Business Case and Intervention Summary

Title: Big Results Now delivery programme Phase II

What support will the UK provide?

The UK will provide £39 million over the next four years to support the delivery system for Phase II of the Government of Tanzania's Big Results Now programme. Big Results Now (BRN) is a transformational new Government programme to accelerate achievement of middle income status by 2025, by identifying and resolving constraints to results delivery in the Government's priority areas. Under Phase I of the programme the Government identified six national key priority areas to drive economic growth, and develop 3 year Action Plans on these worth US$8.7 billion, which it has now restructured its budget to deliver. These areas are agriculture; transport; energy; resource mobilisation; water; and education.

In order to deliver these six Action Plans and realise the economic growth potential they hold, the Government is determined to transform its delivery system, recognising that Tanzania has a weak track record of implementation.

BRN will apply in Tanzania, with assistance from the Malaysian Government, a highly successful Malaysian planning and delivery model, which in turn draws on aspects of the UK Prime Minister's Delivery Unit. The delivery system for BRN includes establishing a President's Delivery Bureau, Ministerial Delivery Units in each key result area and systems to track weekly and monthly progress against Key Performance Indicators (KPI). Every year an Annual Report of progress will be published and the President will directly hold Ministers to account for performance against their personal Ministerial Scorecard. On a yearly basis the Government will select a maximum of six further key priority areas to focus on.

This programme signals a critical shift in the way the Government does business. The results driven monitoring system will enable high-level oversight of progress, make the existing system work, and put transparency and accountability for performance front and centre. In so doing it will yield a catalytic step-change in the ability of the Government to achieve its economic goals and transition out of aid dependency.

Why is UK support required?

The Government does not have the internal resources – financial or human – to implement this ambitious new programme to kick-start the development of a stronger, better functioning government delivery system from the existing weak and poorly working system. The UK has been asked to act as lead donor, following our support for Phase I and alongside substantial packages of support from the US and World Bank, in order to sustain the programme and continue the impressive progress achieved so far. The UK's support will take a performance / results based payment approach to ensure our funding delivers the intended results. Our funding will support the package of external support provided by the Malaysian Performance Management and Delivery Unit (PEMANDU) and their delivery partners McKinsey, and the staffing and operating costs for the new delivery units to be established.

DFID will provide short-term specialist procurement technical assistance to the Government of Tanzania to assist with contract negotiation to ensure that the agreement they sign with

PEMANDU represents the best value for money possible.

Donor finance for implementing BRN will gradually reduce over four years as government takes on a greater proportion of the costs, with the delivery system fully funded from the government's budget thereafter.

What are the expected results?

The impact of the programme will be an accelerated transition to middle-income country status, reducing poverty and transitioning away from grant aid dependence.

The outcome will be an efficient and prioritised delivery system enables transparent achievement of priority social and economic goals.

The outputs are: effective central and ministerial delivery systems in (i) social services (ii) government services (iii) infrastructure and (iv) agriculture, that provide regular monitoring and high-level oversight of progress across national key priority areas.

Overall, this system will support the delivery of the results identified through the Big Results Now 'lab' process. There will be up to four waves of labs over the course of the four year programme, in areas to be determined. The results to be delivered by 2015 from the first wave of labs are:

1. **Agriculture**
   25 commercial farming deals for padding and sugarcane
   78 collective rice irrigation and marketing schemes
   275 collective warehouse-based marketing schemes

2. **Transportation**
   Passage of 5 million tons more transit goods through the Central Corridor
   Increased port throughput by 6 million tons, rail by 2.8 million tons
   Reduced road travel time from 3.5 to 2.5 days

3. **Energy**
   Double non-EPP installed generation capacity from 1,010 to 2,260MW
   Access to electricity to 5 million more Tanzanians
   Eliminate EPP reliance

4. **Water**
   Sustained water supply to 15.2 million people
   Restored water supply to 5.3 million people
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5. **Education**
   Pass rate of 80% for primary and secondary school students
   Improved students mastery of 3R in Standard I and II by implementing skills assessment and training teachers

6. **Resource mobilisation**
   Increased tax revenue of Tsh 3.89 trillion
   Implementation of PPP projects valued at Tsh 6 trillion

Business Case

Contents

1. Strategic Case

A. Context and need for a DFID intervention

The state of the nation

Tanzania has made consistent and steady progress in economic and human development over the past 10 years. The political stability of the nation since independence has continued to hold firm and given Tanzania a rare position as one of the few nations in the region to have avoided the conflict and turmoil that has caused major setbacks in development elsewhere. However, although the trajectory has been positive, the pace of progress hasn't been sufficient to deliver the level of improvement Tanzanians – both the Government and the people – want to see within their own lifetimes.

Business as usual will continue to deliver positive but relatively incremental progress. If Tanzania is to achieve the stretching goal set out in its Development Vision 2025 of becoming a Lower Middle Income Country (LMIC) by 2025, then this will not be sufficient: it needs to accelerate its progress through more efficient delivery and implementation of bigger, better defined results in focused priority areas. Currently, even if it maintains its recent solid rate of growth, Tanzania will fail to meet by 2025 the forecasted GNI per capita threshold of $1,060 required for LMIC status by a significant estimated margin of 34%. An acceleration to a GNI/Capita growth rate of at least 8.9% is required.

Over the past decade Tanzania has been able to maintain a stable GDP growth rate of between 6-7% through consistently sound macroeconomic and fiscal management. In 2012, the economy grew by 6.9%, up from 6.4% the previous year. The forecast for 2013-2015 expects this positive trajectory to continue in the years to come.[1] Inflation, which was pushed up by rising food and fuel prices in 2011, has fallen back to 9.8% and is expected to continue to decline. The fiscal deficit, which increased to offset the impact of the global economic crisis, is now being reduced and is budgeted at 5.8% of GDP for 2012/13 in line with the IMF Policy Support Instrument Programme.

Yet 12.9 million Tanzanians still live in poverty[2]. Although Tanzania is no longer one of the five poorest countries in the world, as it was in the 1980s, it is still in the bottom 25[3]. 68%[4] of the population (30 million people) live on less than £20 a month and 34%[5] (15 million people) live on less than £7 a month, which means that they cannot buy essential goods such as soap and clothes. The overwhelming majority of Tanzanians still live in rural areas and are dependent on smallholder farming, where growth rates and productivity have stayed low. Off farm opportunities are limited: small and informal enterprises, which drive wealth creation, are hampered by a range of constraints which push up the costs of doing business. Income earning opportunities are particularly limited for women.

More broadly the investment climate remains difficult. Tanzania is continuing to fall down the Doing Business rankings[6]. Recent analysis has highlighted the following binding

[1] Tanzania Economic Update, World Bank, May 2013
[2] Household Budget Survey 2000/1 and 2007, NBS, showed a million more Tanzanians fell into poverty. Data from the recent panel survey indicates poverty levels to date remain stagnant.
[3] World Development Indicators, World Bank
[4] $1.25 a day (PPP) Source: UNSD 2011 original source: World Bank PovCalNet
[5] Tanzania Household Budget Survey 2007, National Bureau of Statistics
[6] 2012 Doing Business Report, World Bank, 2011

constraints to inclusive growth in Tanzania: (i) lack of a reliable and adequate supply of electrical power; (ii) the poor quality of transport infrastructure, in particular the port of Dar es Salaam, national railways and rural road network; (iii) limited access to secure land rights – for both farmers and commercial investors; (iv) lack of access to medium and long term finance, especially for SMEs and agribusinesses; and (v) a shortage of skilled labour[1].

Good progress has been made on health and education indicators. In 1995 only 55% of children went to primary school, compared to 92% in 2012. Child and infant mortality have halved. In 2002, 12 children out of 100 would die before their fifth birthday; by 2010 this had dropped to 8 out of 100. Deaths from malaria have halved.

But huge challenges remain. Expansion in access has not been matched by an improvement in quality of services. About 40% of rural water points are non-functional[2], only 30% of children passed their primary school leaving examination last year, there are stockouts of essential medicines in 50% of health facilities, 42% of all children are stunted through chronic malnutrition[3], one woman in every 23 will die in childbirth[4], the fertility rate is still over 5, and yet there is an unmet need for contraception of around 25%.

Tanzania has the potential to become a thriving middle income nation and a regional trading hub. It is rich in natural resources: minerals, hydrocarbons, fresh water and fertile land, and is the most stable state in the East African Community, strategically located along trade corridors that link its Indian Ocean ports of Dar es Salaam, Mtwara and Tanga to six landlocked neighbours.

<u>The challenge of delivery</u>

> Defining plans and developing strategies is one thing – but ensuring effective implementation is another.[5]
>
> – President Kikwete

The Government's policies at the national and sectoral level are credible but to date they have not delivered the intended impact. The Government recognises that Tanzania has a weak track record of implementing national plans and is determined to transform delivery. Speaking at the Big Results Now Phase I mid-point lab syndication, President Kikwete said "We are not short of plans, programmes, strategies and reviews. But how do we deliver?" This is the problem that has been repeatedly cited by the most senior figures in Government driving the BRN programme as the motivation behind the search for a transformational new delivery system and which is caused by a number of factors:

1. A lack of operational detail in plans and policies across all levels. The Five-Year Development Plan published in January 2011[6] restates many of the high level commitments of the Government but it is light on how reform will be achieved. For example, it remains

[1] Tanzania Growth Diagnostic, Partnership for Growth, Governments of the United Republic of Tanzania and the United States, 2011
[2] TDV 2025, Big Results Now (BRN): Water Labs, April 2013
[3] Tanzania Demographic and Health Survey 2010
[4] Maternal mortality ratio = 790 deaths per 1,000 live births. Trends in Maternal Mortality: 1990-2008. WHO/UNICEF/UNFPA/WB. Fertility rate = 5.4 children per woman (TDHS 2010). 23 = 790/5.4*100,000
[5] President Kikwete, speaking at the Big Results Now Phase I Open Day, 24 May 2013
[6] The Tanzania Five Year Development Plan 2011/12-2015/16: *Unleashing Tanzania's Latent Growth Potential,* President's Office, Planning Commission, June 2011

unclear the extent to which agricultural reform will be centrally driven – an echo of the socialist past – rather than relying on private sector engagement.

"Effective realisation of the development Vision 2025 hinges on its implementation" is the clear message in the Tanzania Development Vision 2025. Yet the President's Office of Public Service Management final report on The Effectiveness of Public Policies in Tanzania (August 2010) found that:

> Policy implementation strategies have not been developed in many sectors. [1]

From their assessment of how existing policies had been implemented and review of the consequences of the current policy-making practices they concluded that:

> The effectiveness of public policies in Tanzania is below average.

In 2009 the percentage of a sample of policies which were feasible, effective and consistent within and across sectors was only 56% (PSRP II Annual Review).

2. A lack of prioritisation. Of the credible National Growth and Poverty Reduction Strategy (Mkukuta II)[2], DFID's 2011 Country Governance Analysis stated:

> The role of the Mkukuta is to <u>set priorities</u> but it has <u>lacked prioritisation</u>, resulting in a weak basis for a prioritised budget.

A prioritised budget is needed to meet significant budget constraints and therefore the success of the Government's wider policy framework depends on how effectively they are able to prioritise within it, match this to resources and then develop clear implementation plans. By their own assessment this has not happened:

> Priority settings in government undertakings and interpretation of identified synergies and linkages across sectors are other crucial constraints.[3]

The Final Report Study to Assess the Extent to which various Government Institutional Reforms and Processes are Aligned and Contribute to the Implementation of MKUKUTA (June 2010), conducted by KPMG Development Advisory Services at the request of the President's Office Reform Coordination Unit, was clear that a phased, targeted approach to implementation is critical to overcoming the poor performance they had found:

> The core reforms need to be realistic about what can be achieved with the resources available and take a phased approach which focuses on only a few targeted priority areas where there is the best potential for impact.

DFID Tanzania's 2011 Country Governance Analysis reinforced this finding:

> The adoption of the new PRSP [Mkukuta II] presents a potentially encouraging agenda of relevant development goals for the next five years. However for this potential to be translated

[1] President's Office Public Service Management, The Effectiveness Of Public Policies In Tanzania Final Report, Economic and Social Research Foundation (ESRF), August 2010
[2] National Strategy For Growth And Reduction Of Poverty II, (NSGRP II) Ministry Of Finance And Economic Affairs July 2010
[3] President's Office Public Service Management, The Effectiveness Of Public Policies In Tanzania Final Report, Economic and Social Research Foundation (ESRF), August 2010

> into reality a clear, prioritised strategy with a robust implementation plan and sound monitoring and evaluation is crucial.

In this context of a lack of clear prioritisation and operational detail, implementing Government policy is inevitably a major challenge, but this is compounded by weakness in public service capacity and lack of adequate systems for monitoring results and performance.

3. Limited public service capacity. Broadly speaking, Tanzania does have the institutional framework in place to deliver its policies: it is essentially a well-functioning state with public services that reach nearly all parts of the country. Since the mid-1990s central government has held the responsibility for policy formulation, regulations and monitoring in Tanzania, whilst service delivery is decentralised to local government. In practice though, the overall weaknesses in the capacity and lines of accountability and oversight within the State, in particular in local government, limits its impact and effectiveness.

To address the public services' capacity to deliver, in 1999 the Government designed an eleven-year public service reform program that seeks to improve accountability, transparency and resource management for service delivery. Implementation is, however, taking more time than originally envisaged and there has been concern about the slowing pace of implementation of reforms in the core governance reform programme areas of anti-corruption, local government, the legal sector, the public service and business environment strengthening. The first phase of the programme was meant to conclude in 2004 but had to be extended to 2007. The second phase commenced in 2008: it is achieving results but "On all reforms there is a significant gap between what was intended to be achieved and what has been achieved… The slow pace of implementation in current phases of all reforms has not met the expectations of either party [Government of Tanzania or Development Partners]."[1] Efforts continue – and in some areas are paying off, for example Phase IV of the Government's Public Financial Management Reform programme launched in June 2012 is broadly on track – but overall the Government's ability to deliver for its people remains constrained, a cause of continued frustration:

> Twenty years of implementation of cross-cutting and sector specific reforms service delivery does not seem to have improved substantially and the performance of the public sector is still relatively low in terms of efficiency, effectiveness, accountability and transparency.[2]

DFID Tanzania's 2011 Country Governance Analysis reflects this lack of progress:

> Government effectiveness and service delivery performance has been a mixed bag. Overall it is difficult to assess the quality of public administration as anything other than remaining at about the same level over the past 3-4 years.

Citizen's perception of the performance of their government is improving, but slowly. The percentage of population reporting satisfaction with central government services (education, water and health) now stands at 82% (Dec 2012) up from 72% in 2004.[1]

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[1] Final Report Study to Assess the Extent to which various Government Institutional Reforms and Processes are Aligned and Contribute to the Implementation of MKUKUTA,conducted by KPMG Development Advisory Services at the request of the President's Office Reform Coordination Unit, June 2010

[2] Background Paper for Assessment of Implementation of Tanzania Public Sector Reforms and Sector Wide Interventions, President's Office, May 2013

The public perception of government officials with integrity, as assessed by the Corruption Perceptions Index of Transparency International, has also improved from 2.6 out of 5 in 2009/10 to 3.5 in 2012, although there are contrary indications from an Afrobarometer survey released simultaneously which shows that corruption continues to be perceived as a major problem.

4. Lack of tools for monitoring delivery and performance.

> Putting the right incentive and accountability structures in place and then making them work will take some time but behaviour and attitudes will not change until this has been achieved.[2]

All too often there is neither the information nor the systems with which to assess public servants and hold them to account for delivery. A lack of operational detail in high level policies means that responsibility is not clearly assigned and therefore failure to deliver cannot be clearly attributed within the system. Furthermore, in the absence of clear performance indicators with reliable data sources it becomes impossible to accurately determine whether a programme is on track at regular intervals and thus failure to deliver is only picked up when performance has become seriously off track. This issue is visible at all levels of the system, from the Cabinet to the local council. The 2010/11 Mid-term review of the Public Sector Reforms Programme II noted that many policies have incomplete cycles and there are cases where important policy elements such as M&E are missing entirely in the documents, or the results articulated are too process-orientated and insufficient for measuring progress towards outcomes.

The stalled decentralisation process has further hindered the ability of central government to ensure implementation at a local level, with unclear lines of reporting creating a system in which it is difficult to hold people to account for delivery.

To implement a new focus on monitoring and assessing performance requires both the information and the systems, and strong, visible government leadership at the political and bureaucratic level to drive a wider commitment to delivering change across both government and society as a whole. This must be complemented by a stronger ability to monitor and evaluate progress towards achieving change, described as “widely accepted by government and DPs as an essential ingredient”. [3]

5. Lack of accountability.

Along with better information to inform assessments of performance, there is a need for stronger, clearer and more direct accountability structures to ensure implementation and establish a culture of performance management in which there are clear consequences for a

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[1] Implementation Completion and Results Report for a Performance Results and Accountability Project (PRAP) in Support of the Tanzania Public Service Reform Program (Apl). World Bank (2013). (Ida-43630) Report No: Icr00002247. May 2, 2013. Pg.ix, 20.

[2] Final Report Study to Assess the Extent to which various Government Institutional Reforms and Processes are Aligned and Contribute to the Implementation of MKUKUTA, conducted by KPMG Development Advisory Services at the request of the President’s Office Reform Coordination Unit, June 2010

[3] Final Report Study to Assess the Extent to which various Government Institutional Reforms and Processes are Aligned and Contribute to the Implementation of MKUKUTA, conducted by KPMG Development Advisory Services at the request of the President’s Office Reform Coordination Unit, June 2010

failure to deliver. All too often Governments and the public don't really know with a real degree of specificity what they are meant to have achieved and by when. There has also often been a lack of openness about what the Government is and isn't achieving that makes it difficult for Parliament, the media and the public to establish whether progress has been made. In such a vacuum it is difficult for anybody to be held to account. The Government's own assessment states:

> The success and sustainability of reforms require among other things an effective communication strategy to generate support, ownership and commitment from leaders at the centre and local levels, public servants as well as the citizenry. There are concerns that there have not been adequate concerted efforts in this regard.

In theory, Tanzania is committed to addressing this, illustrated by its signing up to the Open Government Partnership (OGP) in September 2011, one of only a handful of other African states (including Kenya and Ghana) that have done so. The decision to join the OGP was a high level one and Tanzania's engagement, co-ordinated by the Office of the President, appears to be driven by real commitment. The Government held a public consultation on their action plan but activities are at an early stage and operationalizing it will be a major challenge for the government.

At the highest level, the lack of accountability for delivery against specific policies, for example the Mkukuta, can in part be seen as a reflection of a lack of ownership of the result targets buried in policy and programme documents, with "reform interventions were considered to be technical fixes". The Government has recognised the danger of this disconnect between the technical and political:

> Successful implementation of high level cross-cutting reforms of this nature requires political support. There are concerns that political support at that level has not been consistently visible.[1]

The reinvigorated practice of the Chief Secretary of holding Permanent Secretaries accountable for reforms through Inter-Ministerial Technical Committee meetings has been a step in this direction and helps "sets the right tone at the top" – but it needs to be more conscientiously filtrated to the rest of the system. A particular challenge is the lack of clear lines of accountability – both top-down and bottom-up – between the district, regional and national levels of government.

The reality of delivery

Across a range of high priority sectors, there is evidence that despite progress in some areas the Government's best intentions fall short when it comes to implementation.

In **agriculture**, the Government has repeatedly demonstrated its awareness of the sector's importance for reducing poverty and boosting economic growth. It has repeatedly attempted to kick start the sector through initiatives ranging from sector-wide efforts in the form of the ASDP to targeted and resource intensive input subsidies in the National Agriculture Input Voucher Scheme (NAIVS). Yet despite this they have had limited success.

[1] Background Paper for Assessment of Implementation of Tanzania Public Sector Reforms and Sector Wide Interventions, President's Office, May 2013

In relation to the **water** and sanitation sector, reforms since the 1990s led to the development of the Water Sector Development Strategy 2006-2015, and its operational plan, known as the Water Sector Development Programme (WSDP). The WSDP represents a significant improvement in financing and coordinating water sector work, and the institutional structure for water and sanitation in Tanzania is now well established with the first phase of the WSDP providing evidence that results can be delivered in this sector[1].

Yet DFID's March 2013 Annual Review of the programme found it has fallen behind because of delays in transferring funds from central government to the local government authorities, and knock-on delays in procurement and construction. In relation to sanitation and hygiene campaign overall progress on implementation and delivery of results has been slower than expected because of the poor coordination between key implementing partners including between central Government ministries, and the lack of the systematized monitoring and information management system.

The picture is mirrored in **education**. The Government's education strategy and policy framework up to 2017 as set out in the Education Sector Development Plan (ESDP II) is generally sound, but recent poor results and failure to disburse the capitation grant to schools on time are reflective of a low capacity to plan, manage, and monitor implementation of these policies. Education management structures and systems exist, but they do not work well enough to support quality service delivery.

Examples abound and sector specific work is of course necessary to address the particular issues within each area, which DFID is heavily engaged in through other programmes. Nevertheless, there is a need for a more holistic overarching ability for the Government to oversee, monitor and drive implementation, and identify and address barriers to effective delivery.

The Development Partner and aid instrument context

Given these challenges and the scale of its development needs Tanzania still requires external support to finance its development plans, although with steadily increasing government revenues (18.1% of GDP in 2012/13) the level of aid dependence has decreased. Aid has increased from US$ 1.4 billion in 2004/5 to $ 2.5 billion in 2011/12. At the same time aid has declined significantly as a proportion of the government budget from 47% in 2004/5 to 31% in 2011/12. As a proportion of GDP aid has only declined slightly, from 12% to 10%, over the period. The recent very substantial gas (and oil) discoveries, and continuing growth, have the potential, if well managed, to allow Tanzania to transition away from aid dependence but only in the longer term (10-15 years).

General Budget Support remains the Government's preferred aid modality, but it is under pressure as resource constraints bite for some Development Partners and as GBS donors seek to better articulate the results their support is achieving. The current systems and processes for budget support were designed on the assumption of a strategic partnership around the Mkukuta yet it is increasingly apparent that the scope of the Mkukuta was so broad that alignment with it did not necessarily ensure alignment with Government's top priorities.

[1] Ministry of Water (2011) 'Water sector status report' and United Republic of Tanzania (URT) (2009) *Poverty and Human Development Report*

In this context, development partners are actively working to reform and improve budget support to ensure it supports strategic development objectives and enables a more effective policy dialogue process between donors and Government. Currently, it does not have a strategic problem solving orientation and where there is discourse on key strategic and political issues facing government this is taking place outside of the Budget Support framework. Supporting the Government to better articulate its priorities would enable DPs to align with these and deliver more effective assistance – financial and otherwise – to Government to support delivery against these.

The Political Context

President Kikwete is nearing the end of his Presidency, after two terms in State House. His party, CCM (Chama cha Mapinduzi), has ruled rule since independence but in recent years tangible shifts in the political landscape have been seen. October 2010's Presidential and Parliamentary elections returned President Kikwete for a second and final term, but with a much reduced proportion of the vote (60%). The turnout was also startlingly low at 43%. The reasons for the drop in turnout are not clear, but certainly include voter disillusionment with CCM's performance.

This election result delivered a shock to CCM and fuelled growing tensions and fragmentation within the party. The monolithic nature of CCM has been undermined by internal competition and externally CCM is increasingly being challenged by a more vocal and popular opposition both within and outside of Parliament, strengthening the voices demanding improved delivery, more accountability and greater transparency.

These factors mean President Kikwete, his Government and CCM are under pressure from a number of sides and across the very highest levels of the Government there is a deep newfound sense of urgency and commitment to ensure the Government delivers – and is seen openly and transparently to deliver – results for its people ahead of the 2015 elections.

Alongside a perceptible sense of frustration within the public service, these developments have brought a deeper political imperative to the fore. This alignment of technical and political interests has opened a unique window of opportunity for action. The fact that this window is relatively small – results need to be achieved by the time people go to the polls in 2015 – has already provided catalytic in the search for a solution.

Origins of the Big Results Now programme

President Kikwete wrote in his foreword to Development Vision 2025: "Determination and discipline in planning and implementation is the key to success." Big Results Now is the Government's proposed solution to find this key and unlock their capacity to deliver.

BRN arose from a South-South bilateral dialogue between the Governments of Tanzania and Malaysia. In June 2011 President Kikwete accepted an invitation from the Government of Malaysia to attend the Langkawi International Dialogue to hear more about their experiences in delivering government transformation: in President Kikwete's own words "I went to Malaysia to learn how to make things happen."[1]

[1] President Kikwete, speaking at the Big Results Now Phase I Open Day, 24 May 2013

In 2009 the Malaysian Government had established a Performance Management & Delivery Unit (PEMANDU) under the Prime Minister's Department, which developed a planning and delivery methodology which they termed 'Big Fast Results'. This took inspiration from the UK Prime Minister's Delivery Unit (PMDU) established by Tony Blair and initially headed by Sir Michael Barber. PEMANDU, working with their delivery partners McKinsey, adapted and refined the PMDU delivery methodology to respond to the greater resource constraints faced in Malaysia and the lower capacity of the public service. The model they developed has, over the course of three years, demonstrated that it can deliver significant impact and results across a range of areas, as discussed in the Evidence section of the Appraisal case.

Attracted by what he had learnt of the Malaysian model and keen to consider its applicability in the Tanzanian context, President Kikwete visited Malaysia again later in 2011 with a wider Tanzanian delegation to attend a seminar on PEMANDU's 'Big Fast Results' programme. On the basis of the compelling evidence provided at these meetings, the Government of Tanzania then invited PEMANDU to visit Tanzania in August 2012 to present to the Cabinet on the fundamental principles, methodology and techniques of the Malaysian model and how these could be adopted and customised in Tanzania. The Resolution agreed at the end of the workshop stated:

> The Government commits itself to adopt and customize the Malaysian BIG FAST RESULTS model to suit Tanzanian environment…The Government will strengthen existing good relationship with PEMANDU in order to facilitate the process of building institutional framework for BIG FAST RESULTS NOW…The President is committed to Government efficient and effective delivery for BIG FAST RESULTS NOW.

Subsequently, in December 2012 the Government of Tanzania officially embarked upon Phase I of their own Big Results Now programme supported by PEMANDU/McKinsey and with funding provided by DFID. Under Phase I, which ends in June 2013, the Cabinet selected six national key priority areas (NKRAs), held 'labs' (intensive six-week full-time problem-solving exercises with senior decision-makers) on these which produced detailed, implementation-focused Action Plans with clearly defined results and performance indicators, incorporated these into their budget process for the forthcoming year 2013/14 and announced these to the public in an Open Day held on 24 May 2013.

The first six NKRAs were:

1. Energy
2. Transport (Central Corridor)
3. Agriculture
4. Education
5. Water
6. Resource Mobilisation

As part of Phase I, the Government also approved the design and structure of the new delivery architecture to be established under Phase II of the Big Results Now programme to monitor and drive implementation of the Action Plans and, in due course, operate further waves of labs. To meet the costs of BRN Phase II, the Government has requested support from Development Partners, including DFID. This Business Case relates to this request.

B. Impact and Outcome that we expect to achieve

The impact of the programme will be an accelerated transition to middle-income country status, bringing tangible improvements to the livelihoods of Tanzanians.

The outcome will be an efficient and prioritised delivery system enables transparent achievement of priority social and economic goals.

The outputs are: effective central and ministerial delivery systems in (i) social services (ii) government services (iii) infrastructure and (iv) agriculture, that provide regular monitoring and high-level oversight of progress across national key priority areas.

Overall, this system will support the delivery of the results identified through the Big Results Now 'lab' process. There will be up to four waves of labs over the course of the four year programme, in areas to be determined. The results to be delivered by 2015 from the first wave of labs are:

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   Passage of 5 million tons more transit goods through the Central Corridor
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   Double non-EPP installed generation capacity from 1,010 to 2,260MW
   Access to electricity to 5 million more Tanzanians
   Eliminate EPP reliance

10. **Water**
    Sustained water supply to 15.2 million people
    Restored water supply to 5.3 million people
    Extended water supply to 7.0 million new users

11. **Education**
    Pass rate of 80% for primary and secondary school students
    Improved students mastery of 3R in Standard I and II by implementing skills assessment and training teachers

12. **Resource mobilisation**
    Increased tax revenue of Tsh 3.89 trillion
    Implementation of PPP projects valued at Tsh 6 trillion

2. Appraisal Case

A. What are the feasible options that address the need set out in the Strategic case?

> I think that, through our science of delivery work, we have the potential of fundamentally shifting perception, and have leaders throughout the world think of us as their in-house, in-country partners who are going to help them deliver.[1]
> - Dr Jim Yong Kim, World Bank Group President

This Business Case responds to a request from the Government of Tanzania to support Phase II of the Big Results Now programme. This is their chosen option to address the Government's history of difficulties in effectively implementing their priority objectives. As a result the choices available to DFID are to fund BRN II or decline to do so whilst continuing to support the Government to deliver through our existing programmes including General and Sectoral Budget Support and sector-specific financial aid to Government programmes in a number of areas.

Under Option 1 there are then two delivery options presented:

a. A standard system of scheduled payments
b. Performance and results based payments

Option 1: Support to Phase II of the Government of Tanzania's Big Results Now programme

The Government proposal for BRN Phase II describes it as a "strong and effective system to oversee, monitor and evaluation the implementation of its development plans and programmes based on Malaysia's Big Fast Results approach"[2]. It will be a four-year US$120 million programme commencing from 1 July 2013, run by the Government of Tanzania with a package of support provided by PEMANDU/McKinsey in the first four years. Based on analysis of the funding needs and gap remaining after other potential donor contributions are taken into account, DFID is proposing a £37 million package of support (with a further £2 million reserved for related monitoring and evaluation costs which may arise in connection to the programme).

Theory of Change

The Theory of Change is presented here rather than in Section H of the Appraisal Case because although there are two delivery options, the Theory of Change applies to both.

The Theory of Change for Big Results Now is based on Malaysia's Big Fast Results methodology. It is predicated on the concept that, by implementing some key innovations at critical points in the way government does business, the existing system can be made to deliver more effectively and efficiently.

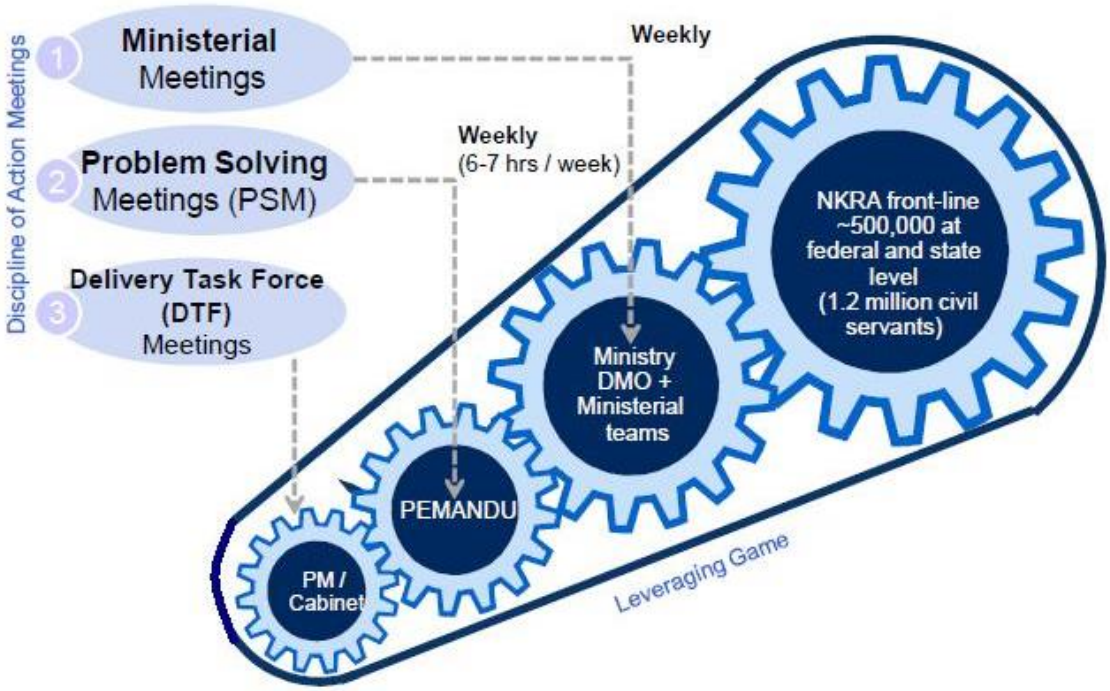
Ultimately it creates a framework whereby senior decision makers set clearer targets, and then utilise (i) enhanced monitoring and performance data and tools and (ii) strengthened

[1] Dr Jim Yong Kim speaking at Delivering Results: A Conversation with Jim Yong Kim, Tony Blair, and Michael Barber, World Bank Headquarters, 10 April 2013

[2] Transformation of Government Delivery on National Development Projects and Programmes: Proposal for Big Results Now (BRN) Phase II, The President's Office Planning Commission, United Republic of Tanzania, May 2013

dedicated delivery staff, to leverage their power and authority to make the existing frontline system work and catalyse an upturn in results delivery, as depicted in Figure 1.

Figure 1: Malaysia's Big Fast Results 'Leveraging Game'



The increase in senior oversight of progress in defined priority areas enhances accountability and ultimately improves performance within those sectors. This has been demonstrated in Sierra Leone, where the President established the Strategy and Policy Unit (SPU) supported by Tony Blair's Africa Governance Initiative. A recently published ODI paper said of it:

> At the implementation level, two main incentive problems hinder performance in Sierra Leone. First, a lack of accountability for results means government officials have an incentive to maintain the status quo. Bringing top-down performance discipline to the system, as the SPU has done by leveraging the president's praise and reprove, helps shift this incentive scale.[1]

Put bluntly:

> the SPU uses the president's convening power to improve collaboration within and between government agencies and to discipline ministers and civil servants who fail to perform.[2]

The focus of these efforts remains the agree priority areas, but the knock-on effects from the success within the sectors is expected to be significant as other parts of Government learn and replicate the model by which to achieve delivery. In so doing, BRN should, according to the Theory of Change, not only deliver results in the NKRAs, but also catalyse a wider transformation of the public service. In the Government's own words, the intention is the:

[1] The Africa Governance Initiative in Sierra Leone, Unblocking results case study, Rebecca Simson, ODI, May 2013

[2] The Africa Governance Initiative in Sierra Leone, Unblocking results case study, Rebecca Simson, ODI, May 2013

> "Radiation of the delivery culture beyond the core delivery system [established by BRN], starting to establish a new norm for government effectiveness in Tanzania."[1]

Sir Michael Barber articulates the key issues these delivery innovations seek to address as follows[2]:

Table 2: Five questions of "deliverology"

1. What are you trying to do?	Clear priorities Specific, measurable goals
2. How are you trying to do it?	Clear, practical plans which are used regularly and updated
3. How, at any given moment, will you know whether you are on track?	Good, steady, close to real-time data on key indicators Monitoring routines (such as stocktake meetings) with all key players involved
4. If you are not on track, what are you going to do about it?	Agreed actions, followed up, tested in practice and refined if necessary Always try something. Never neglect a problem once identified
5. Can we help?	Constant ambition, refusal to give up Focus on the goals, no distractions Maintaining the routines Analysis and problem-solving where required Bringing to bear lessons from elsewhere

To put these into practice, PEMANDU define eight steps in their Big Fast Results methodology:

1. **Strategic direction and prioritization** through selection of a limited number of National Key Result Areas (NKRAs). Prioritization ensures focus, of both efforts and resources, which maximises the likelihood of delivery. It forces decision makers to clarify and specify what they are aiming to achieve, and to articulate this to the public so that they can hold them to account. Reflecting on his three essential lessons about how to deliver real change in government, Tony Blair has said:

   > The first lesson is to prioritize ruthlessly… if everything is a priority, then nothing gets done.[3]

2. **Running lab.** Labs are tools first used in Malaysia to achieve results swiftly through innovation and stringent deadlines. The labs aim to analyse the current situation and root causes, develop solutions and ideas and produce a detailed implementation plan

[1] Transformation of Government Delivery on National Development Projects and Programmes: Proposal for Big Results Now (BRN) Phase II, The President's Office Planning Commission, United Republic of Tanzania, May 2013
[2] The good news from Pakistan, Sir Michael Barber, March 2013
[3] Leading for results, Tony Blair, in The Art of Science and Delivery, McKinsey & Company, April 2013

to achieve. In Malaysia they have yielded remarkable results in overcoming the structural barriers – the siloed approach, disparate agendas, and competition for funding – which prevent all sections of government working effectively and collaboratively to address a problem. Labs create a powerful link between planning and implementation: participants feel absolute ownership of the plan because they have painstakingly developed it, vigorously debated it, and deeply understood it; they are also typically given positions of responsibility for implementation.

The validity of this kind of exercise has also been confirmed by experience in Sierra Leone, where although they have not adopted 'labs' per se, they have a somewhat similar process whereby

> all actors critical to the success of a programme are brought to the table (before the president or chief of staff) to agree on solutions to bottlenecks and remove excuses for lack of action. This process of collectively identifying blockages and agreeing on solutions ensures that the solution is locally anchored rather than externally imposed, which increases the likelihood of follow-through.[1]

3. **Open Day.** At the end of the 'lab' process an Open Day is held where the results of the labs are publicly revealed and discussed with stakeholders. Malaysia's Government Transformation Programme Open Days are credited as helping build both public pressure on the Government to deliver and public support to assist in this delivery.

4. **Clear roadmap.** The culmination of the labs is a roadmap setting out for each National Key Priority Area measurable targets, a clear delivery chain and a transparent reporting framework. It is critical that these are made public.

5. **Target setting.** Establishing the right performance indicators for each priority is critical. They must measure outcomes, not inputs. Instead of targeting an increase in technology spending or an increase in the total number of police officers or teachers they should rather target a certain level of reduction in crime or improvement in education. Where possible, performance should be measured against international benchmarks, in part to ensure the robustness and integrity of targets and in part to help deal with a sceptical public.

6. **Implementation**
   The existing systems of government will be used to deliver the newly clarified and agreed targets: the real transformation is in the means of tracking, monitoring and ensuring delivery. Evidence shows that performance improves when it is explicitly managed, particularly when you focus on managing the performance of people involved in the priority areas, beginning with assigning accountability for outcomes to individuals. Once accountability structures are established, performance dialogues – intensive, regular conversations between the leader of the government and the leader accountable for each outcome – are essential, informed by clearly presented, reliable and regularly updated performance-management data. The success of Pakistan's Education Reform Roadmap testifies to the power of this. Sir Michael Barber, former

[1] The Africa Governance Initiative in Sierra Leone, Unblocking results case study, Rebecca Simson, ODI, May 2013

head of the UK Prime Minister's Delivery Unit, worked with the Pakistani authorities to establish this system and has written of it:

> People often say that this sort of ongoing performance evaluation is not too difficult. This is never true. And yet the provincial government of Punjab, in Pakistan, collects data on performance from 60,000 schools every month, in a low-tech, affordable way. As a result, it has transformed performance.[1]

A central delivery unit can help ensure that implementation is effectively managed across Government. Four characteristics have been identified as critical to the success of these, as demonstrated in Malaysia:

i. A clear, unwavering mandate from the top echelon of government.
ii. A successful leader with top-level access.
iii. A small, focused unit staffed by driven, effective problem solvers able to collaborate with the civil service.
iv. A delivery chain to connect policy makers to end users.

7. **International panel and audit.** Independent verification of results is a critical step introduced after the initial year to the Malaysian process to ensure that from the bottom up and the top down, all stakeholders can have confidence that what is said to have been delivered has actually been achieved. In Malaysia an International Performance Review Committee, composed of senior international experts, meets annually to both review and confirm progress and provide comment and critique about the direction of the programme.

8. **Annual Report.** The Annual Report makes publicly available the verified results of the programme, ensuring the continuation of the link with the public and stakeholders who participated in the previous steps in the process from the labs and open day to the ongoing implementation. In his preface to the 2011 Government Transformation Programme Annual Report, the Prime Minister of Malaysia writes:

> In the true spirit or transparency, accountability and unbiased disclosure, this Annual Report provides an accurate account of the GTP's wins and shortcomings, the key lessons learnt, and our plans going forward to safeguard the interests of the rakyat [people].

The structures, scope and cycle of Big Results Now Phase II

The delivery architecture. Under new and small but mighty delivery units will be established: at the centre, the President's Delivery Bureau (PDB) and in each NKRA lead Ministry, the Ministerial Delivery Units (MDUs). Their intended role and purpose in Tanzania is encapsulated by what Tony Blair wrote of his own Delivery Unit:

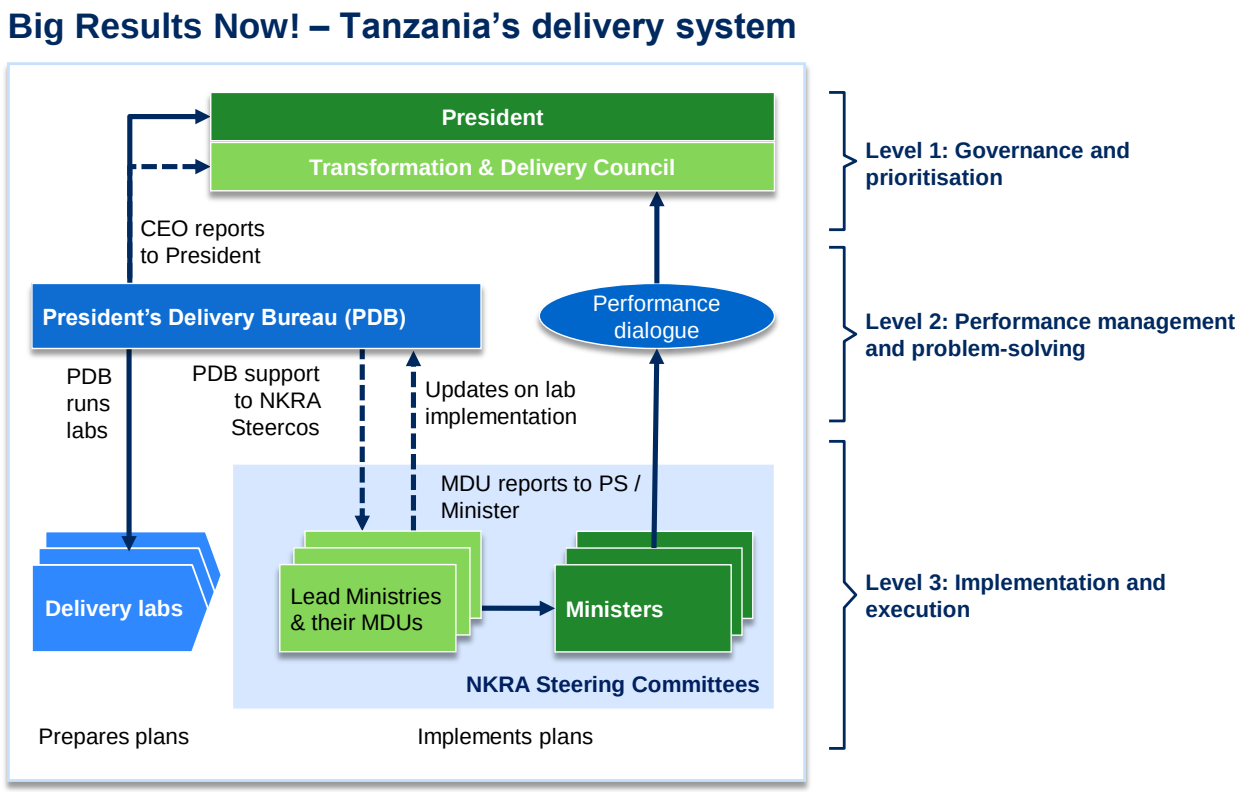
> While in office I quickly learned that if my government was going to deliver, I first had to change the system of government itself. This is why I set up the Prime Minister's Delivery Unit (PMDU) to coordinate, manage, and monitor activity on our priorities across government. We

[1] The origins and practice of delivery, Sir Michael Barber, in The Art and Science of Delivery, McKinsey & Company, April 2013

only achieved progress on the toughest issues after this system was put in place, allowing reform to be driven and monitored from the center.[1]

Throughout the year the PDB and MDUs will ensure that progress is regularly monitored and fed up the system, delivery bottlenecks are speedily identified and if necessary escalated and ultimately results delivery is kept on track. They will be supervised by the Transformation and Delivery Council and the NKRA Steering Committee respectively. The relationship between them is set out in Figure 2 below, after which each element in turn is explained in more detail.

Figure 2: Design of the delivery system



1. Transformation & Delivery Council (TDC)

The Transformation and Delivery Council (TDC), chaired by the President, is the highest authority leading the NKRA Delivery programme. It will meet monthly to provide overall steering and conflict resolution across the NKRA ministries, creating a route to escalate issues that require decisions and advice from the highest level. The President's Delivery Bureau will act as the Secretariat to the TDC.

[1] Leading for results, Tony Blair, in The Art of Science and Delivery, McKinsey & Company, April 2013

Transformation & Delivery Council (TDC)

Description

- The Transformation & Delivery Council (TDC) is the highest authority leading the NKRA Delivery programme
- The Committee will be chaired by the President, and the PDB will act as the Secretariat to the TDC
- The TDC meetings will be held on a monthly basis (usually every 1st week of the month)

Composition

- Chair: President,
- Senior members:
  - Vice President
  - Prime Minister
- Members:
  - Minister of Finance
  - Governor BoT
  - Chief Secretary
  - PS-PMO
  - CEO of PDB
  - Executive Secretary, POPC
- Non-executive members:
  - Relevant permanent secretaries
  - PO-PSM
  - PMO-RALG
  - Finance ministries as non-executive members

Key Tasks

- **Monitor Delivery Programme**
  - Monitors overall progress of the BRN delivery programme
  - Tracks and monitors overall performance progress to ensure timely delivery
- **Problem solving through escalation**
  - Provides guidance cross-ministerial issues specific to the delivery programme
  - Conducts regular deep-dives of specific NKRAs
- **Counsel and guidance to PDB**
  - Sets priorities for NKRAs to be added and initiate new labs
  - Supports PDB CEO by providing counsel and guidance

2. President's Delivery Bureau (PDB)

The PDB will be headed by a CEO reporting directly to the President, "to facilitate Government transformation for outcome delivery in NKRAs".[1] The establishment of this was agreed by Cabinet during its retreat held in Dodoma from 22-24 October 2012. It will be an Independent Department in the office of the President, established initially through a Presidential Instrument and by law at a later stage. On 13 April the Cabinet endorsed the mandate, structure, roles, skills and competency requirement, recruitment procedures, remuneration and relationship between PDB and other MDAs.

The PDB will be charged with ensuring delivery in the NKRAs by closely monitoring the implementation of strategic projects in collaboration with the respective NKRA MDUs, resolving bottlenecks in implementation and carrying out independent performance assessment of ministries engaged in NKRAs. It is not itself accountable for delivery of NKRA results but the CEO will have direct authority to direct resources and hold ministries and agencies accountable for their targets and programs.

It will have a staff of 75, drawn from both the public and private sector, primarily on fixed-term contracts or secondments. There are risks in how the existing public servants will perceive these new appointees, and the Government has committed to handling recruitment open and transparently to mitigate this. Nevertheless, bringing in new 'blood' is essential:

> For your top priorities you need your top people - the ministers you can rely on to push through the necessary reforms. And in the bureaucracy, you should bring in people with the

[1] Transformation of Government Delivery on National Development Projects and Programmes: Proposal for Big Results Now (BRN) Phase II, The President's Office Planning Commission, United Republic of Tanzania, May 2013

right skills for implementation. Traditional bureaucracies are built to advise, not to deliver change. So you need to shake them up by bringing in new skills and approaches, often from the private or volunteer sectors.[1]

President's Delivery Bureau (PDB)

Description

- Established as an independent unit in the President's Office responsible for ensuring delivery in the NKRAs
- PDB will be led by a Chief Executive Officer (CEO) reporting directly to the President.
- The CEO will have direct authority to assign resources and hold ministries and agencies accountable for their targets and programs

Composition

- Led by PDB CEO
- Supported by five core directorates covering all key sectors:
  - Agriculture
  - Infrastructure
  - Economic
  - Social Services, and
  - Government Services
- Coordinated through central coordination team
- Supported by a corporate services function that covers finance and accounting, human resources, IT, etc.

Key Tasks

- **Performance Management**
  - Monitors and reports progress on all NKRAs
  - Ensures delivery of Minister's KPIs
  - Secretariat to Performance Dialogues
- **NKRA Delivery Systems**
  - Monitors weekly progress and delivery through MDUs
  - Participates in weekly NKRA Problem Solving Meetings (PSM)
  - Participates in monthly NKRA SteerCo
- **Secretariat to TDC**
  - Coordinates and schedules TDC
  - Minutes taking and follows-up on action items
- **Communications and Developmental Work**
  - Drives BRN communication agenda
  - Organises and facilitate new labs

3. Ministerial Delivery Units (MDUs)

Within each NKRA ministry, an MDU will be established to support the lead Minister and Permanent Secretary to monitor, performance manage and problem-solve the daily delivery of the NKRA programmes developed in the labs. Delivery itself happens as much as possible through existing departments within the Ministry but MDUs will help Ministries change from their business-as-usual mode into one where delivery against targets is both valued and achieved and on occasion, MDUs may need to be more hands-on in delivery.

The MDU Director will have authority to assign technical support manpower and hold implementers accountable for their targets, budget allocations and timely delivery of the implementation programs. The MDU Director will also have authority to propose new or amendments to policies to fast track project delivery. Each MDU will have at least 5 core staff in the role of Project Manager for 2-3 initiatives, each of which will be driven by a Project Owner on the ground. The Project Manager will work closely with the Project Owner to collect data and monitor progress daily, and problem solve with the implementation team on a weekly basis through weekly problem solving meetings.

[1] Leading for results, Tony Blair, in The Art of Science and Delivery, McKinsey & Company, April 2013

Ministerial Delivery Unit (MDU)

Description

- The MDU is a lean unit that will support the lead Minister and Permanent Secretary in managing the daily delivery of the NKRA programmes developed in the labs
- Each NKRA MDU will be led by a Director reporting to the Permanent Secretary and Minister

Composition

- Led by MDU Director
- Reports directly to the Minister and Permanent Secretary
- Includes 5 core staff of Project Managers and a number of supporting staff in ministerial departments or in the districts
- Project Managers will oversee the Project Owners in charge of individual BRN initiatives

Key Tasks

- **Performance Management**
  - Monitors and reports progress on all NKRAs
  - Ensure delivery of Minister's KPIs
- **NKRA Delivery Systems**
  - Project Managers work in close collaboration with Project Owners of NKRA KPIs and initiatives
  - Project Managers monitors daily and weekly progress and delivery through Project Owners and relevant MDAs and LGAs
  - Project Managers, together with Project Owners prepares monthly reports for NKRA SteerCo and TDC meetings
  - Project Managers ensures delivery through weekly Problem-Solving Meetings with the Project Owners
- **Secretariat to NKRASteerCo**
  - Coordination and scheduling of SteerCo
  - Minutes-taking and follow-up on action items

4. National Key Result Area Steering Committee (NKRA SteerCo)

Each NKRA Ministry will have an NKRA Steering Committee which will meet monthly, chaired by the Minister, to oversee delivery, review performance and resolve implementation issues.

National Key Results Area Steering Committee ("NKRA SteerCo")

Description

- The NKRA Steering Committee will be responsible for overseeing the delivery of the lab programmes
- The Committee will be chaired by the NKRA Minister, supported by the MDU Director and PDB Director as well as the Permanent Secretary of the NKRA ministry and other relevant Permanent Secretaries
- The meetings will be held on a monthly basis (usually every 3rd week of the month)

Composition

- Chair: NKRA Minister
- Members:
  - Permanent Secretary of NKRA Ministry
  - MDU Director
  - PDB Director
  - PDB CEO (where necessary)
  - Permanent Secretaries from the relevant Ministries.

Note: The member composition varies from one NKRA to another. (refer to appendix for details)

Key Tasks

- **NKRA Performance Management**
  - Monitors and reviews monthly progress of NKRA initiatives
  - Escalates issues that require Minister intervention and approval
  - Ensures timely escalation to TDC for top leadership intervention
- **NKRA Delivery Systems**
  - Resolves implementation issues through NKRA PSM and SteerCo
  - Reviews budget spending progress
  - Monitors daily and weekly implementation progress through Ministerial Delivery Units (MDUs)
  - Identify and resolve ministry competency or skill gaps

5. **District and local support**

Finally, Tanzania's local and regional government representatives will play an essential role in ensuring this new delivery model reaches the ground, particularly in sectors with extensive district-level components like education, water and agriculture. Although not explicitly within the remit of the central BRN programme, these local government entities will be an integral part of the delivery mechanism in terms of implementation as well as monitoring and evaluation, ultimately reporting back to the central PDB. As BRN evolves there may need to be specific assistance provided to LGAs to address their capacity constraints and ensure they are not the weak link in the system.

Future scope. BRN currently has six NKRAs (energy, transport, agriculture, education, water, resource mobilisation). This will be added to over the course of the four year programme. The maximum number of additional NKRAs and labs over the next four years will be 22, with one 'wave' per financial year (July – June), a maximum of four in year one and a maximum of six in the outer three years. It is currently anticipated that approximately half will focus on sectors primarily pertaining to economic development and the other half social/human development. The Government, in discussion with funding partners, will determined the optimal number of labs for a coming year based on performance, progress and emerging priorities and needs.

Annual cycle. BRN is intentionally aligned to the budget cycle so that plans emerging from the labs can be incorporated into the next year's budget, meaning the first year of Phase II starts at the beginning of the new Tanzanian financial year on 1 July 2013. The annual cycle of public reporting of BRN progress will also closely align to this, together with six monthly reviews in which donors will participate alongside government to assess progress.

The eight steps set out in the Theory of Change above can be seen as linear for any given National Key Results Area, but within the lifespan of the programme certain steps – such as selecting priority areas or holding an Open Day – will be repeated.

For the first six NKRAs selected by the Cabinet in 2012, Phase I (December 2012 – June 2013) covered 1-5 of the steps and begun work on 6. Phase II will complete the cycle for the first six priority areas – crucially moving on into implementation and results monitoring and reporting – as well as in later years add new priority areas as others come to an end, and thus the cycle will start again.

The routine rhythm. The heart that drives the effectiveness of the BRN system is what Sir Michael Barber has described as the delivery system's "routines". As he explains:

> Most governments spend their time running to catch up with crises and events. These routines [of the Pakistan Schools Reform Roadmap] changed all that. They put data rather than spasm at the heart of decision making… Once you have proper routines in place and working, problems are identified before they become crises. In my experience, problems can always be solved. Some problems are relatively simple to fix; others are much harder.[1]

[1] The origins and practice of delivery, Sir Michael Barber, in The Art and Science of Delivery, McKinsey & Company, April 2013

So the routines are designed in a way to actually seek out problems – and solve them before they become insolvable. This is the day to day work of the delivery units described above. They will be responsible for collating but not collecting data and using this to drive the monthly monitoring routine which will operate as set out below:

	Mon	Tue	Wed	Thu	Fri	Sat/Sun
Week 1	TDC Meeting (1st Monday of every month)		MDU Weekly Problem Solving Meeting	MDU to submit weekly KPI updates to PDB	PDB to report KPI dashboard summary to TDC and NKRA Ministers PDB CEO to review and follow up with Ministers	
Week 2			MDU Weekly Problem Solving Meeting	MDU to submit weekly KPI updates to PDB	PDB to report KPI dashboard summary to TDC and NKRA Ministers PDB CEO to review and follow up with Ministers	
Week 3			Steer Co Meeting (3rd Wednesday of every month)	MDU to submit weekly KPI updates to PDB	PDB to report KPI dashboard summary to TDC and NKRA Ministers PDB CEO to review and follow up with Ministers	
Week 4			MDU Weekly Problem Solving Meeting	MDU to submit weekly KPI updates to PDB	PDB to report KPI dashboard summary to TDC and NKRA Ministers PDB CEO to review and follow up with Ministers	

The Government's case for BRN

1. **It addresses a well-defined and well-understood need.**
   The problem set out in the strategic case is not one simply perceived by development partners. It is one deeply felt and encountered by those leading and working within Government. The President himself has been vocal in articulating this problem and the fact that BRN is the outcome of his search to find a way to overcome it, supporting the established system to make it work.

2. **The projected benefits are so huge as to justify the cost and level of risk.**
   The Government recognises the costs of the programme are high. The level of reputational risk for the Government as a whole, and key individuals within it, is also high. But their analysis of the gains to be made if BRN succeeds in delivering on the six NKRA Action Plans already produced, as well as those to follow, is felt to be worth the significant outlay that the Government itself will bear in terms of staff input and costs, the time and effort required of the Government machinery to reorientate and respond to the new structure, and the risk to its reputation and relationship with development partners.

3. **It utilises a tried and tested methodology.**
   Although it is new for Tanzania, it is not an entirely new approach, but one which has

been tested and refined over four years in Malaysia, where an International Panel has attested to the astounding results it has delivered. Closer to home and in more similar contexts, other African Governments have also experienced success from adopting elements of the delivery methodology, and with Phase I of BRN in Tanzania having been successfully concluded, there is good reason to invest in continuing it.

4. **It is tailored for the Tanzanian context.**
   More so than for Phase I, the Government has taken control of shaping and designing the scale and scope of BRN so that it meets their requirements and needs, and is best designed for success. For example, they have considered how best to implement a key design feature – the authority and influence of the CEO of the delivery body – and adapted it for the Tanzanian context where it would not be acceptable or appropriate to appoint this person a Minister in Government as they did in Malaysia.

5. **The package of external support is designed to ensure it delivers.**
   The Government has been brutally honest about its limitations and the amount of assistance needed to set up and operate this programme in its early years. A programme to address capacity and implementation constraints can only succeed if it itself is not fraught by capacity and implementation constraints. A substantive package of external support from PEMANDU/McKinsey is therefore proposed, although declining in volume over the lifespan of the programme until Tanzania is ready to operate the system free from ongoing external support from 2017. This timeline is realistic and credible, and provides confidence to all involved that the programme has balanced ambition with pragmatism.

6. **The level of commitment from the highest levels of Government is unparalleled.**
   The President as head of the Government and the Chief Secretary as head of the Civil Service have personally invested huge and visible amounts of time to supervising and engaging with Phase I of the programme and the plans for Phase II. They have made repeated public statements that make clear the priority they have afforded it – and they have demonstrated this in their public appearances at lab opening, syndication and closing, at substantive Cabinet discussions convened to discuss the programme and in their messaging to the public and development partners.

7. **Phase I has shown that the approach can work in Tanzania and established momentum and commitment.**
   For those who doubted Tanzania's ability to retain high levels of attendance at the six full-time six-week lab exercise in February – March, the 2-3% drop-out rate gave cause to think twice about whether this methodology could succeed. Participants' feedback was overwhelmingly positive and attested to the unique problem-solving culture the labs had stimulated, even managing to unblock some key bottlenecks during the lab process itself. The commitment shown and maintained by participants establishes a strong foundation upon which to build Phase II, demonstrating that relatively small changes can help dramatically shift behaviour and mindset. The Open Day held in May 2013 was attended by over 2000 people and, to use a phrase coined by Idris Jala, CEO of PEMANDU, truly made the Government "pregnant" so that now the only choice they have is to deliver.

Option 1 delivery options:

a. A standard system of scheduled payments

For support to a Government programme, this would be the default or standard option. A payment schedule would be discussed and agreed in advance, then prior to each disbursement DFID would satisfy itself that the programme was on track and funds were being used as intended.

b. Performance / results based payments

Under this approach, payments would be linked to performance/results indicators. The indicators, milestones and targets, drawing on the Government's own Key Performance Indicators for the programme, would be agreed in advance on an annual basis between donors and Government, and at the outset of the programme we will agree the process for assessing whether they have been met in order for the payment to be made.

The nature of the indictors would develop over lifetime of the programme from more process-focused ones (e.g. publication of the Action Plans, or % posts filled in the PDB/MDUs) at the outset when the systems are still being established, to a combination of ones that continue to assess the functionality and operation of the delivery system itself (e.g. % of meetings of the Transformation and Delivery Council that are held on schedule, number of MDU-level KPIs which remain off-track/red for more than 4 consecutive weeks) together with performance in the NKRAs (e.g. achievement against Transport KPI of throughput capacity in Dar es Salaam port).

Should the agreed results fail to be delivered then payment would be withheld or adjusted proportionately (e.g. there may be an agreement that 80% achievement would result in 80% payment).

The two options are evaluated against 5 critical success criteria below:

Critical success criteria (and % weighting)	**Option 1a**	**Option 1b**
1. Programme performance incentivised and likelihood of delivery remaining on-track increased (40%)	**25/40.** Within DFID's standard programme management cycle there would be continual monitoring and discussion with the government on progress, combined with a thorough formal annual review of programme performance where, should it be found to be lacking, measures would be identified to address this.	**40/40.** Given the significance of DFID funding for the programme there is very good reason to believe payments based on performance and results would incentivise delivery.
2. Risk of DFID funds not buying agreed results minimised (20%)	**5/20.** Whilst, as noted above, DFID would not continue to fund a programme that was entirely failing, there is a possibility that funding levels would remain the same even if performance dropped slightly,	**20/20.** DFID would have the opportunity to explicitly set out what results our funding is contributing to and payment would be withheld if they were not achieved.

	meaning the VFM of our investment would drop.	
3. Opportunities for regular and productive dialogue with Government about programme performance (15%)	**5/15.** Without the financial incentive, there would be less necessity for Government to discuss performance with partners, and there is a risk this would be deprioritised.	**10/15.** Government would be required to engage more frequently and substantively with DFID and other donors, but there is a risk that this dialogue could become hostile were there disagreements over assessments of performance/results.
4. Good predictability and reliability of funding to sustain programme (15%)	**10/15.** Government would be confident that so long as the programme remained broadly on track funding would continue at the agreed levels.	**5/15.** A greater degree of uncertainty would be introduced by linking payments to results, especially where the milestones are ambitious and the timescales tight. Nevertheless, so long as Government and donors agree realistic milestones and focusing on achieving these, funding should be reliable.
5. Low level of complexity of financial and management arrangements (10%)	**10/10.** Standard arrangements would suffice, ones all parties would be familiar with.	**5/10.** The overarching framework for the payment against performance / results would be challenging and complex to design and agree. Furthermore, milestones would need to be agreed annually and performance assessed biannually, so transaction costs would be high for Government and donors. This could potentially divert time and energy away from programme implementation on the part of the Government. However, by using the Government's own KPIs and monitoring system this can be minimised.
Total	**55%**	**80%**

Overall, Option b: performance / results based payments, scores considerably higher and is therefore the preferred choice. However, in developing and agreeing the detailed mechanism for how this will operate, DFID will need to carefully address the issues of transaction costs involved and reliability of funding (for example by considering the option of part payment for part achievement so that slight delays in delivery do not mean there is absolutely no funding available to continue the programme).

Option 2: Do nothing more (the counterfactual)

The Government has made it clear that it cannot fund BRN itself from existing resources. Extensive conversations with other development partners have identified three others who anticipate providing support within the first year of the programme: USAID, the World Bank and Sweden. However, without DFID support the size of the remaining funding gap would make the programme untenable and it would not proceed.

B. Assessing the strength of the evidence base for each feasible option including delivery routes

The delivery model refined and pioneered by Malaysia is described at the outset of Section A above. The original pioneer of the essence of this delivery system was the UK, where Tony Blair established the Prime Minister's Delivery Unit (PMDU) in 2001 and appointed Sir Michael Barber to head it. Malaysia is one of only a few countries in the world to have taken up the implementation of this type of transformational delivery approach, and none of the others have utilised PEMANDU's full eight step methodology and applied this across the whole of government rather than solely within specific sectors.

The primary evidence base is therefore from Malaysia, and is most relevant to Tanzania's BRN programme in its design, but there is also now evidence of the successful application of the methodology in Tanzania over the past six months under BRN Phase I, and from a number of other relevant countries (Pakisan, Ethiopia, Sierra Leone, Rwanda) where elements of the delivery model have been utilised with demonstrable success. Sir Michael Barber, writing of the systematic approach to delivering improved results in public services that he developed as head of the PMDU, said:

> Broadly speaking, as long as the leadership was in place and the approach was sustained, it worked again and again. Not perfectly, of course, but sufficiently well in each of the cases mentioned to deliver much-enhanced outcomes.

According to Sir Michael the mark of those leaders who have successfully implemented a transformational delivery model, including Malaysian prime minister Najib Razak, and Punjab chief minister Shahbaz Sharif, is:

> They prioritize, they persist, and they appoint talented people to focus on delivery. They understand that while getting the policy right is hard, it is only 10 percent of the challenge. The other 90 percent is the blood, sweat, and tears of relentless implementation. They understand that delivering results is not about setting up a delivery unit; it's about fundamentally changing how you do business.[1]

The overall rating of the quality for evidence is shown below; each option is rated as either Very Strong, Strong, Medium, Limited (or No Evidence).

Option	Evidence rating
1	Limited
2	Strong

1. Evidence from Malaysia

PEMANDU have applied the Big Fast Results (BFR) methodology through Malaysia's Government Transformation Programme and Economic Transformation Programme.

These results were independently audited and verified by Pricewaterhouse Coopers who confirmed their validity prior to publication.

[1] The origins and practice of delivery, Sir Michael Barber, in The Art and Science of Delivery, McKinsey & Company, April 2013

Furthermore, an International Performance Review (IPR) Committee, an independent, international third party, appraised and assessed Malaysia's Transformation Programs in 2011 and 2012 and noted the success of the approach in translating vision into action. In particular they highlighted the impressive speed of implementation and delivery, the clarity of purpose in goals and measurable results and the high level leadership and accountability.

Highlights of the 2011 Annual Report of the Government Transformation Programme include:

- A 39.7% reduction in street crime (Reducing Crime NKRA)
- Largest ever increment of new pre-school classes with 3,089 new pre-school classes built in 2011, double 2010's figure (Improving Student Outcomes NKRA)
- 40.25% drop in low performing schools nationwide (Improving Student Outcomes NKRA)
- Over 63,147 poor households benefitting from poverty eradication programme and over 12,000 poor people given micro credit loans (Raising Living Standards of Low-Income Households NKRA)
- 3.2 million people benefitted from rapid, large scale rural development in the last two years: 1,796km of additional roads built (longer than the breadth of Peninsular Malaysia), 109,500 rural homes were connected with clean water supply, 54,270 units of houses were electrified and 31,327 rural homes were built or refurbished (Improving Rural Basic Infrastructure NKRA)

And for 2012:

- Continuation of the efforts in raising living standards for the poor has led to 99.9% of the group of society being identified as extreme poor being uplifted out of the category in 2012 [Raising Living Standards of Low-Income Households NKRA]
- Continued clean water supply to 60,000 households in rural areas; delivery roads for 140,000 households in Sabah [Improving Rural Basic Infrastructure NKRA]
- Continuous reduction in crime index, with street crime and index crime recording a decrease of 41.3% and 7.6% respectively in 2012 [Reducing Crime NKRA]
- International watchdog Transparency International raised Malaysia's rank from 60th position to 54th in 2012 in its Corruption Perceptions Index ranking [Fighting Corruption NKRA]

Under the Economic Transformation Programme in 2011 and 2012 they achieved:

- Set up a total of 23 smallholders' cooperatives, representing about 43,000 smallholders covering approx. 172,000 ha of plantation area [Palm Oil & Rubber NKEA]
- Malaysia Convention and Exhibition Bureau success secured 49 events with a projected economic impact of RM780 million [Tourism NKEA]
- RM1 billion revenue generated from promotion of local creative content, supported by higher sales of film, television, animation and handicraft [Communications NKEA]

- Broadband household penetration grew from 56.2% to 62.3% within the first year [Communications NKEA]
- More than 1,300 villages across the country were connected with wireless internet services, and close to 350,000 netbooks were distributed to low income household families [Communications NKEA]
- Retailers reporting an average 30 percent increase in sales from 568 sundry shops across Malaysia which were made over[Wholesale & Retail NKEA]

Sir Michael Barber, as one of the IPR Committee members, concluded in relation to the 2010 results:

> The successes achieved were nothing short of amazing.

The following year he said:

> Once again, the GTP has outdone itself and produced a string of impressive results for Malaysia. Personally speaking, I do not know of any other government in the world that has adopted such an approach and delivered such big fast results across such a wide range of public sector outcomes.[1]

A Harvard Business School Case Study said of the Economic Transformation Programme (ETP):

> The first year's results of the ETP were far ahead of the ETP's original targets. A committeed investment of US$59.7 billion was secured, leading to a GNI and incremental jobs forecast of US$43.2 billion and 313,741, respectively.[2]

A Malaysian professor and former director of research in the Public Service Department is quoted in a Princeton University paper of saying that the Government Transformation Programme (GTP):

> The entire exercise "has gotten the government to become increasingly serious about evaluation, transparency and measurement"… Several interviewees pointed to the beginnings of a change in civil service culture and methodology toward more clearly defined goals and measureable levels of performance and service delivery.[3]

2. Evidence from Pakistan

In Pakistan, the government of Punjab developed a 2-year Schools Reform Roadmap under the direct leadership of the Chief Minister. The Roadmap used delivery methodology to focus on a small number of distinct priorities and key indicators; clearly articulated a "3 feet" approach to what needed to be done; collected reliable monthly data against those key indicators; and applied an independent team to monitor and track progress. Performance is tracked on a monthly basis and in progress reviews chaired by the Chief Minister. Issues were problem-solved daily against clear targets for each district in each quarter.

In reference to this, Dr Jim Yong Kim, President of the World Bank wrote:

[1] 2011 Government Transformation Programme Annual Report, Government of Malaysia
[2] Malaysia Economic Transformation: All About Focus, Competiveness and Execution, Diego Comin & Ku Kok Peng, Harvard Business School, 2012
[3] Tying Performance Management to Service Delivery: Public Sector Reform in Malaysia 2009-2011, Deepa Iyer, Princeton University, July 2011

> Perhaps most importantly it shows how, even in the challenging circumstances of Pakistan, a combination of ambition and routines that ensure a consistent focus of delivery can deliver impressive results in a relatively short space of time.[1]

Sir Michael Barber has concluded:

> If it can be done in Punjab, it can be done (almost) anywhere.[2]

Under the Roadmap, between August 2011 and January 2013, Punjab achieved the following results:

- Approaching one and a half million extra children enrolled in school.
- Facilities with functioning electricity, drinking water, toilet and boundary walls increased from 69 per cent to 91 per cent.
- Student attendance increased from 83 per cent to 92 per cent.
- Teacher attendance increased from 81 per cent to 91 per cent.
- 81,000 new teachers hired on merit.
- Simple, easy-to-use lesson plans for every teacher and new textbooks for every student
- Growing evidence that learning outcomes are rising too; whereas two years ago Punjab-India and Punjab-Pakistan were roughly on a par, now Punjab-Pakistan is out in front.
- A voucher scheme which enables over 140,000 out-of- school children of poor families to attend private schools; this is the fastest growing voucher schemes in the world.[3]

In their October 2012 review, the Independent Commission on Aid Effectiveness assessed the programme and reported that:

> the Punjab Education Reform Roadmap is an excellent example of how a well-designed monitoring system can be integral to the design of a reform programme... the education programme [of which the Roadmap is a part] is sophisticated, multi-dimensional and innovative, with a balanced approach to access, equity and quality... These are strong results, suggesting that learning outcomes are improving against a low base.

3. Evidence from Ethiopia

In Ethiopia, the government collaborated with the Bill & Melinda Gates Foundation to undertake a diagnostic analysis to identify bottlenecks in the agriculture system, from seeds to farmers to manufacturing to market to consumers. They then worked together with international development partners and local agencies to revamp priorities and investments, leading to a revised slate of initiatives they have agreed to pursue jointly as part of a multi-year transformation program comprising over 100 initiatives organised into five areas - irrigation, industry, productivity, land management, and strategic enablers.

[1] The good news from Pakistan, Sir Michael Barber, March 2013
[2] The good news from Pakistan, Sir Michael Barber, March 2013
[3] The good news from Pakistan, Sir Michael Barber, March 2013

The delivery methodology was then applied to create the Agriculture Transformation Agency to drive the overall strategic agenda and monitor results. This Agency now employs over 100 staff with a heavy emphasis on local government ownership and Ethiopian capability building. It is widely praised as an example of a high-calibre transformation delivery unit in Africa, having achieved the following:

- Launched a series of quick win interventions across value chains in coordination with other donors and government organizations (e.g., extension system improvements at farmer training centres).
- Aligned federal government, donors, regional governments, and implementation agencies against a common roadmap, with changes in funding to priority projects and initiatives.
- Established a legal framework and created the Agriculture Transformation Agency to enable performance delivery principles to be applied to the entire agricultural sector.
- This agency, now in its second year of operation, has been fully funded by Government of Ethiopia and donor partners, and has launched a range of initiatives including work in smallholder productivity of key value chains, private sector partnerships, and policy reform.
- Aligned government policies between agriculture and the overall government economic growth plans, putting Ethiopia on track to expand GDP by an additional $20 billion by 2025.

4. Evidence from Rwanda

In Rwanda, the Government has also drawn inspiration from the UK Prime Minister's Delivery Unit in attempting to transform its ability to delivery. In so doing it has been supported by the Africa Governance Initiative, whose Patron is former British Prime Minister Tony Blair. AGI's approach is described as:

> to support leaders in bridging the 'implementation gap'; in order to do this the focus is on building skills, systems and structures to improve prioritisation, planning and performance management in key areas of the government system. The focus is on driving the system to implement a few clear priorities, building capacity for delivery along the way.[1]

President Kagame's Strategy and Policy Unit (SPU) was established in July 2008 to help ministries identify a limited set of priorities that they could realistically achieve, with AGI staff members embedded to help coach and ease the work of the organisational transition. They also focused on monitoring progress in achieving goals to inform the annual Government priority-setting retreats. Following the retreats, action plans are developed that set out "measurable outcomes and indicators, specified actions that ministries would take each quarter and identified the people responsible for moving forward with each agenda item."[2]

> Between 2004 and 2009, Rwanda's national leadership retreats, organized by President Paul Kagame as a strategic planning process for the country, were largely unproductive. Year after

[1] Small is beautiful: a new approach to governance reform, Josie Stewart, Institute of Development Studies Governance and Development blog, 1 March 2013

[2] Improving Coordination and Prioritization: Streamlining Rwanda's National Leadership Retreat 2008 - 2011, Deepa Iyer, Princeton University, March 2012

year, efforts to identify and implement key national priorities fell short because of poor planning and weak organization. However, a fundamental restructuring at the center of government, as well as dedicated efforts to enhance individual and institutional planning capacity, streamlined the retreat process and sharply improved the effectiveness of the annual gatherings.

President Kagame has publicly testified to the success of the delivery innovations supported by AGI:

> While donors may not be entirely to blame for bypassing [government] systems where they are weak, or non-functional, why not use aid to build up and strengthen such critical systems? A case in point is the partnership between Rwanda's government and Tony Blair's Africa Governance Initiative, which uses embedded support to balance **fast implementation of development programs and transfer of skills**.
>
> - H.E. President Paul Kagame, speaking at the 4th High Level Conference for Aid Effectiveness in Busan, November 2011[1]

This strengthened Government ability to deliver 'fast implementation of development programs' is seen to have helped Rwanda make the impressive developmental gains of recent years:

> Results from Rwanda's most recent Household Survey showed that between 2005--6 and 2010---11 the poverty rate fell from 56.7% to 44.9%. In total, 200,000 households have been lifted out of poverty in the last 5 years… Real economic growth for 2011 reached 8.7%. Having dipped in 2010, private sector investment commitments also rebounded to around $500m in 2011, up from $386m in 2010.[2]

5. Evidence from Sierra Leone

In Sierra Leone too AGI has supported delivery system innovations inspired by the UK's PMDU. The ODI review of the Africa Governance Initiative's support to the Strategy and Policy Unit (SPU) in the Office of the President concluded:

> This intervention appears to be having positive effects on the government's ability to deliver services and infrastructure. Since 2008, the government has made notable gains on a number of high-profile development priorities, such as electricity provision, introduction of free health care, distribution of agricultural inputs and construction of roads.
>
> AGI's support to the SPU in Sierra Leone appears to have successfully addressed certain common governance challenges to service delivery. In particular, by both leveraging its high-level access in government and providing on going mentoring and support, AGI has helped prioritise government effort and build systems that allow the president, ministers and senior government officials to have more time to devote to their core delivery objectives. Furthermore, the monthly stocktake process, facilitated by AGI and run by the SPU, appears to be addressing some of the incentive problems and collective action constraints to delivery.[3]

C. For each feasible option, what is the assessment of local capacity? Is the

[1] The Tony Blair Governance Initiative Annual Report and Financial Statements, 31 December 2011
[2] The Tony Blair Governance Initiative Annual Report and Financial Statements, 31 December 2011
[3] The Africa Governance Initiative in Sierra Leone, Unblocking results case study, Rebecca Simson, ODI, May 2013

intervention likely to strengthen capacity in a durable manner?

> the question I most often get asked… "Is it sustainable?" The answer to that on one level is as simple as the question: of course it's not sustainable yet; whether it continues or not depends on what the leaders involved decide to do.[1]

One of the primary purposes of BRN is strengthening public service capacity in a durable manner. The Strategic Case provides an assessment of the existing challenges in terms of the local capacity within the public service, and the sections above outline why BRN Phase II, is expected to address this need. However, the extent to which this is durable is a significant question and one which cannot be answered at this stage. It is identified in the management case as a risk, in particular in terms of whether the programme will be sustained beyond the 2015 elections and have sufficient time to 'bed down'. In relation to Pakistan, Sir Michael Barber argues instead of focusing on sustainability:

> We should aim for irreversibility, which has a very specific meaning:
>
> > "Irreversibility means not being satisfied merely with an improvement in outcomes, but asking whether the structures and culture are in place that will guarantee the right trajectory of results for the foreseeable future. How can the changes be made to stick?"
>
> We'll know we've achieved it when the structures and incentives are changed to ensure its continuation, when the culture has changed and everyone involved expects continued success, when the results have changed so completely that the public has confidence, and when the citizens of Punjab (and their political leaders) can see and feel the change for themselves and would protest any attempt to turn the clock back.[2]

The end of the planned four years of BRN Phase II is the point at which Tanzania will face the test of whether this has been achieved, which, if the programme has delivered restuls as planned, it should have. The major test will be whether BRN has managed to deliver sufficiently by 2015 to have earned itself a guaranteed place under the new government. The Action Plans from the first wave of NKRA labs in Phase I suggest it should have.

D. What is the likely impact (positive and negative) on climate change and environment for each feasible option?

The impacts of climate change are already being felt in Tanzania e.g. 2005/6 droughts, changes in seasonal rains and higher mean annual temperatures. Tanzania's economy is based on climate sensitive sectors: agriculture, water for hydro, tourism and infrastructure – making the country extremely vulnerable to climate change. It is estimated that climate change will reduce economic growth by 1.5-2% per annum, enough to prevent Tanzania graduating by 2025. In 2011, the IMF down-scaled projected growth in Tanzania from 7.2% to 6% due to "weather related impacts on energy production".

To understand how well Tanzania is addressing these impacts, DFID Tanzania undertook a Climate Change Strategic Evaluation of General Budget Support (GBS). The GBS evaluation assessed the MUKUKUTA II as being strong on climate change and environment, with clear

[1] The good news from Pakistan, Sir Michael Barber, March 2013
[2] The good news from Pakistan, Sir Michael Barber, March 2013

commitments for mainstreaming and prioritising both as part of Tanzania's long-term growth trajectory. However, the Five Year Development Plan (FYDP) and the Long Term Prospective Plan (LTPP) deviate away from this, deprioritising climate and environment and instead proposing a strong focus on industrialisation, with a much greater use of fossil fuels.

There are good reasons why Tanzania might want to go down this path, and the previous MKUTUTA II plans may not have been sufficient to transform the economy along the growth pathway set out in the Vision. Nonetheless, the FYDP and LTTP are not wholly compatible with a low carbon development strategy and are not aimed at building an economy which is resilient to climate change. The GBS screening report therefore highlighted that Tanzania's FYDP and the LTTP should be further examined to see how they could adopt a low carbon, climate resilient agenda. Furthermore, it was recommended that DFID should strengthen its relationship with the President's Office Planning Commission in order to help better mainstream climate and environment into Tanzania's long-term planning policies and processes.In response, DFID Tanzania is working with UNDP and the World Bank to support the Government of Tanzania to integrate climate and environment into their long-term planning and decision making, and are supporting the development of sectoral climate change plans for example in agriculture, water, urban planning and energy.

The Big Results Now programme offers the opportunity to further strengthen the UK's relationship with the Planning Commission and the Government of Tanzania in translating the FYDP and LTTP into action and delivering results that are sustainable in the long-term.

Option 1: There are some **risks** associated with Option 1. These primarily relate to the extent to which the foundation for BRN is the Five Year Development Plan which emphasises industrialisation over climate and environment. However, the energy lab in Phase I did produce an Action Plan of which over 20% related to renewable energy and a hydroelectric project had been prioritised, so there are some encouraging signs.

There are also some risks associated with the number of flights required by the international external support team. To mitigate these risks, it is recommended that flights should be kept to a minimum by opting for longer-term placements over short-term visits and the use of virtual meeting space should be used where ever possible.

Whilst funding through Option 1 does not give DFID Tanzania direct leverage over the prioritisation of results and sectors, it could present **opportunities** for the UK to support the government in ensuring the sustainability of these results through better mainstreaming climate and environment. In Phase I it could be argued that this opportunity existed but was not fully utilised. It is therefore recommended that where possible, the UK raises climate change and sustainable growth as part of any dialogue with the Government in the implementation of the BRN programme. In particular, in the development of new action plans in future waves of labs, DFID should consider how best to utilise the opportunity to ensure climate and environment issues are fuller incorporated and considered.

Option 2: The climate and environment **risks** of the UK not supporting Big Results Now are minimal: whilst it would be shame to give up an opportunity to strengthen the UK's relationship with the Government in prioritising development results, this would not present any significant risks to the climate or environment. There are no **opportunities** presented by the counterfactual of 'do nothing'.

Option	Climate change and environment risks and impacts, Category (A, B, C, D)	Climate change and environment opportunities, Category (A, B, C, D)
1. Support BRN Phase II	B	B
2. Do nothing	C	C

Where A = high potential risk / opportunity; B = medium / manageable potential risk / opportunity; C = low / no risk / opportunity; or D = core contribution to a multilateral organisation.

E. If any, what are the likely major impacts on social development?

If BRN delivers an improvement of services in the six initial NKRA alone this will have significant impact for poor and vulnerable people in terms of creating opportunities for employment, building human capital, opening up access to markets through roads, railway and ports as well as adding value from agricultural produce.

Overall, if BRN successfully stimulates economic growth, this will significantly contribute towards addressing the high levels of income poverty in Tanzania, where 68% of the population live on less than £20 a month.

Women and girls

In Tanzania, throughout their lives women and girls continue to experience disadvantages relative to men. These are even more pronounced for women and girls living in rural areas. Women in rural areas walk an average of 6kms to collect water. Girls have less chance of transiting to secondary education compared to boys: in 2009, for example, 46% of girls passed their school leaving exam compared to 60% of boys. BRN aims to tackle both of these issues for the population overall, but women and girls will disproportionately benefit as the main users of public services. The rural water BRN labs targets to increase access to clean and safe water in rural areas to 67% of the population and reduce collection time to 30minutes.

Another of the labs – agriculture – also has a particular relevance to women as they are the majority of the agricultural workforce (65%) but have limited access to land, credit and inputs. Estimates indicate that women own about 19% of registered land in Tanzania and their plots are on average half the size of their male counterparts (0.3ha as compared to 0.6ha)[1]. The BRN agriculture labs' target of increasing the smallholders' farmland to around 330,000ha would therefore disproportionately benefit women.

Hunger and vulnerability

The agriculture sector BRN action plan targets both commercial farming and small holder farmers, with sustainability and social inclusion at the heart of these models. In both, maize, paddy and sugar case crops are prioritised for the next 3 years because of their strategic importance to food security and import substitution for the country. Overall Tanzania is reported to have food self-sufficiency ratio of around 103% however, there are huge regional and district variability in food access. A Comprehensive Food Security and Vulnerability Analysis conducted in 2010 by the World Food Programme found that 23% of all households in rural mainland Tanzania were food insecure, meaning they had poor or borderline food

[1] Gender and Economic Growth in Tanzania (2010)

consumption. Post-harvest loses, limited market access and poor road networks are among the key constraints to sufficient food availability across the country, hitting the rural poor the most hard. Efforts under BRN to address these challenges will therefore have particular impact on some of the most poor and vulnerable Tanzanians.

F. For fragile and conflict affected countries, what are the likely major impacts on conflict and fragility, if any?

Not applicable: Tanzania is not a fragile or conflict affected country.

G. What are the costs and benefits of each feasible option? Identify the preferred option.

The new BRN delivery architecture and system will support the implementation of specific initiatives identified in the labs on the first six NKRAs: education, water, agriculture, power, transport and resource mobilisation. Expected benefits in each of these sectors are summarised below.

Wider macro-economic benefits will be generated though future labs on new NKRAs in later years, of which there will be up to 22, focussing on complementary growth enhancing interventions for example in tourism, manufacturing and health.

NKRA	Changes supported by BRN
Education	Improved education quality to raise efficiency/effectiveness of government education spending.
Water	Major expansion in access to cost-effective water services.
Agriculture	Commercial farm deals to raise incomes of large numbers of rice & maize framers.
Power	Significant reduction in power generation costs and TANESCO financial losses.
Transport	Reduced dwell time in port to have major impact on regional economy.
Resource mobilisation	Maintenance of sound fiscal balances and reduced aid dependency conductive to sustained growth.

Education

BRN will contribute to improvements in Tanzania's education system. In terms of efficiency, the unit costs of delivering primary education in Tanzania is in the middle of range for Sub-Saharan Africa ($65 per primary school pupil compared to the SSA range of $38-$102). The quality of education has however been declining, undermining the effectiveness of government spending. Between 2011 and 2012 PLSE pass rates fell from 58% to 31%, and CSEE pass rates from 54 to 34%. In consequence unit costs per passer (graduate) have increased, as follows:

- Primary Standard 7 PLSE: $160 to $300
- Secondary Form IV CSEE: $300 to $500

In terms of effectiveness, the potential rates of return to education in Tanzanian range from 13% in primary and 19% in secondary, consistent with regional experience. Full realisation of these benefits depends on significant improvements in education quality.

BRN will address a range of causes of low performance, such as overcrowded classrooms (average 1:70 student per class ratio against the norm 1:40 in primary), lack of teachers, lack of basic teacher skills, and inadequate attention to learning needs of lower performing students. The aim is to achieve (together with complementary initiatives such as EQIPT) an increase in pass rates from 31% to 60% the national PSLE exam, and 44% to 60% the national CSEE exam. Improved pass rates at primary and secondary school level will therefore produce significant gains in the terms of efficiency and effectiveness of government spending. Wider benefits include effects of improved girls` education on family health, infant nutrition, higher family education achievements, greater agricultural productivity and lower fertility rates.

Water

BRN will support rehabilitation of over 16,000 water points, reaching 5.3 million people by 2015 at a cost of $65m ($12 per person), and help secure additional funding for new water projects reaching an additional 4.9 million people at an expected cost of $215m ($44 per person).

In term of efficiency, expected unit costs (cost per person) compare favourably with international benchmarks for sustainable water services in low income countries in the range: $20 per person (basic boreholes and hand pumps) to $150 per person (larger mechanized schemes).

In terms of effectiveness, rates of return to investment spending under the Government's Water and Sanitation Development Plan supported by BRN exceed 20%. Beneficiaries include women and girls living in rural areas who frequently need to walk long distances in order to collect water - in dry land areas up to 5 hours per round trip. In addition to reducing time and effort, improved access will provide greater opportunity for girls to attend school, and provide teachers with stronger incentives to accept postings in remote areas, contributing to improved equity. Health benefits are also significant: related sanitation and hygiene promotion initiatives are identified by WHO as among the most cost effective health interventions available globally (cost per DALY: $11 and $3 respectively).

Agriculture

BRN is expected to support conclusion of 20-25 commercial agriculture initiatives, leveraging $6 billion of private commercial investment over the next 6 years. Impacts include increased incomes for rice and maize farmer incomes of approximately 50% by 2015, worth $80m pa.

As an illustrative example, the agriculture lab has resolved specific blockages to a Bagamoyo farming project relating to investor land lease and occupancy rights, and long term water rights spanning 30 yrs. The project is ready to proceed and will generate over 10,000 new jobs in the district, producing overall wage income of some $6m p.a. The required public investment is approximately $40 m (financed by AfDB) to be offset by $11m in fees and recurrent charges ($340,000 p.a.) for acquisition land rights from government. On the basis that jobs are sustained for at least 10 years the NPV of the Bagamoyo farm project is at least $14m, taking into account land and labour related income alone. If

replicated in other commercial initiatives, the benefits of BRN to the agriculture sector as a whole will be several orders of magnitude greater.

Energy
The energy lab has identified specific initiatives to reduce power generation cost, as follows.

- **Gas pipeline:** BRN will help ensure timely delivery of the Tanzania`s gas pipeline project by contributing to completion of commercial negotiations, ensuring that temporary port and road facilities are in place, and reinforcing the project implementation and monitoring team. From October 2014 the pipeline is expected to reduce power generation costs by over $150 m p.a. with a capital outlay by government of approximately $83 m. Over a lifetime of 10 years the NPV of the scheme is $250m approx.

  In view of prior government commitment to the scheme the pipeline is expected to proceed without BRN, though with greater risks of delay. On the basis than BRN accelerates implementation by a relatively short period months, the benefits of bringing forward benefits on this scale – i.e. directly attributable to BRN – would be significant. For illustration, bringing forward benefits by 12 months would be worth the equivalent of $25 m.

- **Fuel costs:** BRN will support implementation of efficient fuel dispatching for emergency power generation by allowing cheaper power generators plants to be prioritised in short term management of the power system. A saving of $84 m in 2013/14 is expected at a cost of $20m, producing net benefits of $64 million by the time EPPs are retired in 2014/15. In the medium term BRN will contribute to reducing TANESCOs losses by an expected $12 m p.a.

Transport
BRN will be help to streamline and automate operational processes of the Dar es Salaam Port, eliminating bottlenecks and reducing cargo dwell time (from nine days to maximum of five).

The port suffers inefficiencies which currently pose major constraints to trade and Tanzania's rate of economic expansion. In business surveys, 29% of respondents cite the quality of port as the second most important impediment to doing business in Tanzania; after the quality of road infrastructure, though more serious than difficulties with electricity supply, air transport and internet/telephone services.

The value of merchandise passing through the port is $415 billion pa, equivalent to 60% of Tanzania`s GDP and accounting for 90% of Tanzania`s entire international trade. According to World Bank estimates, raising the efficiency of the port to standards comparable to Mombasa would achieve economic savings to Tanzania and regional trading partners worth $2.6 billion p.a. (equivalent to 0.4% of Tanzania's GDP).

BRN will help improve the situation by establishing sound handling practices such as improved utilisation of yard capacity, a port community system which integrates and reduces bottlenecks in existing processes (e.g. standardised documentation and electronic systems) and 24x7 working practices to speed up day to day handling.

Improved port handling is a long standing objective of the government and is expected to be achieved in the absence of BRN. To date however progress has been slow and fallen short of expectations. A modest acceleration brought about by BRN would produce benefits on a scale several orders of magnitude greater that the cost of BRN itself.

Revenue mobilisation

Tanzania`s spending has consistently exceeded its revenues over the last 15 years, leading to a widening fiscal deficit and increased public debt. Tanzania`s revenue performance has improved to 16.4 % GDP in 2011/12, comparable to regional standards, and has been outstripped by spending growth. Specific initiatives supported by BRN relate to:

- Increased revenues in the tax system, supported through legal changes e.g. in VAT, income tax, investment, and the road and fuel toll Acts. BRN will support selected tax increases and reduced tax exemptions.

- Increased non-tax revenues from parastatals, Local Government Authorities and natural resource revenues, supported by legal changes in the local government Act and related by-laws.

- Expenditure caps in selected areas of spending.

- Creation of joint Public Private Partnerships, to be achieved by streamlining and accelerating the PPP approval processes, changes in the PPA Act and removal of restrictions on capital markets. Specific projects have been identified in transport and energy for immediate implementation

The result will be improved fiscal balances and reduced aid dependency, conductive to sustained economic growth.

A note on costs for implementing the plans

Currently the Action Plans for the first six NKRAs are not 100% financed. In part this problem arose from a slight misalignment of the timing between the lab and overall Government budget process: the two took place somewhat concurrently so that lab outputs were not able to be fully incorporated in the budget this year. In future years lab timing would be brought forward so that this situation will not arise and future plans will be fully incorporated into the budget when it is prepared. In the meantime, however, the Government has set out the five ways in which it intends to address this for the coming year:

1. Revenue generated from NKRA initiatives.
2. Incremental revenue from Resource Mobilisation initiatives.
3. Private sector participation in the proposed lab initiatives, particularly energy, transport and agriculture, in the form of PPPs.
4. Additional DP funding from realignment with existing programmes.
5. Rescheduling of BRN projects to the following year where they will be according budgeting priority.

Wider impacts on growth

Tanzania’s economic growth in recent years has been driven by steady expansion in domestic consumption and investment. In 2012 growth was 6.9%, reflecting recovery from a modest slowdown in 2011 and a return to Tanzania’s historical average. Tanzania benefits

from relatively strong macroeconomic fundamentals by regional standards and a high degree of insulation from volatility in the global economy. Public finances are broadly under control, though TANESCO's losses are a significant drain on the budget and pose risks to Tanzania`s fiscal sustainability unless bought under control.

In the long term Tanzania's access to the ocean provides a major comparative advantage over landlocked countries, offering the opportunity for Tanzania to become a major regional hub. Improving long term growth will require a combination of improved public and private investment (physical and human capital) and a strong focus on the business environment (where Tanzania rates poorly by international standards) and improved port facilities in particular.

BRN will help bring about improved conditions for faster growth, and leverage an increase in the volume and quality public and private investment, including Foreign Direct Investment (FDI) in areas of high growth potential. The labs have identified numerous investors interested in BRN as a means a cutting though a myriad of difficulties is establishing programmes with the government. For example, potential sources of investment in port infrastructure amounting to $1.5 billion have been identified. If reflected in other sectors a significant stimulus will be provided to the economy potentially leading to Tanzania becoming a middle income status by around 2015.

H. Theory of Change for Preferred Option

The Theory of Change for Big Results Now is given in Section A above.

I. What measures can be used to monitor Value for Money for the intervention?

The following measures will be used to assess economy, efficiency and effectiveness. As new NKRAs are added the list will be updated.

Economy

- Staff fee rates in relation to regional and international norms.
- Numbers of associates embedded in GoT in place of international consultants.
- Use of leveraged time with experts.
- Use of flexibility in staffing numbers, matched to government decision making.

Efficiency

- Cost per PLSE and CSEE exam pass.
- Number and value of commercial farm deals.
- Cost per person accessing safe water.
- Timely delivery of gas pipeline.
- EPP fuel costs (2013/14)
- Port clearance times.

Effectiveness

- Reduction in TANESCOs financial losses.
- Volume of trade handled by port of Dar es Salaam; port dwell time.
- Farmer incomes.

- Revenue ratio.
- Aid dependency ratio.
- GDP growth.

J. Summary Value for Money Statement for the preferred option

BRN represents very strong value for money since it will contribute to improvements in government accountability, potentially transforming the efficiency and effectiveness of overall public spending, while leveraging a significant increase in public and private investment, and improving broader conditions for private sector led growth. Long term benefits to the Tanzanian economy cannot be predicted with certainly however BRN will represent good value for money if objectives are achieved in any single area covered by Phase 1 labs (i.e. education, water, agriculture, power, transport, resource mobilisation).

3. Commercial Case

Direct procurement through a contracted supplier

A. Clearly state the procurement/commercial requirements for intervention Not applicable.
B. How do we expect the market place will respond to this opportunity? Not applicable.
C. How does the intervention design use competition to drive commercial advantage for DFID? Not applicable.
D. What are the key cost elements that affect overall price? How is value added and how will we measure and improve this? Not applicable.
E. How will the contract be structured and how will contract & supplier performance be managed through the life of the intervention? Not applicable.

Delivery through a third party entity (multilateral organisation; civil society organisation or support to government)

A. Why is the proposed funding mechanism/form of arrangement the right one for this intervention, with this development partner?

Big Results Now is a Government initiated, defined and led programme. The impressively high level of Government ownership visible thus far is essential for the success of the programme. It also means that development partners supporting the programme need to do so in a way that maintains and reinforces the Government's leadership role.

This is through providing financial aid to the Government via a multi donor funding mechanism to enable them to run the programme. This is the right arrangement because:

i. It maximises the Government's leadership of the programme and thus increases the likelihood of its success. In fact so clearly has their ownership of the programme been asserted thus far that it is unlikely they would consider any alternative funding model that would diminish their control of the direction and implementation of the programme;
ii. It provides the Government with flexibility to adjust the scope and pace of BRN to reflect their own priorities and considerations, ensuring it remains relevant to their needs and fully aligned to the Government's objectives;
iii. It creates opportunities for regular policy dialogue and discussion between development partners funding BRN and the Government to collectively review progress, address any

issues arising, further align wider DP programmes with BRN objectives and agree workplans and budgets for the forthcoming stage.

As discussed in the Appraisal Case, we have opted for a performance / results based payment approach. This will mean funds still flow to the Government to manage the programme, but DFID will have strong safeguards to ensure its funding is linked to delivery. This is explained in more detail in the Financial and Management Cases.

BRN Phase II will have a significant element of externally contracted technical support from PEMANDU (who in turn sub-contract McKinsey to provide certain elements and ensure sufficient capacity). The process for this is explained in further detail in section C below. This support less than in Phase I, however, and the trend of declining external support is projected to continue over the four years of the programme to zero from 2017 when the programme is expected to become fully Government run and operated.

The Government will be responsible for setting the terms of reference for the support PEMANDU/McKinsey will provide, and procuring, negotiating and signing a contract with the Malaysian Government for these services. It is essential that this agreement is between the Government of Tanzania as the receiver of services and the Government of Malaysia as the provider. Doing so will mean the Tanzanian government has the responsibility and authority to both determine what they themselves need from PEMANDU/McKinsey and then to manage this contract over the lifespan of the programme. We understand the contract will include clear elements linking performance to payment.

B. What assurance has been obtained on capability and capacity to deliver?

BRN is predicated on the Government's own assessment that they do not have the capability and capacity to deliver in the way they wish, in order to achieve the goals they have set, and that they need a significant effort – BRN – to address these very issues.

Consequently, in designing BRN the Government has been supremely cognisant of their own limitations and their patchy record to date in successfully introducing transformational systemic reform programmes.

They have therefore built in to the programme design a robust package of external support (in the form of advisors from PEMANDU/McKinsey) which will ensure they are able to achieve the programme activities and objectives, whilst simultaneously building their capacity through transfer of skills and knowledge from the external PEMANDU/McKinsey team to the staff in the President's Delivery Bureau, the Ministerial Delivery Units and the rest of the new delivery architecture.

The scale of this assistance has been the subject of intense discussion within Government and with the PEMANDU/McKinsey team to ensure costs are no higher than strictly necessary, but that the support is sufficient to sustain the programme.

The Government has also clearly committed to putting sufficient – and significant – amounts of its own resources behind BRN to ensure it deliver, both in terms of financial resources (providing over 20% of total estimated programme costs), human resources through allocation of existing staff to support delivery, and, critically, the time and influence of the

most senior figures in government (President, Cabinet, Ministers for NKRAs) and the civil service (Chief Secretary, Permanent Secretaries in NKRAs).

The BRN Phase II proposal from the Government clearly addresses this issue, stating:

> The key benefits of this approach can be summarized as follows:
> - The PDB is fully funded and staffed, and properly supported over an appropriate period to ensure absorption and sustainability.
> - Likewise, appropriate capacity is created and properly trained at the MDU level, with assistance provided at the right times to ensure NKRA programs stay visible and on track.
> - The programme provides for targeted and scaled capacity building, over a long-enough timeframe to substantially minimise any risk of failure of the delivery system.[1]

C. Is there an opportunity to negotiate on anticipated costs?

The Government's budget for the four year programme is US$119.770 million. Of this the Government expects to meet $24.1 million (or 20%) themselves, as a gradually increasing proportion year on year. The value of the package of external support PEMANDU/McKinsey will be contracted to provide is the subject of a future procurement and contract negotiation process but it is understood to be in the region of half total programme costs.

However, the BRN Phase II Proposal makes clear:

> the proposed program has been designed with flexibility in mind. The budget represents a ceiling of the total cost of BRN over the next four years. We expect to the Government to undertake an intensive six-monthly program assessment in collaboration with funding partners. In this assessment we would envisage reviewing both past performance (whether NKRA KPIs have been met, for instance) and the resulting effect on the next year's program. For example, it is quite feasible that (after review) future waves of labs might be delayed (reducing the program budget requirements), the number of labs reduced, or the scope of specific labs narrowed so as to ensure the Government has manageable financial resources for subsequent NKRA implementation.

This could mean DFID's contribution is also adjusted in line with any changes to the programme's overall budget.[2]

Procurement under BRN II

Anticipated costs relating to PEMANDU/McKinsey's services will be subject to value for money scrutiny through the Government's procurement and contract negotiation process.

PEMANDU Corporation is the contracting entity to the Tanzanian government. PEMANDU is a Government Agency in the Prime Minister's Department, with a separate legal entity, PEMANDU Corporation, enacted by statute. It is fully funded by Government with senior Government officers on its Board including the Chief Secretary, Chief Treasurer and Special Officer to the Prime Minister.

[1] [1] Transformation of Government Delivery on National Development Projects and Programmes: Proposal for Big Results Now (BRN) Phase II, The President's Office Planning Commission, United Republic of Tanzania, May 2013

[2] Transformation of Government Delivery on National Development Projects and Programmes: Proposal for Big Results Now (BRN) Phase II, The President's Office Planning Commission, United Republic of Tanzania, May 2013

The bulk of the payment from Tanzanian Government are used to cover its expenses including: staff cost (full salary, employee provident fund contribution, allowance and IT); staff travel (i.e. flights from Malaysia to Tanzania); staff food and accommodation in Tanzania, and other direct expenses.

Like any non-profit organisation (NPO), should there be any surplus, PEMANDU Corporation does not pay out a dividend. Instead, it re-invests the surplus in its capacity building of the Tanzanian Government and PDB staff for example through best practice visits and training

Any other surplus gained after the full cost of conducting the work are therefore invested in its capacity and future ability to undertake similar efforts for the Tanzanian or other governments. Such investments include sharing the knowledge and methodology with a wider global audience. A prime example is the original Big Fast Results (BFR) seminar conducted in Kuala Lumpur in 2011, in order to share PEMANDU knowledge with 50 governments from around the globe. Subsequent visits and training sessions of the Tanzanian Cabinet and its civil service prior to Phase I of BRN commencing were all funded in this way.

Through an agreement between PEMANDU and McKinsey, some of the package of external support will be delivered by McKinsey. McKinseys are operating with profit, although they have costed the program using rates specifically designed for East Africa work, which are less than rates charged by McKinsey in other geographies.

In November 2012 McKinsey was successful in qualifying as one of the panel of suppliers appointed to the DFID Wealth Creation Framework Agreement in five areas (Economic Policy, Trade and Regional Integration; Rural Economic Development, Livelihoods and Natural Resource Management; Infrastructure; Financial Sector Development; Private Sector Development and Market Development). They scored highly against the criteria “Approach to improving VfM in Wealth Creation” (86%), and this same approach is the one applied to BRN.

Furthermore, the Government has enthusiastically accepted DFID’s offer of providing international procurement technical expertise to assist with the contract negotiation process to:

- ensure that the Government gets the very best value for money from the contract.
- scrutinise the contract to ensure that all terms and conditions (e.g. in relation to flights and hotel costs for consultants) are appropriate for a programme of support to a low income country.
- provide DFID with reassurances that the procurement has complied with all applicable rules and regulations.

This assistance would be provided through the DFID procurement agent for Tanzania, which, as per the DFID Framework Agreements set up by DFID Procurement Group, is Crown Agents. The Procurement Agents have already gone through an EU competitive process in relation to the services they will provide, are equipped to provide a range of specialist skills and are very experienced in the development environment, will ensure professional and effective procurement, and assist in maximising Value for Money.

The Government of Tanzania proposes to use the same procurement process for Phase II

as it did for Phase I, namely a single-source process, as the circumstances satisfy three of the four criteria for single sourcing:

1. Urgent procurement is necessary (in order to commence Phase II without a break in programme implementation).

2. The tasks to be performed represented a natural continuation of work (having begun with President Kikwete's visit to Malaysia in 2011, continued with the cabinet retreats and resolution last year, and then moved on to Phase I of BRN).

3. The contracting entity is the only qualified bidder (on the basis that the PEMANDU/McKinsey partnership is unique, providing the best combination of professional consulting and experience in establishing delivery systems with PEMANDU's government-specific experience in doing so in challenging environments).

For Phase I, the Attorney-General concluded that a single-sourcing process fell well within the requirements and ordered it be adopted and a Request for Proposal (RFP) to be issued. A Ministerial Tender Board constituted under the terms of the Public Procurement Act 2004 considered the RFP response that was subsequently submitted, and contract negotiation commenced, focused primarily on contract terms, narrowing timeframes and increasing scope from the early response submitted by PEMANDU.

For Phase II the anticipated timescale is that the RFP is issued before the end of June with a mid-July deadline for response. Contract negotiation will therefore take place over the second half of July, concluding in August.

During the lifespan of the programme, the Government will remain responsible for procurement related to BRN. Their capacity to do so is assessed below. DFID and other donors to BRN will, through the management arrangements for the multi-donor funding mechanism, retain oversight of the procurements undertaken for BRN and may, if deemed necessary or beneficial, consider providing further technical assistance of the kind outlined above.

The Government's procurement capacity
Tanzania was one of 22 countries to pilot the OECD-DAC's procurement assessment methodology – MAPS – in 2007. This assessment drew a series of conclusions regarding the legislative framework, institutional and management capacity, procurement operations and system integrity. The results of this exercise were then compared with the 2006 light touch update on the detailed 2003 Country Procurement Assessment Review (CPAR) conducted by the World Bank. The comparison showed improvements across all of the assessment pillars. Nonetheless, notable weaknesses in the procurement system remained and as a result, the Government used the outcome of these assessments to develop plans to improve the procurement system in the years since. Some of the findings have been reflected in the new and strengthened 2011 Public Procurement Act (see below for further details).

Legislation and policies. Public procurement in Tanzania is governed by the Public Procurement Act (PPA) 2011, which was passed by Parliament in November 2011, and which received Presidential assent in 2012 thus repealing the existing PPA No. 21 of 2004. Its regulations have also been finalised and are now awaiting approval by Parliament, which

is expected imminently. The improvements which PPA 2011 will bring are detailed below.

PPA 2004. Over the last decade, the procurement system has undergone significant reform including the enactment of the PPA 2004 which brought many positive improvements. The Act fully decentralized the procurement functions to procuring entities and established the procurement oversight body, the Public Procurement Regulatory Authority (PPRA). The Act also encouraged competitive pricing through open competition processes which is transparent and non-discriminatory among bidders. The Act was put in place as one of the measures to control public expenditures in order to ensure that there is value for money in public procurement. Other reforms included the establishment of the Public Procurement Appeals Authority (PPAA) to deal specifically with complaints and disputes relating to public procurement, and the establishment of a new professional body, the Procurement and Supplies Professional & Technicians Board, in 2009.

Overall, the law provided for competitive tendering procedures as the preferred method of procurement. The regulations set out thresholds (in monetary terms) for various methods of procurement, with international competitive tendering conforming to international standards and ensuring value for money to the public. The law also defines clearly circumstances under which single source procurement or direct purchasing may be permitted. The use of such methods is subject to approval by respective tender boards.

Rationale for the new PPA 2011. Whilst the basic principles of PPA 2004 have been maintained in the 2011 Act, the following key improvements have been made following observed weaknesses by various stakeholders after more than six years of PPA 2004's application:

- Establishment of a Procurement Policy Division in the Ministry of Finance. This Division will, amongst other activities: i) develop a national procurement policy and monitor its implementation; ii) review procurement policies, regulations, circulars and other related directives; iii) advise the central government, local authorities and statutory body on issues related to procurement policies; and iv) develop and manage the procurement cadre.
- The Public Procurement Regulatory Agency (PPRA) has been given more powers to execute its regulatory functions. These powers include cancellation of procurement proceedings where a serious breach of the law is established, and powers to intervene where an accounting officer decides to reject tenders and where any mis-procurement is reported to it.
- The Act also provides sections which make PPAA independent from the Ministry of Finance, hence enabling it to discharge its functions more efficiently and effectively.

Compliance to the PPA. The PPRA annually monitors compliance to procurement legislation through 13 indicators that examine the independence of procurement functions, compliance with procurement controls, transparency with procurement processes and record keeping amongst other things. This data shows that procurement compliance levels improved from 39% in 2006/7 to 75% in 2010/11 based on follow-up audits. These improvements are also corroborated by the jump in the PEFA assessment rating on 'competition, value for money and controls in procurement' from D+ in 2005 to B in 2009 (the most recent PEFA study available. The next is scheduled to conclude later this year).

However, concerns over the integrity of procurement processes remain and as a result, we continue to rate risks in procurement processes as ‘substantial’ in our 2011 FRA. Our 2013 Annual Statement of Progress on the FRA confirmed the risk level remains the same and is Stable.

Future Improvements. DFID will continue to support PPRA’s capacity building efforts through Phase IV of the PFM Reform Programme which started in July 2012. Progress will be monitored through a PAF indicator on the average level of compliance of i) all procuring entities and ii) the top 20 procuring entities with the revised 2011 Procurement Act.

4. Financial Case

A. Who are the recipients of all proposed payments?

The Government of Tanzania will be the recipient of up to £37 million (95% of the total funds of the DFID programme funds) through a new dedicated Big Results Now funding mechanism to be established during the start-up period ahead of Phase II with a performance/results based payments approach.

£2 million will be set aside for potential costs relating to monitoring or evaluation of the programme. If an evaluation is to take place, it is anticipated that it would be commissioned (and paid for) by the Government, and therefore they would likely be the recipient of funds for this, but there may be alternative recipients of costs related to monitoring (see Section B below).

There is also a possibility that the US may ask DFID to channel funds on their behalf to the Government of Tanzania for BRN II. In this case DFID would sign an MoU with the US for this purpose, and set up a dedicated Third Party Money bank account with Crown Agents to receive and hold these funds, pending their transfer to the Government of Tanzania.

B. What are the costs to be incurred directly by DFID?

DFID may directly incur costs relating to the small proportion of the funds set aside for monitoring and evaluation. These are most likely to be programme consultancy costs. Examples may include:

- The commercial/procurement advice which we intend to provide to assist the Government with contracting PEMANDU/McKinsey.
- If Tanzania opts to have an International Performance Review Committee to annual assess and independently verify the performance of the programme, DFID may decide to nominate and pay the costs for an international expert to sit on the panel.
- The President's Delivery Bureau or Ministerial Delivery Units might request some additional short-term technical assistance to investigate and address a specific delivery problem identified through the BRN programme.

C. What are the costs to be incurred by third party organisations?

The costs to be incurred by the Government of Tanzania for BRN are summarised below[1]:

[1] Transformation of Government Delivery on National Development Projects and Programmes: Proposal for Big Results Now (BRN) Phase II, The President's Office Planning Commission, United Republic of Tanzania, May 2013

Budget overview[1]

4 years, 16-22 labs, establishing delivery system and lab implementation **$119.770 m**

President's Delivery Bureau		2013-2014	2014-2015	2015-2016	2016-2017	Runrate
Staff costs	75 Staff	1.202	2.958	3.300	3.300	3.300
Operating costs	Utilities, audit, comms, etc	3.000	3.000	3.000	3.000	3.000
Lab costs, 4 waves	Capacity: up to 4, 6, 6, 6 labs	1.400	2.100	2.100	2.100	2.100
Lab support, 4 waves	Reducing per wave	4.619	3.464	2.605	1.524	
PDB support	3 years, reducing	9.700	7.440	6.215		
Secondments	3-4 years: 6, 3, 3, 2	0.633	0.330	0.321	0.202	
Total		**20.554**	**19.293**	**17.541**	**10.126**	**8.400**

Ministerial Delivery Units		2013-2014	2014-2015	2015-2016	2016-2017	Runrate
Core staffing	7-10 per MDU – 110 total	2.667	4.109	5.208	5.495	5.500
Central staffing	Existing ministry					
Regional staffing	Existing regional support					
External support	4 years, reducing over time	7.500	6.780	5.085	5.085	
Secondments	2 for 1st 2 years of each MDU	4.455	2.475	1.485	0.165	
MDU operating costs	% of salary for overhead	0.267	0.411	0.521	0.549	0.550
Total		**14.888**	**13.775**	**12.299**	**11.294**	**6.050**

Budget by year	35.442	33.068	29.840	21.420	14.450

1 Includes cash cost only (not in-kind). Does not include the budget for foreseen variations. Does not include inflation.

The largest cost driver is the package of external support to be provided by PEMANDU/McKinsey.

The exact value of this will be the subject of commercial contract negotiation process which has not yet begun. Ensuring value for money will be the focus of these negotiations, assisted by an international procurement expert provided by DFID to assist with the process. Current indications of the proposed budget for Phase II see a steep decline in the per person costs of the PEMANDU support package compared to Phase I (from around £712 per day in Phase I to £452 in Phase II, which remain in line with DFID norms and reflect market rates for high level international expertise). The Government is discussing the overall size of the package of support, and is anticipating requiring about 55,000 person days over the entire four years, with an approximate breakdown as follows:

- Leadership: 5-8%
- Content experts / advisers: 5-8%
- Task team (on-site): 30-40%
- Support team (off-site): 15-20%
- Secondments: 25-40%

The procurement process will seek to drive costs down and build in flexibility to ensure that the Government only pays for support that is strictly essential.

The remaining costs are in order of magnitude: staffing (PDB and MDU); operating costs for the new PDB (and to a lesser extent the MDUs); and costs of running the labs.

In order to ensure it attracts the best possible candidates from both the private and public sectors, the staff in the PDB will have a different staff compensation framework which has been approved by the Chief Secretary as Head of the Civil Service and the Cabinet. All PDB staff (private-sourced and public-sourced) will be paid according to an equivalence table. In the case of the MDUs, staff are envisaged to be drawn from within the lead Ministry. They have a budget available which Ministries can use to (a) pay appropriate allowances in accordance with usual Civil Service practice for high-performing positions, and/or (b) hire external staff direct to the MDU and make salary-equivalent payments to ensure the position is attractive enough for the right candidates. The entire staffing budget for BRN Phase II is around 23%, a little over the contribution that the Government themselves will be making to the programme.

D. Does the project involve financial aid to governments? If so, please define the arrangements in detail.

The project is primarily financial aid to government. It will be through a new, dedicated multi-donor funding mechanism to be established to support BRN Phase II. In this it will differ from Phase I, where DFID was the only donor and thus our support was transferred directly to Government under the conditions of a bilateral Memorandum of Understanding which set out the milestones against which payments were made.

The final arrangements for this will be the subject of negotiation between DFID, once our funding has been approved, other donors supporting BRN and the Government of Tanzania. Nonetheless, in principle discussions have begun and established the following framework:

1. **Performance / results based payments.** As discussed in the Appraisal Case, we have opted for and agreed with Government and other donors a performance / results based payment approach whereby payments are linked to achievement against pre-agreed performance/results indicators.

   The indicators, milestones and targets, drawing on the Government's own Key Performance Indicators for the programme, would be agreed in advance on an annual basis between donors and Government, and at the outset of the programme we will agree the process for assessing whether they have been met in order for the payment to be made.

   Should the agreed results fail to be delivered then payment would be withheld or adjusted accordingly. The DFID Tanzania Head of Office will take the final decision as to whether the terms have been met in order to proceed with payment or not.

   The performance / results milestones for the first payment are to be confirmed with Government in the coming months once DFID funding has been approved and we are able to enter into funding commitments for the programme. Payment 1 will come shortly after Phase II has commenced and therefore the milestones will not be wholly representative of the ambition or depth required at future intervals. Nonetheless, the list of performance milestones for payment 1 set out below represent significant steps in establishing the delivery architecture and thus a strong base for the decision on the first

disbursement of funds:

- **First wave of NKRA plans published online including detailed KPIs**
- **Transformation and Delivery Council, and NKRA Steering Committees have each met at least once to review progress against the KPIs**
- **Meetings with Development Partners have taken place on the first six NKRA Action Plans to align off-budget programme support**

2. **Regular six monthly meetings** will be held between Government and participating donors. One of these will align with the production of the BRN Annual Report. The agenda for these will be:

    - **Report of activities and achievements**, including against payment milestones, and financial records for the preceding six months. Wherever possible, this will draw on the existing data and material collated by Government for their own monitoring purposes, so as not to duplicate effort and increase transaction costs. The information will be shared in advance of the meeting to enable it to be scrutinised ahead of time.
    - **Confirmation of payments to be made.** Donors, including DFID, will raise any questions about the reports and then confirm the level of payment they will make linked to the result achieved.
    - **Review of the forthcoming period.** The Government will present the budget and workplan for the coming six months to enable a strategic and operational discussion with input from donors.
    - **Confirmation of the performance / results indicators for the next payment, and provisional ones for the following payment.** DPs will review, discuss and agree with Government the milestones against which the next payments will be made in six months, and the provisional set of performance/results for the payment in one year's time. This will be cross-checked against the stated targets published at the outset in the Action Plans to ensure that the level of ambition remains satisfactory with these.

Further information on management arrangements is provided in the Management Case.

E. Is the required funding available through current resource allocation or via a bid from contingency? Will it be funded through capital/programme/admin?

The funding will come from DFID Tanzania's existing resource allocation. All funds will be classified as programme spend.

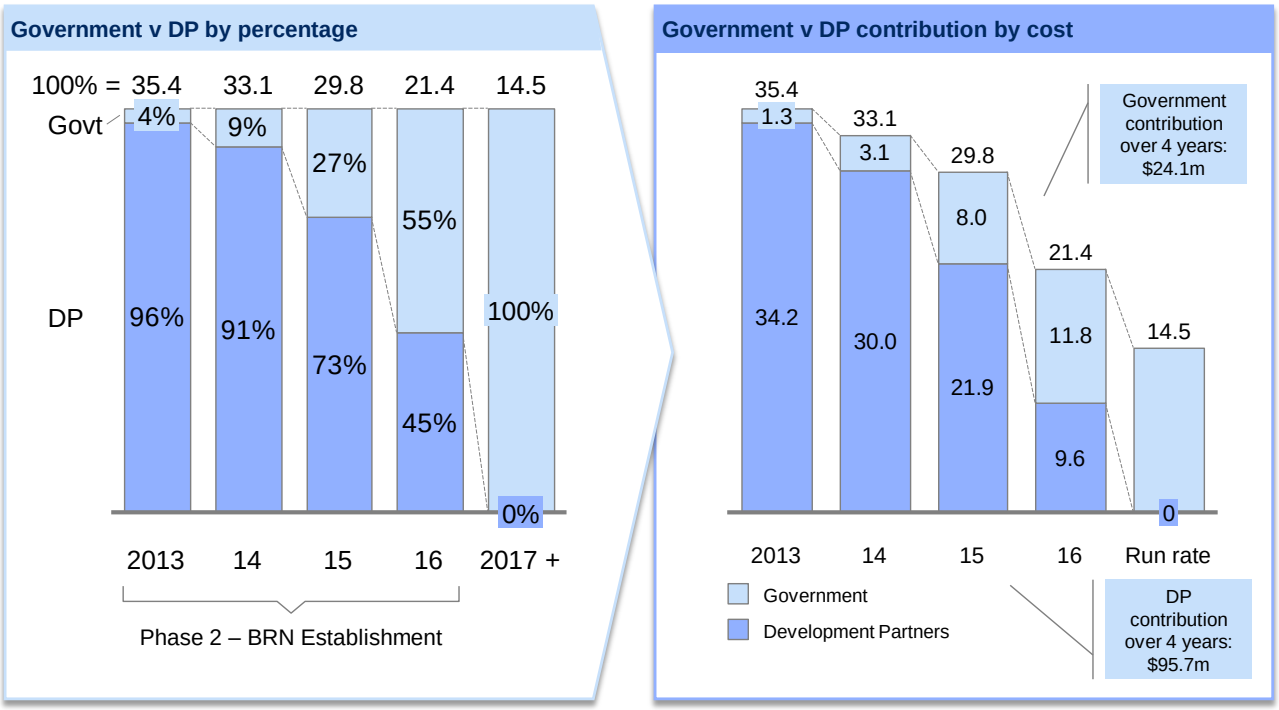
F. What is the profile of estimated costs? How will you work to ensure accurate forecasting?

DFID will not be the only donor contributing but based on our analysis of the development partner funding shortfall, DFID's contribution is proposed to be £37 million in total over the four

years. Based on this being equivalent at the time of writing to US$57.6 million, this would represent 48% of the entire programme budget and 60% of the DP contribution.

It is clear from the information presented below, taken from the programme proposal that: (i) total costs decline year-on-year after initial set-up outlay; (ii) Government contribution increases significantly over the four years until it meets all costs from year 5; (iii) and therefore donors, DFID included, can expect to be required to front-load their support over the four year lifespan of the programme.

Budget by source



Notes:

- DP contribution is always higher than the cost of external support
- Progressive capacity building using labs and delivery programs decreases risks of program failure

The exact proposed schedule of payments will be agreed between Government and other donors once our funding is approved and we are in a position to commit. Of course, as payments are to be linked to performance and results, there is a degree of unpredictability in the forecast of spend depend on the level of achievement, but the maximum ceilings are clearly established and set out below.

Based on DFID meeting 60% of the yearly DP contribution, the breakdown of spend is anticipated to be:

Tanzania Financial Year (July – June)	**DFID contribution (GBP)**	***For info only – approx. USD equivalent***
2013/14	13.2	*20.5*
2014/15	11.6	*18*
2015/16	8.4	*13.1*
2016/17	3.7	*5.8*

Total	**36.9**	

The Government has proposed a schedule of two six-monthly payments linked to the six-monthly meetings set out above. These meetings will coincide with the programme reporting cycle and there are most likely to take place in July and January to reflect the Phase II start date of July 2013.

Therefore, despite the fact that the Tanzanian Financial Year runs from 1 July – 30 June, it is likely that the yearly forecast would be the same when mapped against the UK Financial Year as payments would fall in the overlapping months of July and January.

For Year 1 (2013/14) DFID does not anticipate that the overall financial and management arrangements for the entire programme will be in place in order to make the first payment in July: at the very earliest this could be expected in August but September/October is more likely.

It is possible that Year 1 spend would be accelerated as DFID is likely to be the quickest to mobilise, creating demand for DFID's contribution to be weighted towards the start of the programme. We may, however, seek to offset this by weighting more heavily the first of the two payments within year one, but retaining the overall budget envelope for year one.

G. What is the assessment of financial risk and fraud?

DFID Tanzania's most recent fiduciary risk assessment (FRA) was completed in 2011. FRAs are a mandatory requirement where DFID provides financial aid to partner governments and provide for an understanding of the fiduciary risk environment, mitigates risks to the proper use of funds and monitors risks, performance and use of funds on an on-going basis. In addition to the FRA, DFID attends to do a separate due diligence exercise on the President's Delivery Bureau once it is fully operational to confirm all the correct processes and procedures are in place.

DFID's 2011 FRA concluded that on a scale of high, substantial, moderate and low, the level of fiduciary risk in mainland Tanzania at both central and local levels remains as 'substantial', which is unchanged from the previous FRA in 2008. The specific risk of corruption occurring was also assessed as 'substantial'.

In May 2013, DFID completed an Annual Statement of Progress against our FRA. This retained the assessment of fiduciary and corruption risk, resulting in an overall assessment that the situation is Stable.

To mitigate the risks identified in the FRA, a set of safeguards were identified and approved to contribute to short-term risk management by reducing the risk of leakage and inefficiency in the use of funds, whilst also strengthening PFM systems longer-term. The latest assessment of these, as reported in our Annual Statement of Progress, is provided below.

Risk 1 Budget credibility.	*Measures:* ensure budget estimates are available in timely way; ensure education expenditure data is publically available. *Progress:* approved budget published as agreed in the PAF. Expenditure in priority sectors, including education, available through Rapid Budget

	Analysis. *Further remedial measures:* implementation of programme based budgeting and preparation and use of MTEFs to be supported through PFMRP IV. Newly approved budget cycle will have positive impact in FY 2013/14.
Risk 2 Budget transparency.	*Measures:* publicise grant transfers to LGAs; improve information sharing on budgets & financial statement of PA&OBs (Public Authorities and Other Bodies) in education sector. *Progress:* transfers to LGAs reported on website and in Tanzania Budget Explorer. Financial reporting in education not progressing as expected reflecting wider weaknesses in PA&OBs. *Further remedial measures:* improved accountability and procurement compliance in PA&OBs to be supported though PFMRP IV. Strengthened dialogue in education TWG (Technical Working Group) and though BRN (Big Results Now initiative) will include specific elements focussing on financial reporting in education, with Presidential Delivery Board oversight.
Risk 3 Planning and budgeting system.	*Measures:* simplify capitation grant guidelines for primary and secondary education in addition to measures under Risk 2. *Progress:* review all intergovernmental transfers as first step and incorporate into PAF. Analysis nearing completion after procurement delay of 4 months. *Further remedial measures:* follow up to be agreed and monitored through PFMRP IV and education TWG.
Risk 4 Predictability and control in budget execution.	*Measures:* make available quarterly execution reports; improve timeliness of financial transfers to schools. *Progress:* execution reports available on MoF website; information gaps on arrival of funds at school level addressed through sample survey. *Further remedial measures:* improved cash management, debt management and migration to accrual accounting to be supported under PFMRP IV. BRN will include specific elements which focus on timely release of education funds to schools.
Risk 5 Accounting, recording and monitoring.	*Measures:* improve accessibility of financial statements. *Progress:* production of comprehensive & accurate financial statements using accrual standards identified as key step. Training of core group responsible for completing statements completed and new templates field tested. Bottlenecks arising from upgrades in the accounting system (Epicor) are being resolved. Supporting amendments to the Public Finance Act are in progress. *Further remedial measures:* additional accounting training, development of asset management policy, and integrated debt management capacity to be supported through PFMRP IV.
Risk 6 External	*Planned measures:* improve presentation and publication of audit reports (notably in education); reduce volume of outstanding audit matters; ensure

audit and scrutiny.	reporting of follow-up to audit recommendations; ensure support to parliamentary committees. *Progress:* The 2010/11 CAG reports and related discussions in Parliament and media around corruption allegations led to the sacking of six senior Ministers including Minister of Finance. CAG reporting has since reached AFROSAI-E level 3 standards (April 2013). Reports are published on the web and include summaries of implementation of previous year's recommendations though detail for education is limited. In addition the citizens audit report provides accessible summaries in Swahili and English. The target reduction in outstanding of audit matters (PAF indicator) was not met due in part to lack of satisfactory baseline information. Support for parliamentary committees (e.g. for critical site visits by the PAC) has been provided though PFMRP IV. The Internal Auditor General`s office, created 2011, has become fully operational. *Further remedial measures:* on-going support for CAG, IAG and parliamentary committees to be provided through PFMRP IV; dialogue around financial reporting to be strengthened in education TWG; CAG to establish a baseline and monitoring system for tracking the volume of outstanding audit matters.
Risk 7 Procurement system.	*Planned measures:* revise indicators to more accurately reflect compliance with procurement regulations; provide short-term procurement oversight in education and infrastructure (DFID & AfDB); ensure bidders are aware of government contract evaluation criteria and scorings. *Progress:* new procurement indicators incorporated into the PAF. Effective oversight being provided by DFID in education (textbooks) and by AfDB in the roads sector. PPRA evaluation criteria are incorporated into tender documentation though scorings are not systematically provided. A special audit of LGRP (Local Government Reform Programme) basket fund, to which DFID does not contribute, suggests endemic non-compliance despite improving indicators across government, reflecting weak capacity of PMUs especially at LG level (NB: no change in overall risk assessment). Strategy in place for managing risk in basket funds to which DFID contributes. *Further remedial measures:* Procurement capacity to be supported through PFMRP IV on on-going basis alongside enhanced multilateral/bilateral support. DPs are working with the CAG and PMO-RALG (Prime Minister's Office, Regional Administration and Local Government) to agree specific follow up action to LGRP the special audit.
Risk 8 Corruption.	*Planned measures:* Ensure corruption receives top level priority in GBS dialogue with robust indicator included in PAF; support provided for oversight institutions and anti-corruption measures in specific sectors (police, judiciary). *Progress*: Quality of dialogue on corruption has improved. Anti-corruption outcome indicator included in 2013 PAF. Dedicated AC/PFM advisers recruited. HMG accountability forum (DFID & FCO) established. Training held for all staff on scrutinising audited statements.

	Further remedial measures: Contingency planning for corruption events involving aid funds; work with Government to develop home grown PAF corruption indicator; introduce additional fiduciary controls e.g. as part of annual reviews; work to improve performance of DFID anti-corruption programme (STACA).
Have any new risks been identified? [Yes/No] If Yes, include a brief description of the risk and planned measures to address it.	Yes
New Risk 1	Amendments to the Public Audit Act (2008) in October 2012 could potentially affect the CAG`s voice in Parliament and ability of oversight committees to hold government accountable. This risk will depend on how new arrangements are implemented in practice. The planned measure is to closely monitor implementation and impacts of the amendments and raise as a top level priority in GBS dialogue if blockages start to materialise.

H. How will expenditure be monitored, reported and accounted for?

The Government of Tanzania, and in particular the Ministry of Finance and President's Delivery Bureau, with support from the President's Office Planning Commission during the hand over phase, will be responsible for the monitoring, reporting and accounting of expenditure under BRN.

This information will be presented to development partners as part of the six-monthly review process, for interrogation and verification. Future payments will only be made once we are satisfied with the financial reports presented for the previous period.

Annual audited reports will be made available to all donors under the terms of the MoU.

I. Are there any accounting considerations arising from the project?

No.

5. Management Case

A. What are the Management Arrangements for implementing the intervention?

Management of the new BRN delivery architecture
Big Results Now will be a wholly Government-led and owned programme. Its success depends on this. It will ultimately be closely overseen by the President, with support from the Chief Secretary, with the day to day management of the programme led by the CEO of the President's Delivery Bureau and supported and implemented by his staff, that of the MDUs and the wider public service working in the areas within the scope of BRN. The full mechanisms for this are articulated as part of the options analysis in the Appraisal Case. Audit responsibility will lie with the Controller and Auditor General (CAG) as is the case for all Government programmes. Their reports are made publically available.

Management of the contract for external support from PEMANDU/McKinsey
BRN will be technically supported by PEMANDU/McKinsey, with the possibility of additional technical experts being provided by other Development Partners in the future, for example in relation to Ministerial Delivery Units. The management of the contract with PEMANDU will lie with the Government as outlined in the Commercial Case.

Development Partner oversight and management of the multi-donor performance / results based funding arrangement
BRN will be funded by both the Government and a number of Development Partners. The financial arrangements for this, including linking payments to performance, are outlined in the Financial Case above; the full and final management arrangements will be agreed by DPs and the Government once our funding has been approved and we are in a position to provide a commitment and enter into a Memorandum of Understanding.

The six monthly meetings between Government and funding partners, as detailed in the Financial Case, will provide DFID with the opportunity to formally participate in strategic discussions about the speed, scope and success of the programme, flag any considerations of note and highlight any concerns.

By linking payments to performance and results, the DPs will have a strong mechanism by which to ensure any concerns they raise are noted and acted upon by the Government in their management of the programme. The intention will be to add value and strategic input that will maximise the likelihood of success of BRN, but not to require sight of day-to-day operational details or undermine internal management and decision-making processes.

DFID Tanzania's internal management of support to BRN Phase II
Responsibility for day-to-day management of the programme will rest with the Policy and Programme Adviser, supported by the Governance Team Programme Officer. Senior Advisory input will be provided by the Deputy Head of Office. Strategic oversight and high-level liaison with Government will continue to be the remit of the Head of Office, who will also have responsibility for making the final decision as to whether the conditions relating to payments have been met and whether funds should be disbursed.

B. What are the risks and how these will be managed?

Risk	Probability	Impact	Mitigation

1. Donor funding does not flow quickly enough to sustain momentum	Medium	High	• Close cooperation between GoT and DPs to ensure clarity on timescales • Information required by DPs in order to move forward with disbursements clearly and quickly conveyed to the Government • DPs work closely together to ensure their internal mechanisms and requirements align • Escalation to higher level dialogue if necessary to ensure urgent action by all parties
2. New Government elected in 2015 decides not to continue BRN	Medium	High	• Provide firm and continuous support in the first two years of the programme to maximise chances of success • Payment by performance/results to further incentivise success • Embed BRN within our general budget support and sector programmes to help ensure it is 'irreversible' • If the programme is delivering, then make strong statements to the Government of the importance of continuing it
3. Quality of data is poor, undermining ability to assess how BRN is performing	Low	High	• Engage on a sector by sector basis with the selection of indicators to ensure they are robust and credible • Work with the MDUs and PDB if requested to help address any gaps or shortcomings in data quality • Offer to provide funds for independent verification of results as was undertaken in Malaysia
4. Lack of capacity at regional / district level acts as a blockage to success of BRN	Medium	High	• Flag this potential risk with PDB as early as possible • Work with GoT and other DPs to provide targeted additional assistance in areas identified as weak or especially limited in capacity
5. Programme is unsustainable	Medium	Medium	• Maintain focus on capacity building and transfer of skills under the external support package • Clearly flag with Government the parameters for future DP funding and the need for them to meet future costs • Reiterate that if the programme has delivered the economic benefits intended then it should be more than able to pay for itself
6. External support	Low	Medium	• PEMANDU's relationship with

packaged contracted for PEMANDU fails to meet requirements			McKinsey, enabling them to draw down extra support and capacity as needed, will mitigate this risk • Encourage GoT to build flex into their contract with PEMANDU to adapt to changing needs over the years of the programme • In specific areas where PEMANDU/McKinsey are not able assist, if requested by GoT provide alternative sources of external support.

C. What conditions apply (<u>for financial aid only</u>)?

Conditions relating to the level of performance / results achievement required before a disbursement can be made and the documentation required (financial information for preceeding period; workplan and budget for the forthcoming period) will be agreed as part of the discussions around the multi donor funding mechanism to be established in the immediate coming months for BRN II. These will be set out and formally approved by DFID Tanzania as part of the Memorandum of Understanding governing the programme.

Maintenance of DFID's Partnership Commitments will form part of the Memorandum of Understanding for our support to Big Results Now Phase II, as they did for Phase I and all other forms of financial aid to governments. As part of on-going efforts to reform and strengthen Budget Support, development partners have developed a new more rigorous joint approach to assessing the Underlying Principles. The first detailed assessment was completed in May 2013. Progress against DFID's Partnership Commitments is summarised below:

1. Poverty Reduction and the MDGs

Tanzania has generally sound macroeconomic policies. Growth continues to be strong (projected 6.6%); and inflation is now in single digits. Tanzania remains on track with its IMF PSI Programme and has been successfully reducing its fiscal deficit (5% in 2011/12). Domestic revenue increased to 17.5% of GDP in 2011/12 and is budgeted to increase to 18.8% this year. There are risks: In the short term meeting the financial needs of Tanzania Electric Supply Company (Tanesco) will put pressure on the budget. In the medium term other areas of potential concern are the high level of tax exemptions, increasing non-concessional government debt; and contingent liabilities related to parastatals.

Despite more than a decade of 6-7% GDP growth, the level of income poverty has hardly changed and remains at about one third of the population. To address this, the Government has increased its focus on agriculture as part of its strategy to increase rural incomes and build broad based growth. In high profile initiatives such as the Southern Agriculture Growth Corridor (SAGCOT) programme the Government is working closely with the private sector to boost agriculture growth. More generally, the Government is committed to reducing poverty and achieving the MDGs. There has been progress in some areas, e.g. reduction in child mortality and greatly expanded school enrolment. However, despite Tanzania's generally sound policies, poor implementation has undermined delivery and overall achievement of the MDGs is mixed.

2. Improving public financial management (PFM), promoting good governance and transparency and fighting corruption

Although fiduciary risk remains substantial, our assessment is that capacity is improving in all key areas of the PFM cycle. The Government remains committed to continuing to strengthen PFM through its PFM Reform Programme. However more needs to be done on debt management, strengthening the role of Treasury Registrar, raising compliance in the procurement system, and improving the Ministry of Finance's overall management and leadership of the reform programme. Stronger collaboration is also needed on PFM issues between central and local Government, where capacity is weakest.

We continue to assess the risk of corruption in Tanzania as substantial. However, when it does occur, there are processes to deal with it. In May 2012 audit reports from the Controller and Auditor General (CAG) were discussed in Parliament leading to the removal of six high profile ministers including the Minister of Finance. The past year also saw the suspension of a number of senior officials pending investigation into possible misuse of funds in their ministries and agencies.

On DFID's instigation, it was agreed these investigations would be tracked through the GBS High Level Dialogue on Corruption. The Prevention and Combating of Corruption Bureau (PCCB) now have consent to prosecute the former Permanent Secretary at the Ministry of Health, former Managing Director of Tanesco and current acting Director General of Tanzania Ports Authority. We expect legal proceedings to follow. DFID is also working with concerned donor leads in health and local government to look in detail at special audits undertaken in these sectors, and to agree appropriate actions to strengthen financial management and procurement.

3. Respecting human rights and other international obligations

Tanzania has a stable human rights record. Tanzania's Constitution and Bill of Rights enshrines fundamental freedoms and important human rights principles. Although Tanzania is a signatory to most of the key human rights conventions, the challenge lies in the practical implementation of its international and domestic commitments. Some of the most pervasive human rights issues relate to those surrounding the status of women and children which remain a serious issue.

Fundamental freedoms are generally respected. Nonetheless some restrictions on freedom of assembly, and association, and rights of expression and opinion have been noted. There is no indication that the Government's overall approach to protecting these rights will shift significantly in the short term although recently media freedom appears to be under some pressure.

4. Strengthening domestic accountability

There is evidence of strengthening accountability over the long-term in Tanzania. The events of May 2012 (see paragraph 0 above) were the most striking recent example of this. Transparency gains have been hard won, but they are being backed up by credible international commitments to the Open Government Partnership and EITI (Tanzania became an EITI compliant country this year). Tanzania's commitment to accelerate transparency in the land and extractives sectors with the support of the G8 this year is also encouraging.

However, other recent changes, related to Parliament's scrutiny functions and amendments to the Public Audit Act, could potentially result in a long-term reduction in parliamentary scrutiny.

Although concerning, these developments should not be immediately interpreted as a systematic attempt on the part of Government to erode these long-term gains. DFID and the FCO will continue to track developments closely.

D. How will progress and results be monitored, measured and evaluated?

Monitoring progress against results is the very bedrock of the BRN programme. Data on performance against KPIs in their chosen NKRAs will be collated by MDUs and ultimately the PDB and as part of the six monthly review of the programme, donors will be provided with detailed information on this to inform their decision about payments linked to performance and results. The means of assessment of achievement against these will therefore be the new systems introduced by Government and tracked on a regular (weekly, monthly and annual) basis. DFID will need to work closely with Government and other donors to ensure that the data is robust and reliable.

Furthermore, the Government is committed to producing a public Annual Report detailing progress against results targets in the previous year. This will be the major definitive statement of the results achieved and progress made by the Government under BRN. In Malaysia an Independent Performance Review Committee also conducted an annual review of the programme. DFID will encourage the Government to do likewise, and participate in whatever way is useful, potentially even providing and funding an expert member for the Committee.

There is a high level of interest in evaluating the programme in some way because of its significant potential and the relatively limited evidence base in an African context. DFID has set aside funds for this and will be actively advocating for consideration of how best to evaluate the programme. However, given that this is a Government-managed programme, the decision and commissioning of any evaluation would necessarily rest with them and thus it is not within DFID's remit to present an evaluation plan at this stage.

Logframe

Quest No of logframe for this intervention: 4024303

As BRN Phase II is a government-led and managed programme, the milestones and targets in the logframe necessarily need to follow those set by the Government for the programme. At the stage of writing the Business Case these have not been fully determined in all cases, as Phase II has not yet begun. Therefore the figures remain provisional and to be confirmed prior to the first disbursement of funds.

Furthermore, following the decision for donor funding to be provided on a performance/results based payment approach, there will be a need to agree both the set of performance/result indicators which will be used for this purpose and the milestones for each year. Preliminary conversations have begun, based on the data available as indicated in the logframe, but this will only be confirmed once DFID funding approval has been received and we are in a position to enter into an agreement about the payment and performance terms. We may therefore update the logframe with some additional or alternative indicators that directly relate to our performance based payments.