



UNITED REPUBLIC OF TANZANIA

STATEMENT

BY

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**AT THE 2009 ECOSOC OPERATIONAL SEGMENT DIALOGUE
ON "EXPERIENCES WITH INNOVATIVE FUNDING
MECHANISMS AND NEW AID MODALITIES AT COUNTRY-
LEVEL EXPERIENCE",**

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**Madame Moderator and the Vice President of the ECOSOC,
Hon. Minister Charles Michel,
Distinguished Delegates.**

I take this opportunity, to thank the President of the Council, through you, Madame Vice-President, for inviting me to speak on **“Experiences with Innovative Funding Mechanisms and New Aid Modalities”**. I also commend the council for organizing this panel, given the facts that UN funding has taken varying magnitudes, dimensions and modalities, hence becoming a subject of debate over the last three years. I will begin my statement with global perspectives of UN funding debate and mechanisms, before turning to country specific experience as the main focus of my intervention.

Global Perspectives of UN Funding Debate and Mechanisms

Madame Moderator

The **Triennial Comprehensive Policy Review (TCPR)** of 2007 and its **GA resolution 62/208**; the Accra Review of the implementation of the **Paris Declaration on Aid Effectiveness (2008)**; the follow-up International Conference on Financing for Development to review the **Implementation of the Monterrey Consensus on Financing for Development (2008)**; and the **GA resolution 62/277** on System-wide Coherence (2008) to mention a few, are evidence for the extensive global engagement in debate on key issues around funding of the United Nations system. Throughout these engagement processes, there has been a convergence on the critical role that the UN plays in supporting member States’ efforts to achieve national and internationally agreed development goals (IADGs), including the MDGs. Unlike donors, the UN acts as convener, capacity builder, policy adviser, and also as a norms and standards setting board. Fulfilling this responsibility has been constrained by the way the UN is funded.

Madame Moderator

Traditionally, the work of the UN Secretariat (the UN) and the Specialized Agencies (SAs) have been funded by predictable assessed contributions from member States. In contrast, the development activities of the UN system have been funded through voluntary core contribution to the Funds and Programmes, and are in some cases unpredictable. Innovative funding approaches such as: Multi-year Funding Frameworks (MYFF); Voluntary Indicative Scale of Contributions (VISC-UNEP); negotiated replenishment System (IFAD); Spanish MDG-F; and Multi-Donor Trust Funds (MDTFs) have been used to address the challenges of unpredictability of voluntary core contributions, and supplement assessed contributions to the specialized Agencies that have a global mandate to fulfill. While the departures from the traditional funding mechanisms were seen as short to medium-term measure, the non-donor nature of the UN suggests that, a long-term improved funding system is key to more coherent and coordinated system-wide performance that will guarantee aid effectiveness at country level. Striking a balance between these two dimensions has been a concern in the on-going protracted debate on UN system funding.

Country Aid Environment and Experience with Innovative Funding Mechanisms

Madame Moderator

The aid environment in Tanzania has been evolving fast since 1990's. Strained donor relations in that period necessitated an independent study with respect to aid relations between the government and its Development Partners in 1995. Implementation of the recommendations of the study resulted into the adoption of the Tanzania Assistance Strategy (TAS) in 2002, a first generation coherent and non-static national development framework for managing external resources to achieve the national development goals. TAS aimed at restoring local ownership and leadership by promoting partnership in the design and execution of development programmes, and in so doing, promoting good governance, transparency, accountability, capacity building and aid effectiveness.

Madame Moderator

As I mentioned above, TAS was a dynamic framework. The Monterrey Consensus on Financing for Development (2002), the Rome Declaration on Harmonization and Alignment (2003) and the Paris Declaration on Aid Effectiveness (2005) added new elements to the aid management architecture in Tanzania, warranting the elevation of the TAS to a second generation framework, the Joint Assistance Strategy for Tanzania (JAST).

Madame Moderator

The Joint Assistance Strategy for Tanzania (JAST) is a national medium-term framework for managing development co-operation between the Government and the Development Partners so as to achieve national development goals. The JAST has internalized the international practices and principles of the declarations and consensus I have mentioned earlier on. The intermediate objective of the JAST is to build an effective development partnership in line with national and international commitments to aid effectiveness through:

- i. Strengthening national ownership and Government leadership in the development process;
- ii. Aligning Development Partner support to Government priorities, systems, structures and procedures;
- iii. Harmonising Government and Development Partner processes;
- iv. Managing resources for achieving development results;
- v. Ensuring mutual accountability of the Government and Development Partners; and
- vi. Strengthening accountability of the Government to the citizens of Tanzania.

Madame Moderator

One of the landmark achievements resulting from the implementation of the JAST is the creation of coherence in funding through the General Budget Support (GBS) modality. Fourteen GBS partners and the government signed a Framework Memorandum of Understanding in January 2006, to provide development assistance through the GBS. GBS is the Government's preferred modality, which aims to provide adequate resources to support the poverty reduction strategy. The GBS provides untied assistance using a unified assessment framework, and a common dialogue process. GBS funds are front loaded, or disbursed during the first half of the financial year and allow the Government to allocate resources according to national priorities. The fact that GBS is fully integrated into the national budget process and systems enhances Government accountability to domestic stakeholders through the Parliament.

Tanzania's Experience with Innovative Funding Mechanisms

Madame Moderator

Apart from the GBS, Tanzania has been implementing Programme Based Approaches (PBAs), through SWAPs and Basket Funds. It is worth mentioning that in the last couple of years, some of the UN Agencies have shown commitment to implement the Paris agenda by providing assistance to the government through basket funds. UNFPA and UNICEF have been participating in the Health Sector Basket Fund. UNDP is contributing to the basket fund set for supporting the implementation of the Poverty Monitoring System (PMS). The International Fund for Agriculture Development (IFAD) has been supporting the Agricultural Sector Development Programme (ASDP) basket. Although GBS is a preferred modality, our experience shows that basket funding arrangements have been helpful in managing resources for results, both in the UN and Government and, as a result, substantially reduce transactions and allow more time for the UN to focus on upstream policy assistance. This has also been confirmed by a recent study on UN Programme management modalities in Tanzania conducted by a Consultant.

Madame Moderator

From the Tanzania's aid environment evolution as I have explained earlier on, you will agree with me that UN reforms have provided another important opportunity for Tanzania to promote alignment and harmonization of the United Nations as we did under GBS. Now allow me to mention that Tanzania is one of the first countries to pilot the "Delivering as One" initiative, where the main funding mechanism has been the One Fund. Besides the One FUND, the One Programme for implementing the pilot in Tanzania is also funded by the participating UN Agencies' own parallel and pooled funds. The One Fund had received a total of US Dollar 36 million (including interest income) by December 2008, compared to a budget of US dollar 34.4 million. This was a good start.

Madame Moderator

By the end of December 2008 a total of about US dollar 34 million had been allocated in two rounds to implement the joint programmes as well as the communication strategy and Country Management Team Action Plan. The joint programmes are: Joint Programme on Wealth Creation, Employment and Economic empowerment; Maternal and New Born Mortality Reduction; Programme on HIV and AIDS in Tanzania; Capacity strengthening for Development Management; Capacity Building support for Zanzibar; and Strengthening National Disaster Preparedness and Response Capacity. While all joint programmes received automatic allocation from the One Fund in the first round, the second round allocations were performance based. According to the midyear-review conducted for the implementation of the One Programme, the overall delivery was satisfactory for all components except, for the joint programme on wealth creation, employment and economic empowerment. This joint programme was allocated more than 20% of all

resources but the expenditure had only been 29%. The underperformance in this joint programme is attributed to the rules and procedures of procurement of the participating specialized Agencies. Another reason is that large component of the programme is implemented at a local-government level, hence requiring more time for preparations and advocacy to attract response from the benefiting communities.

Madame Moderator

In the course of implementing the pilot process, we have noted the following important feedback:

- i. The One UN Fund mechanism has facilitated UN's improved strategic focus and better management for results, as well as enhancing its compliance with the Paris principles. This mechanism further provides space to the Governments and the UN Country Teams (UNCTs) to effectively, and in a coherent manner, prioritize programming on the basis of national needs,
- ii. Coordinated mobilization of resources through One FUND has reduced resources competition among UN Agencies;
- iii. Eligibility and performance based funding criteria have enabled UNCTs to gradually sharpen the focus of the One UN Programmes, by ensuring the UN interventions are given funding based on overall priorities agreed with the Government. Furthermore, structuring of funding criteria to be linked to the objective principles of results based management, leads to further improvement of the strategic focus of programmes. The underlying principle is that, while the better performing programmes receive funding premiums, underperforming programmes need either to rapidly address weaknesses and strengthen capacities to deliver, or get phased out. This approach is aiming at ensuring that the UN intervenes only where its actual capacity is available as well as the existence of comparative advantage;

- iv. The One UN Fund governance structure has enabled the Government to lead the decision making process on issues related to the implementation of the One UN Programme. This set up ensures that resources will only be allocated based on prioritization process that is guided by the national development goals, resulting into increased national ownership and government leadership over the development process;
- v. In accordance with the Memorandum of Understanding of the One Fund (MOU) for Tanzania, resources have been released by the Managing Agent (MA) through the Government System under the Harmonized Approach to Cash Transfer (HACT). Increased resources reflected in the government system has not only improved the Paris indicators of the UN over the 2008 period, but also increased the number of the UN Agencies using the HACT; and
- vi. The One Budgetary Framework (OBF) provides an overall picture of the consolidated UN investments and its disaggregation between available funds and gaps in the One UN Programme. In so doing, it serves as the basis for planning, resource mobilization and, for monitoring UN results based performance.

Madame Moderator

While our experience on UN Funding Mechanism has shown positive signs, there are still challenging issues, which I find pertinent to mention:

- i. Although the One UN Fund seems to have reduced competition for resources among the UN Agencies, in situations where no enough resources mobilized via the One UN Fund, UN agencies could approach donors bilaterally for resources mobilization. Our recommendation on this area is that there is a need for donors to devise a mechanism for ensuring that only limited or exceptional funding is provided parallel to the One UN Fund. Establishment of rigorous prioritization and resources allocation criteria, could help to mitigate these risks;

- ii. There is also a challenge to manage donor preference. Many donors have now shown preference to use the One Fund Mechanism to other modalities for financing programmes which do not easily fit within the One UN Fund management and governance mechanisms. For example, while capacity building programme fit well within these mechanism, emergency assistance response and election support programmes may not. Therefore we need to come up with new ways of dealing with this challenge;
- iii. Developing a single budgetary framework is quite a labour-intensive process at the country-level, due to differences in UN Agencies' financial systems, nomenclatures and financial calendars. Also the lack of common definition of the sources of fund tends to complicate the analysis of UN Funding. The Headquarters of UN Agencies have a crucial role to play to ensure harmonization of these differing practices;
- iv. The establishment of the One Fund in Tanzania enabled mobilizing substantial resources in a very short timeframe. The resources mobilized for "Delivering as One" in the biennium 2007-2008 might have been based on Ad hoc donor allocation. Donors need to commit to sustained country-level funding levels, increasing their predictability over medium-term, off course on the expectation that the UN demonstrates the ability to increase performance and effectiveness. I would also like to note that, if this year's (2009) funding requirements of the UN country operation are not met, the whole reform process could be jeopardized, hence impacting negatively on the government itself, the UN at country level, and the reform process globally. In view of this, our plea to our development partners is to continue contribution to the One Fund for Tanzania so that the One Programme implementation can move forward;
- v. As pointed at the beginning of my speech, evidence gathered and analyzed in Tanzania clearly suggests that engagement of some UN Agencies in Programme Based Approaches (PBAs) allows the UN to reduce time required for project management and permits the reallocation of human resources to more critical

technical assistance and policy advisory services. However, this engagement is constrained by restrictive rules, procedures and regulations of UN Agencies. We call on the governing bodies of UN Agencies to review rules, procedures and regulations, so as to make them supportive of their Agencies' desire to participate in PBA and use of national systems.

Madame Moderator

In conclusion, allow me to assure you that the government of the United Republic of Tanzania recognizes, and commends the important contributions the UN and other development partners have been making in support of our efforts to fight poverty. In response to this support, the government is committed to address all country-based constraints that hinder smooth implementation of the One Programme. These constraints include, non-supportive government processes, institutional set-up and legal frameworks that affect smooth operation of the One Fund mechanism for implementing the One Programme.

I thank you for your attention