages of formulating national policies and strategies. Subsequently, during the design, implementation, and monitoring of requisite action plans, the development partners would have to play enhanced roles in order to create room for preferred financing modalities and facilitate harmonious

assessment of performance. Development partners need to create room for recipient countries to author their development frameworks, in keeping with circumstances and problems facing them, the wishes of their people, and the formidable challenges they have to face in order to participate more effectively in the emerging global agenda.

## **2.0 Tanzania's Experience in Mutual Accountability and Aid Effectiveness**

Tanzania and her development partners have come a long way in building successful partnerships. Working together, a framework for aid coordination and harmonization of aid delivery processes was developed in order to enhance efficiency in aid delivery and ensure that the policy objectives are realized. Accordingly, the Government has put in place the requisite governance and accountability frameworks, including improved public financial management systems. Experience to date has shown that there is remarkable improvement, to the mutual satisfaction of both Government and the development partner.

Relations between Tanzania and her development partners reached a low ebb in the early and mid-1990s, with many donors suspending aid disbursements, citing problems of governance, inadequate government ownership of the development process, and insufficient involvement of civil society in the policy planning process. A DANIDA-financed team of five independent advisers, led by Professor Gerald K. Helleiner, was commissioned to evaluate relations between Tanzania and her development partners. They came up with a set of recommendations on

how to improve relationships between the donor and Tanzania Government. The Helleiner Report recommendations were discussed and jointly adopted by the government and donors at a conference held in early 1997, in Dar es Salaam. Agreed matters included Tanzania's ownership of, and leadership in, the development process; the need for the Government of Tanzania to set out a clear vision and national priorities for development; greater transparency on the part of donors; co-ordination of aid modalities; rationalization of donor assistance; and the need for the Government to strengthen financial management systems, improve accountability and enhance the effectiveness of the budget management process. It is against this background, therefore, that Tanzania embarked on major reforms in its planning and public financial management systems.

Today, Tanzania's experience in aid effectiveness, coordination and harmonization presents some best practices which we are willing to share with other countries and institutions. In particular, I wish to share with you our experience in the following areas:

- Macroeconomic environment and public financial management;
- The policy process and consultative mechanisms, including the Tanzania Assistance Strategy (TAS),
- The independent monitoring group (IMG) and Tanzania Joint Assistance Strategy (JAST)

The partnership developed following the Helleiner Report helped Tanzania improve effective utilization of aid. The Government has implemented a wide range of policy and institutional reforms focusing on appropriate fiscal

policy; maintenance of prudent monetary policy; promotion of an enabling environment for private sector development, including foreign direct investment; restructuring and privatization of public enterprises; and improvement of the legal and regulatory framework, including enhancement of all aspects of good governance. As a result, our economy has attained domestic and external stability since 1999, with GDP growth reaching 6.8 percent in 2005, inflation declining to an annual average of 4.3 percent during 2005, and international reserves providing over six months cover of imports of goods and non-factor services.

Tanzania embarked on a thorough reform of its public financial management systems. The computerized Integrated Financial Management System (IFMS), initially rolled out in 1998/99, has been implemented in all ministries and independent departments (MDAs). Prior to that, MDAs were originating and effecting their own payments through a decentralized system, which did not facilitate adequate control of the use of public resources. The IFMS records transactions on a cash basis, and allows full financial control and transparency in government finances. The system can generate reports on MDAs' expenditures at any point in time, as well as consolidated accounts, including reconciliation with bank statements. The IFMS has strengthened the capacity of sector ministries and the Ministry of Finance to record, monitor and control expenditures. It has also allowed Government to introduce standardized coding that facilitates monitoring and tracking of expenditure through the budget system and facilitates analysis that links expenditure with policy objectives.

The annual Public Expenditure Review (PER) process, established in 1998, is a government-led forum that provides an opportunity to all major stakeholders, such as Members of Parliament; government ministries, departments and agencies, including local government authorities; and representatives of the donor community, the private sector, research institutions, academia, and civil society to review public expenditure, vis-à-vis agreed policy priorities. Thus the process provides a collective stakeholder evaluation of fiscal performance in relation to agreed priorities for poverty reduction, as well as an evaluation of progress in addressing systemic revenue and expenditure issues. The PER has been very successful in establishing an open dialogue on budgetary issues, giving comfort to all development partners and other stakeholders. Along with PER, the Medium Term Expenditure Framework (MTEF) was adopted, with the objective of adding a strategic perspective to the government budget. The budget is thus prepared taking account of future expenditure requirements, i.e. while the current year's budget is prepared in detail, indicative figures for the outer years are also provided to guide expenditure planning over the medium term. In addition, the ongoing implementation of the Public Financial Management Reform Program (PFMRP), which was updated with the findings of the Country Financial Accountability Assessment and the Report on Observance of Standards and Codes (ROSC) on fiscal transparency, carried out in 2001 and 2002 respectively, has enhanced confidence in the government's financial management capacity and control processes, and the political will to stay the course of reforms.

## **2.1 The Policy Process**

The policy planning process in Tanzania has improved considerably in recent years. The overall development framework is provided by the National Development Vision 2025. The vision sets out the national aspirations and goals for social and economic development to be attained by 2025, and the means of attaining them. As part of that broad development agenda, a National Strategy for Growth and Reduction of Poverty (NSGRP), popularly referred to in Tanzania as MKUKUTA, was developed, with medium term goals and targets that are broadly in line with the Millennium Development Goals (MDG). A broad-based participatory process involving a wide range of domestic stakeholders and international partners played a key role in the formulation of the MKUKUTA. The MKUKUTA allows for a results-based focus on growth and poverty reduction. A stronger link between the budget and the strategy has been achieved with the introduction of a computerized Strategic Budget Allocation System (SBAS), which matches resource allocation with the poverty reduction interventions.

There are a number of ongoing programs that are running concurrently, including the Public Service Reform Program, the Local Government Reform Program and the Legal Sector Reform Program, among others, all of which have contributed immensely to improving and strengthening the policy formulation and implementation processes.

## **2.2 Consultative Mechanisms**

With the adoption of the PER process and the Poverty Reduction Strategy, a number of consultative fora have been established that include not just government institutions, but also development partners, the private sector and civil society representatives. There are six important consultative mechanisms that merit mentioning here. The Poverty Monitoring System (PMSP), which is implemented through technical working groups with representation from a wide range of stakeholders, including government, civil society, development partners, the private sector, and local research and academic institutions; Public Expenditure Review (PER), which reviews resource allocations and agreed priority interventions, and evaluates the effectiveness of public expenditure programs; Sector Review Meetings and Sector Working Groups, which include government, development partners and civil society; the Development Assistance Committee (DAC), which promotes dialogue within the donor community, and with the Government of Tanzania; the Annual Consultative Group Meeting (CGM) of donors for Tanzania that has, since 1997 (save for 1998), convened in Dar es Salaam, under Government leadership, rather than behind closed doors in Paris; and the Poverty Reduction Progress Reports, the preparation of which involves the full participation of all relevant stakeholders. These consultative mechanisms have enhanced ownership, promoted openness, encouraged broad stakeholder participation and they have made possible an inclusive debate on poverty and related issues in Tanzania.

## **2.3 Tanzania Assistance Strategy**

In June 2002, the Tanzania Government launched the Tanzania Assistance Strategy (TAS): a coherent national development framework for managing external resources to achieve the stated development objectives. TAS represents a national initiative to restore local ownership and leadership in promoting partnership in the design and execution of development programs. The development of TAS was followed by an action plan from 2002/03 which set out practical steps for implementation in four main areas, including: promoting government leadership, improving predictability of external resources, increasing capture of aid flows in the government budget and improving domestic capacity for aid coordination and management of external resources.

Despite these successes, transaction costs in external resource management were found to be high and hence called for the need to review the TAS and associated processes, focusing on improving aid effectiveness. To that end, in July 2006, the Government launched a Joint Assistance Strategy for Tanzania (JAST) that was jointly developed with development partners. The JAST is a new framework agreed between the Government and its development partners to make aid more effective. It was developed taking into account the 2005 Paris Declaration on Aid Effectiveness and builds on earlier efforts to improve harmonization under the 2002-2005 Tanzania Assistance Strategy. Developed under Tanzania Government leadership, JAST has been adopted for use by both government and development partners based on the following core principles:

- Strengthening national ownership of the development agenda;
- Aligning aid with national priorities and Government plans;
- Reducing transaction costs of multiple strategies, programs, reviews and missions; and
- Strengthening the Government's accountability to DPs, and to Tanzanian institutions and citizens.

The JAST is a key instrument for effectively supporting the implementation of MKUKUTA through the consolidation and alignment of all domestic and external resources within the national budget, characterized by the expansion of the General Budget Support (GBS). Donor confidence in government processes has been enhanced. JAST is expected to strengthen national ownership and to allow for more efficient and effective external resource use through joint funding arrangements; avoidance of duplication and uneven donor support; and commitment to the national and international harmonisation agenda.

## **2.4 Independent Monitoring Group**

In line with the recommendations of the Helleiner Report of 1997, consensus was reached between the Government of Tanzania and development partners to institutionalize the process of independent monitoring of the development partnership in Tanzania. The Independent Monitoring Group (IMG) is called upon at regular intervals to update the recommendations and to keep both sides on track with regard to their respective commitments in improving development partnership on the ground.

### **3.0 The Role of Parliaments in Ensuring Aid Effectiveness**

Recent years have seen an increased interest within donor agencies for engaging with parliaments in recipient countries as a way to strengthen domestic budget accountability. Parliaments, however, have been limited by technical capacity to perform their oversight functions effectively, particularly in ensuring proper absorption of foreign aid, and this has been seen as a complex area.

Therefore, support to parliaments for budget monitoring and oversight needs to stem from a clear understanding of the wider technical, institutional and political contexts, which identify the actual roles that a strengthened parliament could play in promoting improved effectiveness and outcomes.

We all know that Parliament is the primary guarantor of the government's political accountability. As an institution of accountability working on behalf of citizenry, Parliament holds ministers accountable for the activities carried out under their respective ministries and those authorities vested directly in their respective sector ministries.

The Government Budget is the most important tool for implementing the socio-economic policies of the Government. Parliament, as the representative of the people, is the most appropriate institution that ensures that the Budget best matches the nation's needs with available resources. The power vested in Parliament ensures that the Government budget is prepared, taking account of the agreed policy priorities within the

constraints of resource availability. In view of the inherited shortfalls in domestic resources, donors or development partners play a critical role in availing resources for various development programs. To ensure that such resources are put to good use and accounted for, Parliament, through budget execution reports and reports of the Auditor General, ensures that the Government is appropriately accountable. The Public Accounts Committee (PAC) and Local Authority Accounts Committee of Parliament scrutinize all government expenditures to establish compliance with the agreed budget and policy objectives. The oversight provided by Parliament ensures that Government is accountable for all resources, including aid funds. By tying Government expenditures to outcomes, i.e. whether the intended policy objectives have been realized with such expenditure, Parliament ensures that the effectiveness of availed resources, including aid funds, is achieved.

#### **4.0 Conclusion**

Effective home-ownership of the development process requires substantial capacity on the part of recipient countries in defining the development agenda, and guiding the interventions of all the partners toward the attainment of the intended objectives. There is indeed a need to sustain the gains from such experience in development co-operation, by ensuring that the requisite institutional frameworks are in place. Tanzania's experience in this regard can provide insightful lessons other countries might wish to consider.

Together with efforts to improve the delivery and deployment of development assistance, development partners should endeavor to ensure that development assistance is raised to levels that are commensurate with the attainment of the Millennium Development Goals (MDGs). To ensure that such assistance will indeed facilitate the achievement of those goals, Parliaments have to oversee Governmental institutions and processes involved. There is, therefore, need to enhance the role of Parliament on aid effectiveness through providing adequate oversight on all government programs and ensuring that all expenditures, including aid funds, are utilized effectively and accounted for through appropriate mechanism such as the Public Account Committee and Financial and Economic Committee of Parliament. Thus, notwithstanding the complexity of such arrangements, Parliaments should ensure that governments are fully accountable in order to utilize available resources in the most effective way. Only then can we see our parliaments contributing towards mutual accountability and aid effectiveness.