Owning Policy Reforms

Tanzania’s Journey through the Integrated Framework Process

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Author: Moa Andrén Nilsson
Preceptor: Göte Hansson
Abstract

Tanzania’s long-term development vision to graduate from a least developed into a middle income country is partly to be realized through the Integrated Framework initiative. A strong perception in the initiative is the question of ownership of the development agenda. The aim of this thesis is to examine whether the initiative has rendered the level of ownership as it intends. My objective is to study the extent of Tanzania’s involvement in the process by examining the formulation of the DTIS and through the seven criteria’s stated in the Integrated Framework Manual, which are recommended to be complied in order to achieve a sustainable country ownership. The initiative has had a positive impact on the ownership process, however not to the desired extent. As in most cases the intent and motivation was strong in the beginning has drained off with time and indistinct results. Involved stakeholders, especially in Tanzania, must continuingly push the process forward in order to achieve the appointed goals.

Key words: Tanzania, Trade Facilitation, Conditionality, Integrated Framework, Policy Ownership
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<tr>
<th>Acronym</th>
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<tr>
<td>BEST</td>
<td>Business Environment Strengthening for Tanzania</td>
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<td>CCM</td>
<td>Chama Cha Mapinduzi</td>
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<td>CEO</td>
<td>Chief Executive Officer</td>
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<td>DANIDA</td>
<td>Danish International Development Agency</td>
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<td>DTIS</td>
<td>Diagnostic Trade Integration Study</td>
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<td>EDS</td>
<td>Export Development Strategy</td>
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<td>ERP</td>
<td>Economic Recovery Programme</td>
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<td>FDI</td>
<td>Foreign Direct Investment</td>
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<td>GDP</td>
<td>Gross Domestic Product</td>
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<td>GoT</td>
<td>Government of Tanzania</td>
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<td>IBRD</td>
<td>International Bank for Reconstruction and Development</td>
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<td>International Development Association</td>
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<td>IF</td>
<td>Integrated Framework for Trade-related Technical Assistance</td>
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<td>IFF</td>
<td>The IF Facilitator</td>
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<td>IFI</td>
<td>International Financial Institutions</td>
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<td>Integrated Framework Working Group</td>
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<td>IMF</td>
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<td>JITAP</td>
<td>Joint Integrated Technical Assistance Programme</td>
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<td>LDC</td>
<td>Least Developed Country</td>
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<td>LPAC</td>
<td>The Local Project Appraisal Committee</td>
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<td>MITM</td>
<td>Ministry of Industry, Trade and Marketing</td>
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<td>MTS</td>
<td>Multilateral Trading System</td>
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<td>NESP</td>
<td>National Economic Survival Programme</td>
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<td>NFP</td>
<td>The National Focal Point</td>
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<td>NGO</td>
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1. Introduction

Trade is one of the most important tools of development today. Action plans for poverty alleviation through trade can be found in almost every government and development agency known. Development through trade facilitation is the strategy, and promises of realization are made by the leading international financial institutions. But with promises comes preconditions. Donors make their aid conditional in the pursuit of particular policies in the partner country. Even though the purpose may be well-intended, in the long run it is a poor strategy in the pursuit for development. Conditionality can not ‘buy’ policy changes that countries do not want. Reforms will not be sustainable if a country is acting purely to qualify for financial support and does not consider the reforms to be in its own interest. In order to stop the process to evolve further, new development strategies have been assembled and goals of mainstreaming trade into Poverty Reduction Strategies are set.

One of the new development strategies is the Aid for Trade plan with its Integrated Framework, and its most recent elaborated Enhanced Integrated Framework guidelines. The principal idea is to empower development countries through strengthening supply-side capacity building, and trade-related infrastructure. In the Integrated Framework program Least Developed Countries go through a diagnostic trade integration study to map out the specific needs and difficulties they have in reaching a sustainable and competitive trade climate. One of these difficulties is obtaining country ownership.

Tanzania was one of the first countries that went through the initial Integrated Framework process in 1999-2000. A country struggling with its political inheritance of former colonial rule and widespread internal corruption has now become a role model to fellow developing countries in its pursuit of country ownership and development. Albeit its reputation, the country suffers from institutional and capacity shortages that hinder the country from reaching full potential in realizing their development objectives.
1.1 The Importance of Country Ownership

To respond to the massive interest among Least Developed Countries to join the Integrated Framework a manual of recommendations was put together to guide the countries through the initiative process. The Manual discusses the Frameworks standpoint on how sustainable development is achieved. One objective is to foster national ownership of trade policy. The guideline sets out seven key factors required for attaining sustainable development in this area, these are however prescriptive since the linkages between trade policy and poverty reduction strategies are country-specific. The objective of this thesis is to review whether Tanzania has achieved country ownership of this development plans, by studying the deployment of the DTIS and recommendations from the IF Manual.

Tanzania is a country with an interesting background and a promising future. The country has made great efforts in stabilizing the economy and has worked hard to generate successful policy reforms. And as one of the Integrated Framework’s initial candidates, Tanzania has been able to work with the program for a long time which is a prerequisite for conducting a proper analysis. My hypothesis is that the Integrated Framework has had a positive impact on the ownership process of Tanzanian development strategies, however not to the desired extent. As in most cases the intent and motivation may be strong in the beginning but often drains off with time and indistinct results. Involved stakeholders must continuingly push the process forward in order to achieve the appointed goals. The presumption raises several questions over the preconditions of which this process has been brought forward. To which extent has Tanzania been involved in the Integrated Framework process? Have they really obtained country ownership? If unsuccessful, what does future policies need to take in to consideration in order to create the greatest country ownership and breach possible?

It is my aspiration that this thesis will raise awareness of the difficulties in obtaining sustainable development. There is no blueprint for solving the problem of poor sustainability. Every situation is unique and every country has to be in charge of its own future. Receiving help from the outside is essential due to the grave conditions in most developing countries. Nevertheless there is a thin line between helping and running over those in need with the conviction of ones own policy supremacy. Attitudes from all parties need to change in order to break the negative chain of events.
1.2 Method

My original ambition when writing this thesis was to conduct an analysis based on quantitative research of the Integrated Framework modus operandi in Tanzania. Along the writing process it became clear that this would be difficult since Tanzania was not as far gone in the process as I first was led to believe. I was also having problems reaching relevant key players for interviews. As a result I have redirected the emphasis of my analysis to a more qualitative approach. By studying appointed recommendations, relevant theories, and ongoing debates among the different stakeholders, I assess whether Tanzania’s objective of attaining country ownership of the Integrated Framework process has been achieved.

The extent of Country Ownership is a question of definition depending on level of inclusion and in which stage of the policy process this takes place. I chose to focus on the level of country participation. This thesis does not cover sector specific progress since the process has not come that far yet in Tanzania. Instead focus is set on policymakers and their course of actions. In order to sequester the analysis to a manageable dimension I have chosen to study the deployment of Tanzania’s DTIS and use the seven criteria’s stated in the Integrated Framework Manual, which are recommended to be complied in order to achieve a sustainable country ownership.

1.3 References

I have used a wide variety of sources to cover all the aspects of the Integrated Framework process. The references used for the theoretic blocs in chapter two and three are primarily scientific and educational reports used in the area of economic integration and trade theory. Chapter four relies on information displayed on the Integrated Framework’s official homepage as well as reports made by the World Bank and independent researchers. This material has also been used in the analysis together with the Integrated Framework Manual, the Diagnostic Trade Integration Study of Tanzania and several other reports and debate articles written by International Financial Institutions, researchers and the opposition. Articles used are published on the International Financial Institution’s respective homepages, the Tanzania Development Gateway and on other related forums. I have tried to contact several of
the key players in Tanzania’s Integrated Framework process for direct input, however without any success. This of course has contributed to the result of my analysis. The lack of input from policymakers is regrettable since it diminishes my opportunities to objectively evaluate Tanzania’s state of ownership in the Integrated Framework matter.

When talking to policymakers, or when reading reports from either International Financial Institution’s, Non Governmental Organisation’s, or the governments in question, one have to bare in mind that they could consist of significant biases and flaws depending on what they wishes to present or what purpose they wish to fulfil. A general problem is misrepresentation of findings and weak referral to other studies. Another problem is the bias in research, where it is common to only select questions that support the reports cause.

1.4 Outline of the Study

In order to bring the reader up to date on the underlying issues of my analysis, I will present two significant components of trade theory in the following two chapters; trade facilitation and conditionality. The reader will learn about their definition, potential gains, and their role in future policies. Chapter four presents an overview of the Aid for Trade concept together with the main components of the Integrated Framework and the Integrated Framework Manual. Emphasis will be on the latter and especially on the national ownership reinforcement. In the analysis in chapter five I begin by recapping Tanzania’s policy reforms, followed by a short presentation of the country’s relationship with the donor community and its current position in the Integrated Framework process. Thereafter, in chapter 6, I try to answer whether Tanzania has succeeded in breaking the negative trends that the International Financial Institution’s conditionality enforced development strategies have brought on developing countries. Then I will try to identify possible shortcomings in the ongoing process as well as in the outcome. In the last chapter I draw my conclusions.
2. Trade Facilitation

One of the fundamental logics behind a country’s involvement in trade and especially in international trade is to increase its economic development and, by doing so, increase the welfare of the country. Trade theory claim that a completely open world market accumulates the highest global welfare, however in reality there will always be a need for control and structured ways of trading both for governments and for enterprises. Although, when the complexity and thus cost of complying with trade procedures override necessary needs of control a loss of welfare will take place. The continuously changing trading climate brings out a need for developing systems that improves, simplifies and facilitates complicated and bureaucratised trade procedures. Trade facilitation reduces the transaction cost and complexity of international trade and improves the trading environment in a country, while at the same time enhancing government control.

2.1 Defining Trade Facilitation

There are several definitions of trade facilitation, all relatively similar. The concept generally refers to reducing the complexity and cost of the trade transaction process and ensuring that all activities take place in an efficient, comprehensible and predictable manner. They are reforms based on internationally accepted norms and standards while at the same time ensuring and strengthening each country’s autonomous right to defend itself against illegal and unwanted trade practices. The main objectives of trade facilitation include harmonization of applicable laws and regulations, simplification of administrative and commercial formalities, procedures and documents, standardization and integration of information and requirements, and transparency by making information on requirements and procedures available and accessible to all interested parties.¹

¹ National Board of Trade, 2006, p.2
2.2 Developing Trade Facilitation

Trade facilitation is by no means a new issue in international trade. Before the globalisation take-off in the 1950’s the main strategy was to establish mutual recognition between different regimes and attempting to harmonise the various independent national systems. Since then the understanding for international trade facilitation has increased, mainly through the work of the United Nation (UN), the World Bank, the World Trade Organisation (WTO), and numerous Non Governmental Organisation’s (NGO’s), who provide a wide selection of standards, trade and customs procedures.

The challenge today is to establish systems and procedures based on best practice and mutually accepted standards. When implementing trade facilitation measures it is important to take the specific circumstances, needs and capacities of individual countries into account since sketching a single blueprint of a trade facilitation process that is applicable to all countries is practically impossible. Through broad multilateral cooperation and dialogue between the government and the trading community (importers and exporters), and by making the different methods compatible and effective tools and procedures available, a country can develop programmes fitting its particular needs, preconditions and aims.²

2.3 Potential Gains

Regardless of a country’s level of simplified trade procedures, there are always gains to be made from further improvements, not least for developing countries. The need for trade facilitation is endorsed by several factors of which the foremost are the globalisation of international trade, the increase of complex free-trade agreements (i.e. rules of origin), the rapid IT-development, and the change in the nature of the traded goods (from complete goods towards intermediate and sub-assembled products). However, there will always be some administrative costs connected to trade transactions, this is inevitable, but the goal is to keep these costs to a minimum, without exposing companies or customs and other administrations to larger risks.³

² National Board of Trade, 2006, p.3f
³ Hellqvist, 2002, p.7f
Despite the understanding of the significance of trade facilitation, it is difficult to put a price on its benefits. The costs and procedures of a single trade transactions is dependent on; which countries and transit countries that are involved (with different legislative system, demands, international agreements and processes); what type of goods; means of transport (air, sea, train, road etc.); the human factor (i.e. the error rate, and efficiency), and skills of the involved actors in the transaction (employees, banks, insurers, transporters, customs and other public officials); and the internal procedural and administrative system of the companies involved in business agreements. This situation does not mean that trade facilitation in itself is impossible, just that putting an aggregate figure on the gains is difficult. It must however be emphasised that regardless of the problems of numerical measurement, trade facilitation is as necessary as it is beneficial.4

As described above, the gains from trade facilitation are intertwined and it is sometimes hard to pinpoint cause from effect, but based on the inputs from both the private and the public sector the essential and main benefits can be materialised in terms of: (i) Increased transparency and predictability; (ii) Time; (iii) Increased Business Opportunity; (iv) and Improved Security. These aspects will be presented separately below.

2.3.1 Increased Transparency and Predictability

The increase in transparency and predictability is one of the most important gains from trade facilitation, especially for the private sector. There is a direct economical gain through the decrease in the administrative costs for enterprises. The more transparent a process is, the lower the compliance costs, which relates to the producing, collecting, and processing of required information and documents. Having a transparent system with high predictability generates a more productive, competitive and profitable environment, it also creates better prerequisites for fighting corruption. Combined these measures will greatly enhance the customs revenue collections.

Trade facilitation is additionally an increasingly important factor for attracting foreign direct investment (FDI). Burdensome customs and trade procedures discourage companies from

4 Hellqvist, 2002, p.20
investing, resulting in loss of potential tax revenue, as well as job opportunities and transfer of technology. It is essential for developing countries to simplify their mutual trade and customs procedures, both on the import and export side, since 40 percent of all manufactured goods and 30 percent of all agriculture products are traded between developing countries.\textsuperscript{5}

2.3.2 Time

Delayed deliveries at borders and other checkpoints add massive costs to already expensive transports. It can lead to delayed payments, penalty fees, storage problems and sometimes to the quality of merchandise being diminished. Each transaction needs time to be processed but that time can become unnecessarily long and costly due to low productivity of officials and burdensome administration, but also due to deliberate delays such as bribery, unofficial governmental regulations and for other reasons premeditated actions.

Lengthy processing affects the opportunity cost as well as the capital status of importers and exporters, this since frozen capital and bank payment delays kill interest revenues and other business opportunities. For operators whose capital reserves are scarce, such as small and medium sized enterprises (SME’s) and most enterprises of developing countries, lengthy processing becomes a prohibitive trade barrier. Minimising the delays at border consequently mean higher trade flow and increased profit for companies due to higher cash-flow and increased possibilities at the time for selling and buying goods.\textsuperscript{6}

2.3.3 Increased Business Opportunity

The cost of not being able to take advantage of business opportunities due to trade procedures is an important factor. All types of companies face lost business opportunities but the cost of complying with cumbersome procedures are higher for SME’s than for larger companies. Gains from improved market access are especially important in developing countries where trade procedures are particularly burdensome and outdated, where SME’s constitute the

\textsuperscript{5} Hellqvist, 2002, p.21f
\textsuperscript{6} Hellqvist, 2002, p.22f
significant share of their business and employment sector, and where the role of FDI’s plays an important role. Efficient administration and trade procedures are key components in attracting investments that in turn creates new business opportunities. However due to the costly and complicated trade procedures, SME’s who are producing products with export potentials rarely reach beyond the domestic markets, thus limiting them from markets which could multiply their turnover.7

The development of e-business enables companies to reach geographical markets without having to be physically present. As a result SME’s are less strained and does not have to move to more developed, or more profitable areas, and thereby reducing the ”brain drain” by keeping innovative companies in the country. Improved market access through trade facilitation may therefore significantly improve SME’s possibility to get involved in international trade as well as in increasing their competitiveness.8

2.3.4 Improved Security

The awareness of the security in international trade has increased with the overall rising level of threat. The immense increase in international trade translates into an equivalent increase in pressure on the national customs. In this respect trade facilitation has a key role to play. Making customs more efficient by risk assessment, improved procedures and diverting staff resources to where it is most needed, means a higher safety for countries and their citizens.

High duties combined with complex customs procedures generate an untrustworthy environment of systematic tax evasion and fraud. Possibilities to discover criminal activities will increase by simplifying and facilitating the procedures. The more simple and transparent the system is, the easier it will be to detect and counteract suspicious and corrupt behaviour, both inside and outside the customs system. Facilitating procedures implicates reallocating financial- and human resources, from routine clerical work to upholding laws and preventing criminal activities. A transparent system further leads to a diminishing black market sector which is infected with cumbersome costs due to crime and loss of tax revenue.9

7 Hellqvist, 2002, p.23  
8 Hellqvist, 2002, p.24  
9 Hellqvist, 2002, p.25f
2.5 Potential Challenges

It must be remembered that there is always a cost connected to a change from status quo. The cost will for a trade facilitating measure be borne by both the government and the enterprises, depending on the level of the country’s development in trade procedures and on the type of trade facilitation programmes. Companies are sometimes reluctant to implement new systems and standards because of existing company-internal and well-integrated administrative systems. Changing a functioning internal system to a new standardised one will constitute a direct cost, sometimes perceived to be higher than the gain for the individual company. This can discourage companies from implementing trade facilitating measures, even if the business community as a whole has great gains to make. It is thus important to include the business community at an early stage to make the development process as smooth and effective as possible.\(^\text{10}\)

Not all developing countries are enthusiastic to negotiate multilateral agreements of trade facilitation commitments. They argue that they do not have the resources necessary to update their customs procedures to more modern technological standards and therefore require additional foreign aid in order to realize it. If international standards are insisted on, several developing countries ask that the agreement be a list of voluntary guidelines, or an agreement focused on capacity-building, rather than a legally-binding, rules-based agreement. They insist that trade facilitation remain a national, bilateral, or a regional concern.

Another challenge is the problem of cause and effect. What in one part of a trade network may appear to be a trade facilitation measure can in other parts create severe difficulties. It is very important to work with an international perspective and use international standards when facilitating national trade procedures. However, it is important to emphasize that there is no blueprint of a perfect universal trade facilitation programme. Trade facilitative measurers must be adapted to each country’s individual needs and capabilities, but with an international perspective in order to create the highest positive impact on economic development.\(^\text{11}\)

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\(^\text{10}\) Hellqvist, 2002, p.27
\(^\text{11}\) Hellqvist, 2002, p.28
Trade facilitation is beneficial both to the business community and governments. Traders gain through faster delivery and reduced transaction costs. Enterprises can focus on their core activities and as a result produce newer, better and cheaper products and services. Government profit in terms of enhanced revenue collection, increased economic efficiency, augmented predictability and increased opportunity to divert resources to fight criminal activities. Even if the gains cannot be directly lump-summed into the purse of every consumer, it is still the individual citizens that in the end profits from a better facilitated trade system. The better and more profitable enterprises and the private sector gets, the better for the society as a whole, resulting in increased welfare. The next chapter will continue to discuss the profitable prerequisites for a developing country.
3. Conditionality

The understanding of what makes aid effective differs. As in any relationship, a good aid partnership is based on an open dialogue, with rights and responsibilities on both sides. Within a framework of partnership, both parties need a clear statement of the terms and conditions of aid. Donors need to show that aid is being used to support effective programmes, and developing countries need to know what aid they can expect, and when it can be withdrawn. This chapter will explore the evolvement of ownership relations in development policies.

3.1 Defining Conditionality

Aid agreements typically set out the terms and conditions to be met by the receiving partners. Donors agree to give a certain level of aid in support of particular policies or activities, or on condition that the country meets certain undertakings. These undertakings cover a range of policy approaches expected to raise the living standards of the poor. They have included economic, environmental or social policies, such as the pursuit of macroeconomic stabilisation or increased access to social programmes such as health or education.

One can distinguish between the following different forms of conditionality:

- **Fiduciary conditionality**: Relates to the financial management of funds and to public accountability thereof. This conditionality exists to ensure that funds are used for the purpose intended and in the most efficient manner.
- **Policy conditionality**: Includes conditions about the implementation of policies believed to be of importance in reaching general development goals. Funding is not necessarily directed towards the areas of policy conditionality.
• **Process conditionality:** Focuses on the process of planning and implementation of policies, rather than on its content. Here certain institutions have to be in place and certain principles for participation are to be followed to enhance transparency and representation of governance.

• **Outcome conditionality:** Focuses on measurable outcomes (e.g., GDP growth, poverty reduction) rather than what kinds of policies are implemented to reach those goals.¹²

There is a certain discrepancy among stakeholders in the use of the term conditionality. The World Bank includes only legally binding conditions as conditionality. They include:

• **Prior actions:** policy actions the country agrees to take before the loans are approved.

• **Tranche release conditions:** policy actions that the country agrees to undertake for the disbursement of loan tranches.

In excess of the above, the International Monetary Fund (IMF) also includes conditions that are not legally binding in the same way in the term conditionality. They include:

• **Performance criteria:** Conditions to be met in order to receive agreed credit; quantitative (fiscal balances); or structural (sector operations, reform of social security systems).

• **Structural benchmarks:** Monitoring mechanism of the government’s program in areas monitored by the IFI’s that would not individually warrant an interruption of IMF financing.

• **Program reviews:** Conducted by the IMF to serve as broad-based assessment of progress.

There lies a disagreement between IFI’s and the NGO’s in the definition of conditionality. The NGO’s definition includes “prior actions” (binding conditions) as well as “benchmarks” (non-binding conditions). In popular use, the term conditionality is given a much broader definition and has become closely associated with the alleged attempt of the IFI’s to impose policies on poor countries. Critics are especially hard on the broad set of monitoring and review mechanisms IFI’s include in the term conditionality, although not all of these formally or automatically impact on the decision to approve or disburse a grant or a loan.¹³

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¹² Bull, Morten & Sigvaldsen, 2006, p.11
¹³ Bull, Morten & Sigvaldsen, 2006, p.12
3.2 Ownership of Reforms

Ownership can be defined as the question of whether the programs adequately reflect government priorities set out in national development plans, whether the processes of elaborating these development plans have been inclusive, and whether the countries have been given sufficient “policy space” and assistance in developing alternative policies. A country’s ability to influence its reform ownership depends on the institutional capacity of governments, this since ownership means both that political commitment exists and that there are able technocrats who can work out the details of reform. Other key factors are the size of the country’s financial resources, and its strategic importance. In a context where one party is perceived to be weak, with little technical competence to propose options or to implement programmes, ownership will be difficult to achieve. Those with greater bureaucratic and policy management expertise are not only better prepared for negotiations but are also more likely to get their points of view incorporated in the programmes. Technical assistance that provides training and policy advice to ensure this can be useful in strengthening and broadening the foundation of ownership.14

There is a stronger sense of national ownership of reform programs today. However, this sense of ownership is weakened by four factors. First, the quality of the participatory processes varies significantly across the countries. Second, policies have been elaborated with significant input from the IFI’s and foreign consultants, and there has been a lack of local input. Third, there is a perceived lack of “policy space” stemming in part from lack of analysis of policy alternatives. A fourth factor that has been brought up in the case studies is that when government institutions have had differing views, as is often the case, IFI representatives have used these differences strategically to promote their own view.15

14 Tsikata, 2001, p. 4
15 Bull, Morten & Sigvaldsen, 2006, p.12
3.3 The Development of Conditionality

Conditionality originated from the IMF, and had initially a macroeconomic focus. It was intended to substitute for guarantees, normally pledged by commercial banks in terms of an asset (a house or a piece of land) to be handed over if the borrower failed to pay back a loan. In the IFI’s, conditionalities had a different purpose. They were originally related to project lending and they were meant to ensure that the funds were used as intended. With the introduction of policy based lending in the 1980’s, the purpose changed to enable the borrower to remove what the lender regarded as fundamental policy-induced obstacles to economic growth and development.\[16\]

The policy based lending program received critique on its practice of conditionality, both within and outside the IFI’s. One point of critique coming from both sides was the lack of efficacy of conditionality. Evidence showed that very few structural adjustment programs were implemented as planned. Instead new conditionalities were added as an attempt to rescue the failure of fulfilment. However, putting external conditions on governments’ through structural adjustment loans did not prove to be effective in achieving policy improvements or in raising growth. A second point of critique was that conditionality affected the sovereignty of borrowers. There were not only economic repercussions of conditionalities, but also democratic, as the public will was set aside in the attempt to satisfy conditionalities set by the IFI’s. A third and related critique was the lack of enforcement of conditionality by the IFI’s. Countries continued to get new adjustment loans in spite of their failure to implement policies from which the prior loans were conditioned. The inconsistency and mixed message to the borrowers resulted from the pressure within the IFI’s for high levels of disbursement and creation of new loans. The final point of critique argued that there were too many different types of conditionality. The IFI’s failed to coordinate among themselves, and as several conditions were demanding and dependent on legal changes, the conditionality overload led to unmanageable tasks for the borrowing governments.\[17\]

\[16\] Bull, Morten & Sigvaldsen, 2006, p.13
\[17\] Bull, Morten & Sigvaldsen, 2006, p.14
From mid-1990 there has been a significant evolution in aid relationships, which has had implications for the appropriate role of conditionality. Poverty reduction has become the primary objective of development assistance. New frameworks for development have been provided based on different kinds of partnership. The new approach emphasises inclusive development, putting poor people first, and country ownership of policies, and donor alignment second.

While sound macroeconomic policies are essential for growth and poverty reduction, the understanding for the importance of good governance, and the role of democratic, participatory processes in developing national plans to reduce poverty, has also grown. Donors are now shifting focus of aid conditions to political and institutional change, as well as social and environmental policy. These so called ‘process oriented conditionalities’ cover the process of policy making without specifying the content of the policy that should result. This has been driven by the recognition that reform agenda will not be successfully implemented if it is not tailored to local circumstances and ‘owned’ by local policymakers.18

3.4 Has the Content of Conditionality Changed?

Concerns have been raised that traditional conditionality has promoted reforms that made poor people worse off. In the past, poverty reduction was not always given the priority in development assistance programmes as it is today. There is concern that in the 1980’s and 1990’s donors pushed standard reform packages, regardless of whether these were in countries’ best interests or not. This made developing country governments more accountable to donors than to their own people and thereby distorting national priorities in the process. Trade reforms have been an important element in explaining growth of poor countries. However, there are concerns that aid conditions have hindered poor countries from following the development path of successful economies that relied on protection during their early stages of development. The imposed conditions requiring unilateral trade liberalisation have affected the ability of poor countries to negotiate effectively in multilateral discussions.19

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18 DFID et.al., 2004, p.4f
19 DFID et.al., 2004, p.5f
The content of conditionality has gradually become focused on public governance. The most important sectors for conditionality are law and public administration, followed by education, health, finance, energy, transport and agriculture. Reforms in the financial sector and private sector development continue to be important areas of World Bank engagement, but with a focus on improving business environments rather than on privatization. Conditionality on user fees is found to be extremely limited; furthermore, conditionality on trade liberalization has declined significantly. The focus of remaining conditions is on institutional issues, such as the performance of customs agencies, etc. The IMF undertook a major shift in the coverage of structural conditionality, implicating that their conditionalities focus more on debt, financial vulnerabilities and economic management, and less on growth and efficiency related reforms. Nevertheless, structural benchmarks are still used to monitor the less critical reforms. Conclusively, while the IFI’s argue that the main policy focus is currently on governance and economic management, the NGO’s claim that the basic orientation has not changed.20

There have however been changes in the types and practices of used conditionalities. The World Bank has reduced its number of binding conditionalities, whereas the number of indicative benchmarks has increased by the double, to around 23, in the last 15 years. The IMF does not distinguish as clearly between binding conditionalities and benchmarks and therefore have a slightly different turnout. They have made reductions in their performance criteria and structural benchmarks, but not in their prior actions programs. In spite of the drop in number of conditionalities attached to loans they still remain too high. A group of NGO’s found that 14 out of the 20 low income countries have more than fifty conditions attached to each of their current World Bank grants, and 3 out of the 20 have more than 100 conditions. Conditionalities have become broader, more general, and hence possibly less “enforceable”. The IFI’s are more flexible in their enforcement of conditionalities, and bilateral donors and civil society organizations sometimes demand stricter enforcement of governance-related conditions. In several aid dependent countries, government institutions exercise stronger ownership than was the case the decade before. Strengthened donor coordination may on the other hand constrain the policy space of recipient countries and weaken their bargaining power.21

20 Bull, Morten & Sigvaldsen, 2006, p.23f
21 Bull, Morten & Sigvaldsen, 2006, p.20f
3.5 Conditionality and the Way Forward.

The conditionality debate reflects inescapable dilemmas in the relationship between donors and recipients of aid. The term “development partnership” signals a desire to make unequal relationships more balanced and mutual. The basic idea is to develop a mechanism of mutual accountability between the parties, based on the recipient country’s own development policy. Critics argue that conditionality and ownership are incompatible. If a country owned the reform program, it would implement the reforms anyhow and conditionality would be unnecessary. They state that conditionality is a conflict of interests between lenders and recipients and undermines ownership. By contrast, the IFI’s insist that conditionality and ownership can be complementary, if important changes in the nature of conditionality are realized. Conditionality must for example be streamlined and become ex-ante (policy change implementation before any disbursement is effected, thus proving the recipient government’s commitment to reform) rather than ex-post (where loan disbursements are made following the promise of a policy change). For conditionality not to be inconsistent with ownership, its design must be appropriate to the country circumstances and directly affect the domestic political constraint.

Conditionality in aid can not be wished away. An aid relationship is a negotiated contractual arrangement between unequal partners, and therefore conflicts of interest and divergent opinions will exist. Seeking full consensus and formulating conditionalties in increasingly general terms is not guaranteed to produce the desired result of effective implementation by country level institutions. The challenge for recipient countries is not only to seize, or be given, ownership of the aid funds, but to take full responsibility for their effective use. It means moving towards greater national sovereignty in aid dependent countries, while increasing accountability for results.22 The Integrated Framework is one of the international initiatives working with empowerment in trade-related issues. This will be explained further in the next chapter.

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22 Bull, Morten & Sigvaldsen, 2006, p.54
4. Trade Policy Development

Trade liberalization can lead to real gains for developing countries. Openness to trade has been a central element in successful growth strategies. But most poor countries are not able to use trade as an engine for growth. Their ability to compete in world markets is uncertain through the absence or inadequacy of necessary infrastructure, such as modern roads, ports and telecommunications, or efficient institutions like customs, tax and product standards that drive up the costs of trading. Constraints can also be found in the political economy of domestic policy. The lack of knowledge on market opportunities and how to access them, or concerns of short-term adjustment costs make poor countries reluctant to undertake trade-policy reforms that may benefit their long-term interest. Providing aid is essential to balance the realization of the potential benefits and the costs of multilateral trade liberalization.

This chapter will study the recent development in international trade policy. The first section, 4.1, gives a short presentation of the Aid for Trade concepts and goals. Section 4.2 untangles the incentive, structure, and stakeholders of the Integrated Framework for Trade-Related Capacity Building. The IF Manual contains recommendations to achieve sustainable in-country ownership. These are accounted for in section 4.3.

4.1. Aid for Trade

The WTO Doha Development Round began in 2001 with the aim to lower trade barriers around the world, permitting free trade between countries of varying prosperity. While there are real potential gains for developing countries from active participation in the Doha Round, gains will not necessarily be automatic, and some countries may experience transitional adjustment costs. In order to help these countries address the costs and to overcome supply-side constraints, increased international assistance is required.

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23 Nielson, 2005, p.323f
Aid for Trade reflects the fact that trade liberalization in itself does not automatically lead to growth and development. For trade to become a strong lever of growth, good trade policies need to be accompanied by complementary reforms. Aid for Trade is an initiative to enhance coherence in country policies for global development. The combination of trade policies, development policies, and fiscal policies will lead to a more developed trade, growth and better prerequisites for poverty alleviation. The Aid for Trade program involves organizations worldwide, especially the World Bank, the IMF, and various UN-bodies. 24

4.1.1 The Aid for Trade Package

The “Aid for Trade” package is a proposal for provision of financial and technical assistance to developing countries. It encompasses five main activities: (i) technical assistance - provisions, advice, and expertise to assist countries confronted with the complexities of modern trade; (ii) capacity building - enabling developing countries to deal with trade issues, for example, through the training of government officials; (iii) institutional reform - helping to create a framework of well-functioning institutions for trade in customs, quality assurance, and other areas; (iv) investments in trade related infrastructure - improving roads and ports to link the poor and the goods they produce to markets through investment in infrastructure; and (v) assistance to offset adjustment costs - fiscal support and policy advice to help countries cope with adjustment costs from liberalization. 25

Successful Aid for Trade projects generally combines most of these elements. The purpose of the ongoing push on Aid for Trade is to significantly scale up this kind of aid and to make it more attractive and effective for developing countries.

24 IMF& World Bank 2, 2005, p.2
25 Nielson, 2005, p.324
4.1.2 Strengthening Aid for Trade through the Integrated Framework

Development assistance to support trade reform and integration benefits not only the recipient country, but the global economy as a whole. Yet demand for, and capacity to absorb, Aid for Trade still exceeds available resources. In this light IFI's has proposed additional country assistance to ease adjustment to trade liberalization and for intensified capacity building to take advantage of more open markets. The proposed solutions over the best way forward sharply differed.

For some, the establishment of a multilateral fund seemed to be the only way to ensure that sufficient, *additional* resources were made available. Chances for trade to receive funding via regular channels are small, particularly in poor countries where pressing needs to cover basic services such as health and education is prioritized. Countries should not have to choose between meeting basic needs now and investing in future growth. The Fund would be the best mean to meet the Aid for Trade needs.26

Others argue that, it is very difficult to know when funding is truly additional; creation of a new multilateral fund is no guarantee that funds have not been reallocated from other areas. Further, dedicated funds risk redirecting priorities toward areas where external funding is available. These funds interfere with countries’ ability to set their own priorities for donor financing. Programs that show weak country ownership are less likely to succeed. Any additional resources should be used to build on progress already made, i.e. strengthening the Integrated Framework.27

As is shown in the next chapter, both advocates got their voices heard. While things have improved, much remains to be done for the trade and competitiveness vision to be shared and prioritized within governments, and fully reflected in national development strategies.

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26 Nielson, 2005, p.327f
27 IMF& World Bank 2, 2005, p.4
4.2 Integrated Framework for Trade-Related Technical Assistance - Making Trade Work for Development

Trade is a key factor for economic growth. It can enhance a country's access to a wider range of goods and services, technologies and knowledge, and thereby generate resources for sustainable development and the alleviation of poverty. If trade is to have an impact on poverty reduction it needs to be an integral part of a country’s development strategy. This requires raising awareness and active engagement by stakeholders both in the national and international community, a process that requires a long-term commitment by all stakeholders since it involves systematic change.

4.2.1 The Founding of the Integrated Framework for Trade-Related Technical Assistance

The Integrated Framework for Trade-Related Technical Assistance (IF)\(^{28}\) was established in 1997 as a trade-focused program designed to accelerate poverty reduction and to work towards full integration into the multilateral trading system by improving economic performance in the least developed countries (LDC’s)\(^{29}\). The IF was intended to strengthen and streamline the trade-related assistance delivered by the World Bank, the IMF, International Trade Centre (ITC), U.N. Conference on Trade and Development (UNCTAD), U.N. Development Programme (UNDP), and the World Trade Organisation. The IF enables the LDC’s to work with these six agencies, as well as with other development partners and the donor community, to ensure that national trade policies are integrated into their respective development strategies. It facilitates the coordinated response provided by the various agencies and development partners (each in their own area of competence) to the trade related assistance and capacity building needs identified by each of the LDC governments and other national stakeholders.

\(^{28}\) Here on called “The Integrated Framework”
\(^{29}\) Appendix A – List of all LDC’s
The key principles upon which the IF is built are country ownership, coherence and partnership. During the first three years of its existence, the IF made modest progress towards meeting these objectives. In response to the complexity of LDCs’ trade-related problems and drawing from its experiences in its first years, the IF was restructured in 2001 to increase its effectiveness. Under its revamped design, a governance structure comprising a tripartite management structure that includes agencies, donors and LDC representatives (the IF Steering Committee) was established. In addition, an IF Trust Fund was set up to provide a quick disbursement of funds. The IF’s objectives were made two-fold: mainstream trade into development plans and poverty-reduction strategies (PRS)\textsuperscript{30}, and deliver trade-related technical assistance (TRTA).\textsuperscript{31}

### 4.2.2 The Enhanced Integrated Framework

A greatly increased interest from LDC’s to join the IF led to the endorsement of a proposal to enhance the IF in 2005 by expanding its resources and scope and making it more effective. A previous external evaluation of the redesigned IF had noted a growing divergence between the LDC’s and the participating international agencies concerning the expectations of the IF’s role. The common perception among developing countries was that the IF should be a funding mechanism. The evaluation also found that developing country ownership had been limited.

Following the review’s recommendations, the IF management established a Task Force to enhance the IF. A new work plan was formulated and scheduled to enter into force by the end of 2006. The recommended enhanced IF included following elements:

- **Funding Requirements**: Increased and predictable funding on a multi-year basis. Financing continues in form of grants, not loans.
- **Ownership by LDC’s**: Strengthening the IF in-country through mainstreaming trade into national development plans and PRS’s; more effective follow up on Diagnostic Trade Integration Study-recommendations and incorporate findings into development planning.

\textsuperscript{30} The PRS describe a country's macroeconomic, structural and social policies and programs to promote growth and reduce poverty, as well as associated external financing needs. PRS papers (PRSPs) are prepared by governments through a participatory process involving civil society and development partners.

\textsuperscript{31} IF Homepage – A
tools; and achieving greater and more effective coordination amongst donors and IF stakeholders;

- *Management Structure:* Improved IF decision-making and management structure to ensure an effective and timely delivery of the increased financial resources and programmes, including national implementation units in the countries.\(^{32}\)

A significant resource increase would enable the IF to play a more sustained catalytic role in building trade capacity. A stronger IF and its closing linkage to the PRS helps promote increased technical assistance and capacity building to alleviate constraints to the competitiveness of developing countries.

The enhanced IF is not supposed to be a mechanism for large-scale projects in itself, but rather an essential step in generating additional resources for aid and trade and helping to ensure that such resources were channelled effectively through the PRS process. Improved links between the IF, and other aid for trade initiatives, and the PRS process at the country level does not only ensure that trade is integrated into broader development and poverty reduction strategies, but also that strategic aid for trade interventions take place in policy environments, contributing to their success.\(^{33}\)

### 4.2.3 The IF Process

In the beginning of 2006 42\(^{34}\) of the 50 LDC’s were at different stages of the IF process. 20 had validated their diagnostic studies and lists of trade priorities while another 19 were at different stages of the process.\(^{35}\)

The implementation of the Integrated Framework involves three stages. First preparatory activities including an official request from the country to participate in the IF process; a technical review of the request; and establishing a National IF steering committee, is required. When the formal request has been approved, the process moves on to the diagnostic phase. A Diagnostic Trade Integration Study (DTIS) includes comprehensive analysis of both internal

\(^{32}\) IF Homepage – F  
\(^{33}\) IMF & World Bank 1, 2005, p.5  
\(^{34}\) For full list see Appendix B  
\(^{35}\) IF Homepage - A
and external barriers to trade. It typically covers macroeconomic developments, trade policy and market access, transport and trade facilitation, product standards, investment climate, trade support institutions, and trade, poverty and sector studies. It also specifies the main elements of a trade integration policy framework and an action matrix that serves as the basis for delivery of trade-related technical assistance. In the third stage follow-up activities start with the translation of the diagnostic phase’s findings into the elaboration of integrating the action plan into the national development plan (such as the PRS). The action plan serves as basis for TRTA delivery.36

Figure 1: The IF Process

[Diagram of the IF Process]

Source: IF Homepage - B

36 IF Homepage - E
4.2.4 The IF Management Structure

(i) The IF at the International Level
On international level, the IF is governed by a two-tiered management structure: the IF Working Group (IFWG) and the program’s Steering Committee (IFSC).

The IF Working Group
The Working Group is responsible for the overall management of the IF process, including monitoring and evaluation of field operations and oversight of the IF Trust Fund. The IFWG is chaired by the WTO, and consists of representatives of the 6 core agencies, the OECD Secretariat, and two representatives from LDC’s and donor countries on a rotating basis.

The IF Steering Committee
The Steering Committee oversees the work of the IFWG and provides policy direction, assesses progress, and ensures transparency in the IF process. The IFSC is a tripartite arrangement with representation from agencies, donors, and LDC’s. All WTO Members and Observers can participate in the IF process.

The IF Secretariat
The IF Secretariat is responsible for the day-to-day management and the communication and information exchange in the IF process. The secretariat is housed and staffed by the WTO and serves both the IFSC and the IFWG meetings.

The IF Trust Fund
The IF Trust Fund (IFTF) finances activities under the revised IF program. It is managed by the UNDP on behalf of the six core agencies. The Trust Fund has two funding instruments, Window I and Window II, created by voluntary contributions of donors as part of the national PRS’s. Window I finances the DTIS (US$300,000 per country) and Window II provides resources to finance small, priority technical assistance and capacity building projects prior to the incorporation of the DTIS findings in the PRS. A ceiling of $1 million per country is imposed on technical assistance provision under Window II due to limited resources and large demand.
(ii) The IF at the Country Level
The IF structure at the country level is the backbone of the IF programme and ensures effective implementation and national ownership. Four different bodies comprises the national IF structure.

National Steering Committee
The National Steering Committee (NSC) ensures effective coordination among government agencies and IF stakeholders. It assesses the DTIS and its Action Matrix, and is responsible for their approval and validation by the National Workshop and by the Government. It monitors the IF process and follow-up activities, implementation issues and trade integration into PRSPs. The NSC comprises members of the government, the PRSP National Committee, and representatives of civil society, the private sector and the NFP.
The National Focal Point

The National Focal Point (NFP) coordinates the in-country IF process and is responsible for taking it forward; he/she is the IF’s public face. The NFP’s role is to build awareness, rally support for the IF and contribute to building national ownership in the IF process. He/she is an essential intermediary between ministries, donors, and international agencies. The NFP, appointed by the Government, is usually a high level civil servant.

The IF Facilitator

The IF Facilitator (IFF) serves as an intercessor between donors and the Government. He/she assists the Government in establishing a work programme and assesses the institutional needs required to effectively steer the IF process. He/she also organizes and informs interested donors of the IF institutional structure and timetable of the IF process. The IFF is appointed by the Government after consultation with the donors.

The Local Project Appraisal Committee

Reviews and recommends IF projects to be financed by the IFTF. The Local Project Appraisal Committee (LPAC) is chaired by UNDP Resident Representative or a senior government official. Membership varies but usually consists of representatives of National Ministries, UNDP, World Bank, NFP, IFF, private sector and civil society.37

4.2.5 Integrated Framework Core Agencies

The International Monetary Fund

The IMF is an international organization of 184 member countries, established to promote international monetary cooperation, exchange stability, and orderly exchange arrangements; to foster economic growth and high levels of employment; and to provide temporary financial assistance to countries to help ease balance of payments adjustment.

The International Trade Centre

The ITC is the technical cooperation agency of UNCTAD and the WTO for operational, enterprise-oriented aspects of trade development. ITC supports developing and transition

37 IF Homepage - K, 2005, p.4f
economies, and particularly their business sector, in their efforts to realize their full potential for developing exports and improving import operations.

*United Nations Conference on Trade and Development*

UNCTAD is the principal organ of the United Nations General Assembly dealing with trade and development and the interrelated issues in the areas of finance, technology, investment and sustainable development. Their goals are to maximize trade, investment and development opportunities of developing countries and assist them in their efforts to integrate into the world economy on an equitable basis. Currently UNCTAD has 191 member States.

*United Nations Development Programme*

On the ground in 166 countries, the UNDP helps the UN system and its partners to raise awareness, track progress and connect countries to the knowledge and resources needed to achieve clear targets for reducing poverty, hunger, disease, illiteracy, environmental degradation and discrimination against women.

*The World Bank*

The World Bank is made up of two development institutions - the International Bank for Reconstruction and Development (IBRD) and the International Development Association (IDA) - and is owned by 185 member countries. The IBRD focuses on middle income and creditworthy poor countries, while IDA focuses on the LDC’s in the world. Together they provide loans, policy advice, technical assistance and knowledge-sharing services.

*The World Trade Organization*

The WTO is the global international organization dealing with the rules of trade between nations. Its main function is to ensure that trade flows as smoothly, predictably and freely as possible by establishing rules for international trade through consensus among its 150 member states. It also resolves disputes between the members, which are all signatories to its set of trade agreements.38

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38 IF Homepage – G
4.2.6 Progress to Date on the Integrated Framework

The IF enjoys strong support amongst donors and LDC’s. In LDC’s where it has been implemented, the IF has contributed to increased knowledge of trade issues, facilitated intra-governmental dialogue on trade and growth, and raised awareness of the wide array of complementary reforms needed for trade integration. Donors have found the IF to be a useful common framework and knowledge base for the design of, trade-related assistance. Overall, the IF has enabled a better dialogue amongst LDC’s, stakeholders within LDC’s, donors and trade-related agencies.

That said, the IF faces considerable challenges in mainstreaming trade into the PRS process and translating diagnostics into implementation. Such challenges include: weak in-country capacity; lack of systematic follow up at the country level; insufficient and uncertain financing; and variable donor response to priorities in the DTIS. The enhanced IF will hopefully meet these challenges.

4.3 IF Manual

The increasing number of countries joining the IF made it essential to develop a document providing practical and factual information on the IF modus operandi. The Manual explains the IF structures and processes, the scope of issues to be dealt with, and the tools for trade-related capacity developments available to LDC’s. It also clarifies the expectations from the IF process and gives suggestions on how to mainstream trade into the national development strategy. The Manual highlight the essential role of national ownership, the importance of including a wide range of stakeholders, and the need for a strong working relationship between LDC’s and international partners. However, the Manual is not intended to be prescriptive as it recognizes that the linkages between trade policy and poverty reduction strategies are very country-specific.39

39 IF Homepage - D
The Manual is organized as follows: a) an overview of the current state of research on the relationship between trade, growth and poverty reduction, followed by a presentation of the IF and the strategic importance of mainstreaming trade into development strategies; b) a discussion of key issues such as national ownership, resource mobilization, and implementation of policy measures and c) a glance on mutual arrangements between the IF and other TA programmes. Since this thesis focuses on national ownership, this chapter will only account for the section of the Manual that discuss/handle this subject matter.

4.3.1 Fostering National Ownership - Developments throughout the IF Process

National ownership of trade policy reforms is the key to ensure long-term sustainability of trade policy and capacity development efforts. It helps to establish the process of trade reforms in society; it enables the development of alliances among different actors; and it encourages an environment of upgrading of capacities (learning by doing). National ownership of trade policies will be most successful when the capacities for policy formulation and implementation are fortified. This will reduce the influence trading partners exercise country policies via technical assistance programmes.

Ownership development is a cumulative process that should take place throughout the IF process to ensure a coherence of stakeholders towards common objectives and national policies. The establishment of an IF National Focal Point and National Steering Committee help foster the IF ownership process. Consequently, selecting the IF Focal Point is very important. Past experiences indicate that a decisive moment in the IF process for building (or losing) ownership is the quality and depth of the first interactions between the IF stakeholders and the DTIS Team Leader. This interaction is first tested when the Terms of Reference of the DTIS are proposed by the DTIS Team Leader. The outcome of these discussions is decisive in determining the content and scope of the DTIS. Since the DTIS and its Action Matrix form the substantive and analytical content of trade capacity building, it is important that national stakeholders exercise leadership functions from the start of the IF process. It is the interaction of ownership and leadership that ensures an endogenous process of capacity development. 40

4.3.2 Key Factors for Developing National Ownership of Trade Policy

40 IF Home page – K, 2005, p.34
In addition to the above considerations, the key factors for developing national ownership of trade policy are:

(i) Strong support at the highest political level. (ii) Early involvement of stakeholders. (ii) Broad-based participation. (iv) A positive incentive system. (v) A common understanding of the pursued objectives. (vi) Measurable objectives and outcome. (vii) Ongoing IF dynamics through project implementation.

(I) Strong Support at the Highest Political Level
Since most LDC’s are going through the PRS process and have adopted liberal economic policies, support for trade reform should already exist. Furthermore, since a formal request has to be made to join the IF, including a letter explaining the willingness of the country to adopt trade policies aimed at poverty-reduction, the Government and donors have already opened a policy dialogue at the highest level. This just needs to be nurtured throughout the IF process.41

(II) Early Involvement of Stakeholders
Involvement can mean many things, such as access to information, participation in various decision-making processes, or a presence in monitoring and evaluating policy outcomes. An important case of early and timely participation is the establishment of the National Steering Committee. To reach meaningful dialogue with the first World Bank-led DTIS missions, the NSC should be organized prior to the arrival of the DTIS Team Leader. This is a prerequisite to building, national ownership in the DTIS from the start. Sometimes the NSC is formed in due time but, key partners such as representatives of the private sector are not involved.

To ensure the IF’s integration into national policies and the development of national ownership, the NSC should comprise officials from the Finance and Development Ministries and a representative from the PRSP National Committee. The opportunity to know each other through working on the ToR, the selection of consultants, and the exchange of ideas on the respective calendars and agenda should be grasped.

(III) Broad-Based Participation

41 IF Home page – K, 2005, p.34f
Broad-based participation raises the issue of who the stakeholders are, their interests, and possible alliances. Too often, when making inventory of the stakeholders, the diversity of participants is not fully taken into consideration. The IF Focal Point has to map out the stakeholders based on a distinction between different sub-groups, and their strengths, weaknesses, and objectives. These different groups should be involved in the various phases of the IF.42

(IV) A Positive Incentive System
Development interventions are driven by incentive systems. Some are conducive to capacity development, while others are not. In many LDC’s, public services are riddled with negative incentives, such as low remuneration, downsizing, compression of salary differentials, etc. These might affect performance and national ownership. Therefore, the challenge is to create incentive systems to retain qualified personnel, to provide career opportunities and develop a culture of meritocracy and professionalism in the public service.

(V) A Common Understanding of Pursued Objectives
Differing perceptions of the IF amongst stakeholders can undermine the IF process. One dominant perception, at least in some LDC’s, is that the IF is a funding mechanism designed to bring additional funds to the country. This perception collides with the view of donors that the IF is first and foremost a coordination mechanism that increases the efficiency of existing assistance. Another frequent misperception, which can have a lasting impact, is that the IF processes only concern the Trade Ministry, rather than various government bodies and economic sectors. Regular meetings of the stakeholders at national and regional levels can bring about transparency in perceptions and help forge a common understanding of the objectives and expected outcome from the IF.43

(VI) Measurable Objectives and Outcomes
Countries that witnessed the greatest progress under the IF process are those which identified, prioritized and developed initiatives to target problems sequentially. To accomplish this, the dialogue among local stakeholders and the donor community should be based on measurable objectives and outcomes.

42 IF Home page – K, 2005, p.35
43 IF Home page – K, 2005, p.36
Baselines, benchmarks and a selection of variables for measuring outcomes of trade capacity development should be established early in the process. Because of the nature of this exercise, which encompasses poverty-reduction issues, it may be opportune to join forces with an existing monitoring group established for this purpose within the PRS or within the NDP. A well functioning monitoring mechanism will enhance transparency, accountability and ownership if it reports to the appropriate levels on a regular basis and is disseminated to stakeholders and the public. Ideally, some sort of reporting should be presented to the Parliament, at least at the occasion of the discussion of the Budget or during a special session.

(VII) Ongoing IF Dynamics through Project Implementation
Implementing small substantial projects based on the priorities defined in the Action Matrix can boost the confidence of stakeholders and engage actors in a virtuous cycle where programmatic work is followed by implementation and increased ownership. This in turn constitutes an incentive to become more involved in the process and become more efficient. Likewise, benefits generated by participation in the multilateral trade system tend to strengthen the national ownership of trade policies.44

4.3.3 The Role of Development Partners in National Ownership

The international community should support LDCs’ determination of change regarding trade and its relation to growth and poverty reduction. Development partners should ensure that support for trade related reforms feature in their Development Assistance Strategies and other similar documents. They should ensure that synergies are built between their trade-related assistance and the corresponding support: macroeconomic and fiscal policies, rural development and agricultural research, energy, transport, telecommunication and the effectiveness of the financial sector.45

The IFWG has decided that each participating LDC should consult with donor countries represented in its capital to determine which donor could act as IF Facilitator. The Facilitator’s main task is to assist the Government in managing the IF process, in particular the implementation of the IF Action Matrix, and to liaise with the in-country donor

44 IF Home page – K, 2005, p.36
45 IF Home page – K, 2005, p.36
community. In the light of the national ownership question presented earlier, it is important that the IF Facilitator be chosen by the Government in close consultation with donors and that mutual agreement is reached on his/her role. It is also important that the Facilitator works closely with the National Focal Point, he/she should not become its substitute. The effectiveness of the IF Facilitator depends on several factors, especially clarity about donors’ Technical Assistance priorities.

As the IF progresses and trade is increasingly perceived by the country as an instrument to combat poverty, donors’ priorities should be readjusted in line with a Government’s evolving priorities. The IF Facilitator can support this process by keeping donors regularly informed of choices made by the Government in the DTIS Action Matrix. While the role of donors and stakeholders are important, it is limited to a supportive one, since the IF clearly puts the LDC in the driver’s seat of the national development strategy. In the end the responsibility for adopting and implementing sound policies falls upon the Government.46

46 IF Home page – K, 2005, p.37
5. Tanzania’s Journey through the Integrated Framework Process

Tanzania has to some extent been spared the internal strife that has shattered many African states. Though it remains one of the poorest countries in the world, with many of its people living below the World Bank poverty line, it has had some success in wooing donors and investors. Situated on the east coast of Africa, the United Republic of Tanzania assumed its present form in 1964 after a merger between the mainland Tanganyika and the island of Zanzibar.

This chapter touches upon the development of policy reforms in Tanzania and on its current engagement in the IF initiative.

5.1 Policy Reforms and Institutional Development

Tanzania became independent in 1961 after years of colonial rule, first under the Germans and later under the British. With independence came the urge to Africanise the colonial governance of the country. Unlike many African countries, whose potential wealth contrasted with their actual poverty, Tanzania had few exportable minerals and a primitive agricultural system. To remedy this the country’s first president issued the 1967 Arusha Declaration, a socialist development strategy which called for self-reliance through the creation of cooperative farm villages and the nationalisation of factories, plantations, banks and private companies. One decade later, despite financial and technical aid from the World Bank and sympathetic countries, the programme had completely failed due to inefficiency, corruption, resistance from peasants and the rise in the price of imported petroleum.47

47 Mongula, 2006, p.7
5.2 Tanzanian Policy Reforms 1979-2005

The Tanzanian reform process over the last 20 years can be divided into four policy phases; these are discussed in sequence below.

1979-1985: Stalemate

After several economic shocks in the seventies, the economy was faced with very severe economic problems. A National Economic Survival Programme (NESP) was formed to alleviate the worst of Tanzania’s problems. It was a provision manifested in critical balance of payments crisis, inflation, food crisis, scarcity of all kinds of goods, and shortage of energy. As a response to the crisis, the World Bank agreed to a quick-disbursing aid, given certain policy changes were undertaken and that an agreement could be reached with the IMF. The Government of Tanzania (GoT) did not approve of the reform demands made by the IMF since they had discarded Tanzania’s policy change document, NESP, as unrealistic and completely lacking. They shared the support by the whole donor community who stood united to pressure the government towards economic reform.48

The country was in a desperate state. The bilaterals and the World Bank were trying to find a middle ground. A revised proposition suggesting more moderate policy changes was given, but the GoT did not accept this either. Consequently there was a steep decline in aid flows between 1982 and 1985, a period of extreme economic crisis. The increasingly precarious social situation forced the leadership to implement a more comprehensive reform package. A home-grown Structural Adjustment Programme (SAP) was launched in 1983. It was more ambitious than its predecessor, the NESP. The SAP tried to identify a series of structural problems in the economy and then adjust the type of state-intervention for the economy to do better. But the measures were insufficient to reverse the negative trend. So in 1984, in the face of extreme goods shortages, the government finally made a more substantial move to restore the relations with the IFI’s. There was now some improvement in the economy and imports could increase somewhat.49

48 Bigsten, 1999, p.25f
49 Bigsten, 1999, p.26ff
1986-1992: Initial Reforms and Aid Boom

The government reached an agreement with the IMF in 1986, which also brought back the other donors. Joint Government-Donor meetings were initiated. The Economic Recovery Programme (ERP), 1986-1989, liberalized both external and internal trade and allowed private investment. The allocations of the funds were left to the government conditional on compliance to certain macro-conditions, which were imposed through the disbursement in portions. In the decade that followed market oriented reforms were introduced to deregulate the domestic economy and encourage domestic and foreign investment. Overall the period saw the second aid boom, the first one being in the 1970’s. Donor confidence in the government increased significantly and the IFI’s presented very positive reports on the achievements of the government. Since that time previous Five-year Plans were abandoned and were replaced by Policy Framework Papers, Rolling Plans and Budgets.50

1993-1999: From Fallback to Back on Track

The mid-nineties was the start of a new period of crisis. During 1993-1995 reforms got off track, fiscal policy went out of control, there were large-scale tax exemptions and a general feeling that corruption and tax evasion were out of control. Government revenue fell, and the government relapsed to heavy borrowing from the Central Bank. Much of the fiscal control and discipline that had been developed from 1986 was lost. The argued reason for the stagnation of reform processes is that the donors shifted demands to new areas and raised the stakes. The new reforms were more intrusive, but for this type of conditionality to be successful the government had to be fully committed to radical reform, this was not the case. Many of the donors lost faith and suspended aid payments once again. The IMF failed to engage the government in meaningful discussions and finally pulled out in 1994.51

A new government was elected in 1995, and from then on the reforms started again. The government set off on a successful shadow programme with the IMF in 1996. Since then the relations have improved, the donors followed the footsteps of the IMF and now share the good relations with the government.52 The National Vision 2025, formulated by the Government, and adopted in 1999, spells out Tanzania’s long-term development vision: graduating from a least developed into a middle income country. It outlines five main

50 Bigsten, 1999, p.28ff
51 Bigsten, 1999, p.31f
52 Mongula, 2006, p.9
attributes that Tanzania is expected to have attained by the year 2025, namely (i) a high quality livelihood; (ii) peace, stability and national unity; (iii) good governance; (iv) a well educated and learning society imbued with an ambition to develop; and (v) a competitive economy capable of producing sustainable growth and shared benefits. The Vision 2025 furthermore identifies implementation guidelines, relating among others to the importance of undertaking reviews and reforms of existing laws and institutional structures as well as of people’s participation in preparing and implementing plans for their own development.

2000 - 2005: Resuming Policy Control

In 2000 the Government’s efforts to get a reduction of their debt stock through the Heavily Indebted Poor Countries initiative was realized. The debt reductions in turn paved the way for further donor inflows. These resources allowed the government to increase budgetary expenditure allocations to social sectors and other priority sectors.

Tanzania has implemented several policy reforms during the first half of the 21st century. Macro-economic stability, the major conditionality for continued donor assistance at the time, continued to be pushed on by the World Bank to form Tanzania’s PRS in 2000. The government also undertook Sector-Wide Approach Programmes, the National Strategy for Growth and Reduction of Poverty, and Local Government Reforms to strengthen service delivery and people-based development. The participatory rural review was institutionalized as the ‘Opportunities and Obstacles to Development’ approach of participatory planning across the country. It led to growing capacity and empowerment in local government and community.\(^5\)

Tanzania was among the group of 12 countries that went through the first IF process in 1999 - 2000. The main result was the multi-donor funded “Business Environment Strengthening for Tanzania” (BEST), a program of legal and regulatory reforms aimed at improving the enabling environment for private sector development.\(^5\) The GoT has strengthened efforts to integrate trade policies for poverty reduction through other programs as well, including the establishment of; Export Processing Zones; IF for Trade Development; Joint Integrated Technical Assistance Programme (JITAP), and SME-Development Policy. The National Trade Policy promotes competitiveness in the economy and export led growth.

\(^5\) Mongula, 2006, p.10
\(^5\) IF Homepage - I, p.1
5.2 The Role of Donors

The role of the donor community in the provision of financial aid, technical assistance and the nature of the attached conditionalities is important in the discussion of reform ownership. Aid can strengthen organizations by increasing the technical and administrative capacity of their staffs and by expanding their activities. It can also weaken the recipient country’s institutions by intruding the planning, budgeting, and general operations of recipient organizations and their political legitimacy. It can also reduce the sense of initiative and responsibility of individuals in recipient organizations for achieving their goals and missions’. Whether one or the other happens depends on how aid is managed.

Even though relations have been strained, Tanzania has received strong support from both multilateral- and bilateral donors over the years. Great increases of aid to the country have however created serious aid-management problems for the government. Especially the impact on local bureaucracies has become a concern since it holds back the quality of ownership that aid demands. The government set up a Tanzania Assistance Strategy in effort to achieve better coordination; the strategy was in practice disregarded even though donors pledged to collaborate with the new institutional arrangement. Instead they have continued to deal directly with project management units in the sector ministries, which they feel are more efficient than the co-ordination departments. Weak institutional capacities results in continued shallow and inadequate ownership. The poor budgeting of aid flows that results from this bypassing of the central budget, makes it difficult for the governments to ensure that their priorities are met by donor funding.\textsuperscript{55}

\textsuperscript{55} Tsikata, 2001, p.14f
5.2.1 Relations to Multilateral Institutions

Tanzania has had a mixed relationship with the major multilateral institutions – IMF and the World Bank - over the years. In Tanzania awareness and understanding of the WTO Agreements are very weak within the public and private sectors, and this explains why little action has been taken with regard to the implementation of the Uruguay Round Agreements. This is partly attributed to lack of or limited capacity in understanding what is to be done.

In external trade, the Government is committed to furthering economic diplomacy to market Tanzania’s products abroad and promote investments. Tanzania has undertaken initiatives to improve her trading prospects and avoid marginalization in the Multilateral Trading System (MTS). This was done through the formulation of the Export Development Strategy (EDS) aimed at stimulating the growth of exports. The EDS initiative has provided the foundation for the programmes initiated within the Framework of the MTS namely; the Integrated Framework for Trade Development, and the Joint Integrated Technical Assistance Programme that are contributing to the establishment of the appropriate environment and framework for addressing the supply side constraints in increasing exports.56

The need for donor co-ordination has been obvious to donors in Tanzania for a long time. Still, their efforts to co-ordinate aid have mostly not progressed beyond the organisation of meetings, where they exchange information with each other and the government. The multilateral organisations have been pushing the basic structural adjustment agenda in Tanzania, as in other African countries, and since the 1990’s the policy makers have more or less accepted this. But the country has been having difficulties meeting their conditionality criteria. These difficulties are partly linked to political pressures and partly to inadequate technical capacity to implement the agreed-upon reforms. The financial sector and privatisation area are more administratively complex and require more frequent monitoring. Multilateral lending has worked better for those aspects of liberalisation that were less complex. For example, agriculture, foreign investment and external trade have all been progressively liberalised.

56 United Nations 2, p.6f
5.2.2 Relations to Bilateral Donors

Tanzania has been critically dependent on bilateral donors up until the end of its reform period in 1996. Recurrent interruptions of the donor assistance have contributed to changes in the country’s policies. The view among the bilateral donors today is that Tanzania is trying to do the right things in terms of policy reform, but that the administrative capacity and competence is very low. This means that they are reluctant to shift responsibilities to the recipient government, although they in principle realise that this is necessary for aid to be effective and sustainable in the long-run. There has however been an improvement in terms of policy-making capacity, as the government writes most of its policy and position papers spelling out the priorities today.

Tanzania reached an agreement 1997 with the donors on a new form of interaction based on partnership approach. An efficient partnership or efficient local control requires a well-run bureaucracy, and that in turn requires a competent staff and organisation. As long as the government pays very little relative to the private sector, it will find it hard to retain or recruit the best people. Today many bilateral donors see a great potential in Tanzania. While they recognise that the country’s old structural problems still exist, they seem to have been encouraged by an improved policy environment, and perceived willingness and determination to implement reforms.\textsuperscript{57}

The question of ownership is an eternal dilemma in the aid business. Even though the donors want to give control to recipient governments, they also have to report to their home parliaments about the use of the allocated aid. This means that aid dependence will persist. One can conclude that generous aid to Tanzania has not ensured a better use or planning for the aid inflows. Indeed traditional aid ties seem to have inhibited ownership at various levels.

\textsuperscript{57} Bigsten, 1999, p.19f
5.3 Tanzania and the IF process

Tanzania was among the group of 12 countries that went through the first IF process. Their needs assessment was prepared and two donor roundtables were held in 1999 and 2000. The main result from the first IF for Tanzania was the multi-donor funded BEST, a program of legal and regulatory reforms aimed at improving the enabling environment for private sector development that began implementation in end of 2003.\footnote{IF Homepage – I, p.1} With the objective of continuing and broadening its efforts in promoting trade integration, the Government of Tanzania applied to participate in the second IF process, for which it was approved in June 2004.

The Tanzanian IF Steering Committee was established when qualifying for its first IF process. The existing institutional arrangements were found satisfactory for continuing supporting the second round of the IF process as well. The IF Steering Committee is chaired by the IF Focal Point Mr. E. M. Sungula, the Director of Policy and Planning in the Ministry of Industry, Trade and Marketing (MITM). Committee meetings are held to discuss various trade-related issues and are attended by staff from other government ministries, and representatives from the private sector, the donor community, and multilateral agencies.

Through various discussions between the GoT and donors active in providing TRTA to Tanzania, Sweden was appointed the responsibility of assuming IF Facilitator for the country. The IF Facilitator is represented by Mr. Jan Grafström, First Secretary, Swedish International Development Cooperation Agency (Sida), Embassy of Sweden in Dar es Salaam.

A consultant, Mr Thierry Noyelle, has also been hired to assist the government during the implementation process of the DTIS. Discussions are under way on the identification of appropriate implementation structures and mechanisms, including setting up a multi-donor basket fund to support the DTIS implementation.\footnote{IF Homepage – J, p.1}
5.3.1 The Tanzanian DTIS

To date, DTIS’s have been completed or underway in 22 countries. The Tanzanian DTIS was been prepared under the second IF process, in close consultation with the MITM, representatives from the private sector and the donor community, and researchers and consultants involved in trade-related work. The DTIS was delivered to GoT in June 2005. The National Validation Workshop for the DTIS was held in November, 2005 in Dar Es Salaam, and was attended by around 150 stakeholders from the public sector, the private sector, and civil society organizations. Since Tanzania already was benefiting form its first IF process the proposed DTIS is intended to serve as an instrument to continue benefiting from the integrated approach to TRTA for the country. The DTIS has taken into account and incorporated studies that already exist on various trade-related issues undertaken by various donors and multilateral agencies. The DTIS has further taken into account the existing support on trade and trade-related activities that Tanzania receives from donors and multi-lateral agencies, in order to avoid duplication of, and to ensure consistencies in, efforts.60

The objective of the proposed DTIS is to identify key constraints, both internal and external, to the expansion of Tanzania’s trade, with a focus on how trade expansion could help alleviate poverty in the country. In particular, the DTIS is aimed towards supporting the GoT in the realization of its National Trade Policy, the objective of which is to develop an export orientation for the country to enhance income and reduce poverty. The National Trade Policy recognizes the importance of trade openness in raising efficiency and productivity in the economy, while at the same time envisioning a role for the government in selective interventions.

Based on the findings of the analyses, the DTIS working group assembles an action plan that lays out the policy reforms, institutional capacity building measures, and investment requirements needed for removing bottlenecks and seizing opportunities to promote the integration of Tanzania into the global economy.61

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60 IF Homepage – I, p.1f
61 IF Homepage – I, p.3

Tanzania faces many challenges and obstacles to its trade and economic development. Despite its involvement in the IF, and the technical assistance it has already received from its development partners, Tanzania is still in need of substantial ongoing assistance in a wide range of trade-related areas. This chapter discusses Tanzania’s problem of ownership by looking at different troubled policy areas in the country.

6.1 Tanzania’s Problem of Ownership

One of the most important aspects of Tanzania’s economic reforms has been the transition from a socialist to free market economy. In this context the government’s main challenge and focus were how to implement economic reforms with minimum adverse effect on the provision of social services, in particular to the vulnerable. The implementation of the home-grown programs was a transitioning and learning process in which the government learned what policies worked (or did not work) in eliciting economic activity.

6.1.1 Owning Policy Reforms

In her report on ownership of economic reforms, Yvonne M. Tsikata compares reform ownership between Tanzania and Ghana in the last two decades. She argues that there are several reasons why reform ownership is an important determinant of policy success. Economic reforms involve difficult decisions that have negative impacts on various segments of the production chain. Trade liberalisation, for example, affects the activities of exporters and importers as well as those of manufacturers and commodity producers. On the other hand, civil service reforms and privatisation impact differently on the welfare of groups engaged within and outside the public sector. Consequently there are winners and losers during the
reform process. Except, net gainers are difficult to pinpoint a priori, and when potential losers are wealthy and well connected, reforms will be resisted. Since the benefits of the reforms normally do not mount up until in the medium to long run, it is necessary for the government to be committed and supportive. In the absence of commitment reforms will not sustain.\textsuperscript{62}

Policy conditionality is closely related to the political economy of reform ownership. Conditionality may be helpful under a short period of time, but its usefulness is often short-lived. The recipient country’s ability to influence its reform ownership depends on the size of its financial resources, its strategic importance, and on human capacities. In a context where one party is perceived to be weak, with little technical competence to propose options or to implement programmes, ownership will be difficult to achieve. Continued use of conditionality by donors guise the recipient country’s efforts at reform ownership. The demanding process of confirming that the conditions have been fulfilled gives the impression that reforms are imposed from outside.\textsuperscript{63}

\textit{6.1.1.1 Ownership and Policy Reform in Tanzania}

The Tsikata study suggests that the success of reforms can be derived from six interrelated factors. The \textit{first} is that historical experiences to reform are important determinants of succeeding progress. While reform can develop from many political environments, what is important is political commitment. Tanzania enjoyed a long period of uninterrupted donor support where many donors continued to deliver aid even when the governments’ economic performance deteriorated. Because of the continuing aid flows, the government could resist drastic reforms and introduce its ‘home made’ versions. When the crisis deepened, donors became more reluctant to disburse their aid, and the government had no option but to embark on their reforms. These were implemented under ill prepared circumstances and where groups within the government and the private sector wrestled for control of the reform agenda.\textsuperscript{64} Today Tanzania seems to have made more substantial progress with the government making efforts to influence the reform agenda positively. This has been rewarded with improved economic performance and higher aid inflows.

\textsuperscript{62} Tsikata, 2001, p.3
\textsuperscript{63} Tsikata, 2001, p.4
\textsuperscript{64} Tsikata, 2001, p.17
Secondly, the nature of the aid relationship and how it evolves are important determinants of reform ownership. This relates to the number of donors relative to the country's coordination capacity and the type of technical assistance it receives. In Tanzania the staffs in key economic ministries are overwhelmed with work by the number of donors and the volume of aid, leaving them little time to strategize and simply think. Failing to articulate their priorities and the absence of institutional capacities has led to the governments’ loss of control over programmes. The absence of well-established institutional framework for managing aid has led to a lack of selectivity and to the proliferation of projects.

The third factor is that institutional capacity of among implementing institutions is crucial to the ownership of policies. Since ownership means both that political commitment exists and that there are ‘able technocrats who can work out the details of reform, technical assistance that provides training and policy advice to ensure this can be useful in strengthening and broadening the foundation of ownership. Tanzania has a strong Department of Economics at the University of Dar Es Salaam and it is important that the GoT make effective use of this technical expertise.

The fourth factor is that reform ownership is a dynamic concept, evolving with changes in the economy. In Tanzania the macroeconomic improvements have not been matched by social sector improvements. Good macroeconomic performance and improving government revenues are important in helping the government to attract skilled professionals and to reward its employees. Poor economic outcomes encourage even the most qualified civil servants to leave for the private sector.

The fifth factor, strong institutional mechanism for accountability, is the foundation on which mutual trust is built between recipient and donor. A loss of trust following mismanagement can offset a cycle of negative events, such as in Tanzania in 1993-1994. The typical reactions from donors are either withdrawal or trying to micromanage projects by introducing parallel management units, with expatriate staff. This intrusiveness rarely leads to trust between recipient and donor or to reform ownership by the recipient.

The last and sixth factor is that the political context matters in several ways for ownership. The emergence of winners and losers in the reform process can strengthen or weaken ownership depending on their ability to shift the political balance. Where the gains tend to be
enjoyed by groups with which the government is aligned, there will be acceptance of the reforms. However, if the political costs of associating with the reforms exceed the benefits, then the government is unlikely to gain support of the process.65

6.1.2 Features of Dependency in Tanzania’s Development Planning

Dependency in development planning could occur at any one of the stages of the arrangement cycle, in the plan formulation, execution, monitoring and evaluation. But, before the actual planning takes place, there is the stage of deciding on whether to plan or not, and on the choice of planning models, and these too could be subject to dependency. Benedict Mongula’s report on Tanzania’s dependent character in development planning, illustrates the problems facing the country, these will be discussed next.

6.1.2.1 Dependency in Taking the Decision to Plan

Before any institutions, ministries, regional government agencies or NGO’s, embarks on development planning, there first has to be a decision to plan. Economic planning in developing countries has been prompted by the multilateral agencies as a precondition for aid disbursement. The introduction of national and regional plans in Tanzania in the 1970’s owed largely to donors who provided both technical and financial support to conduct and implement the plans. Donors supported integrated regional plans, but no programmes were drawn for regions which did not catch the donors’ interest.66 External dependence is conceived to have demobilized Tanzania’s confidence, determination and ability to effectively utilize human, physical and mental capacities to take initiative and search for creative options to solve developmental problems. As a result, considerable potential and capabilities in Tanzania have not been effectively organized and deployed for development.67 The Government’s, Regional or Village decisions to plan are dependent upon having resources for planning and implementing plans. They are provided with no assurance of receiving disbursements unless the donors support the idea from the start. By tying their financial

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65 Tsikata, 2001, p.17ff
66 Mongula, 2000. p.13f
67 www.tanzania.go.tz
assistance to particular forms of planning donors are dictating the nature and direction of development planning in Tanzania. The more recent forms of planning in Tanzania, such as the Poverty Reduction Strategy, have also been introduced by donors. But, in spite of being initially donor-driven, these plans have gradually been internalized, and Government and local consultants have, almost completely, taken charge of them.68

6.1.2.2 Dependency of Foreign Experts in Plan Formulation

National economic planning in the 1970’s made wide use of statistics and econometric analysis to project future economic and investment growth, to make input-output analysis and conduct project appraisals. This obviously made planning a highly professional exercise demanding foreign experts. The level and quality of education that has been attained in Tanzania has not been adequate to meet the growing development challenges and to enable the search for solutions to the development problems that confront the nation. In particular, education has not adequately and appropriately been geared to integrate the individual into the community. Equally, it also has not been able to innovatively engage Tanzanians in entrepreneurship and self-employment.69

The dependency on foreign experts through Technical Cooperation or Technical Assistance programmes has been increasing over the years, whether this has resulted in a growing local capacity in the LDC’s still remains unanswered. A study, referred to in the Mongula report, made by the Danish International Development Agency (DANIDA) in 2000 confirmed the constant increase of international advisers. They found that the adviser’s activities mainly consisted of “planning, monitoring and reporting” and that “advisory functions and training” had taken a secondary role.70

Dependency on foreign expertise not only makes planning expensive but also undermines ownership of the plans by the country, region or community, as well as the ability to interpret and manage the plans when foreign experts depart. However, in the last years planning processes in Tanzania are less dependent on economic models, and have instead increasingly

68 Mongula, 2006, p.13ff
69 www.tanzania.go.tz
70 Mongula, 2006, p.7
included a consultative process with stakeholders. Stakeholders have become an important part of the national planning process as well as in the local and community based planning. There has been a shift to a consultative, qualitative and participatory approach, away from the traditional quantitative project appraisal approach. Both of these have meant less demand for highly specialized foreign experts, namely economic planners, to carry out tasks such as quantitative analysis and cost-benefit analysis.71

6.1.2.3 Dependency on Resources for Plan Implementation

External resources for development plan implementation include foreign assistance and borrowing from abroad. This takes form in budgetary/ programme aid, technical cooperation, technical assistance and public borrowing, of which some are channelled through the budget. Tanzania’s economic and social reform programmes have been reliant on external finance throughout the years. This has brought about a number of problems. For one it’s the prospect of debt. In Tanzania the increasing debt stock lead to further borrowing and vulnerability to IMF/World Bank conditionalities. Another problem is the risk of not achieving targets of projects, programmes and sectors due to failing to secure projected resources. Losing control of external resources will affect a country’s freedom of choice of projects and their use of aid. Technology choices, sustainability of aided projects, the lack of capacity building, and rural-urban divide raises the problem of unequal access to resources as some donors are more generous than others.72

By not having control over its direction in planning, Tanzania has ended up being a recipient of new planning models. When the Government, the Regions and its Villages are unable to set down their own priorities they become victims of the biases of external agents. For example, industrialization is no longer a priority in Tanzanian development, and neither is economic nationalism is since foreigners have come to dominate the economy, including mining, banking, tourism sectors and utilities. By building capacity in development planning and ensuring that whenever new concepts and approaches become necessary, planning can be carried out without depending on outside technical/human assistance.73

71 Mongula, 2006, p.15
72 Mongula, 2006, p.16
73 Mongula, 2006, p.17
Tanzanians have developed a tendency to prepare and announce plans and programs, and ambitions which are not accompanied by effective implementation, monitoring and evaluation mechanisms. As a result, implementation has been weak. This situation has given rise to the erosion of trust and confidence among the people on their leaders.\footnote{www.tanzania.go.tz}

6.2 The Recommendations of the Manual

The manual states that; “The IF is first and foremost a \textit{country-driven process} leading to the \textit{integration of trade policy into the overall national development strategies}, and to \textit{coordinated delivery of TRTA} by all development partners including the donor community in response to the needs identified by the LDC’s through a mainstreaming process. / … / It is a \textit{unique international initiative based on partnership} through which six core international agencies/organizations combine their efforts with those of LDC’s and Donors to respond to the trade development needs of the former.”\footnote{IF Home page – K, 2005, p.12}

The Manual was first developed in 2005, when the interest from LDC’s started to become overwhelming. Tanzania had already been engaged in the IF process since 2000 which could mean that some of the recommendations found in the Manual came too late for Tanzania to follow. Not all recommendations are however restricted ex ante and thus still apply. To which extent they have chosen to follow these recommendations is examined below.

6.2.1 Strong Support at the Highest Political Level

Even though a formal request has to be made from the highest political level to join the IF, the appointed IF Facilitator, Mr Jan Grafström, does not think that the government shows as much support as required for this process. The actual support, he says, depends on which departmental minister has the responsibility on his/her desk, and whether he/she can bring consciousness and create an interest for the IF among the colleagues in the government. Today the ministry in charge of the IF process is the MITM and since they recently have
changed their Minister (within the last year), as well as the Undersecretary of State, it might have influenced the governments level of ownership.\textsuperscript{76}

A conclusion made at the IF Simulation Seminar in Ethiopia in September 2005 was that the IF process often finds itself operating in an atmosphere of political uncertainty and governmental change. Changes within governments, whether through an election or cabinet shuffle, will interfere with the IF process as priorities and commitments change with the entry and departure of key personnel. The fact that political change and uncertainty detracts or even halts the IF process is evidence for the need for greater institutionalization of the IF process in each country. Broad country ownership of the process would diminish the problem of IF-related reforms becoming vulnerable to political manoeuvrings.

National leaders who lack understanding of how the IF process can have a meaningful impact on a country’s development agenda are more likely to be unconcerned or take limiting actions when political developments affect the process. On the other hand, strong and supportive leadership, from government agencies and national stakeholders helps minimize interference of political events on the development of a DTIS and later with IF implementation.\textsuperscript{77}

\section*{6.2.2 Early Involvement of Stakeholders}

Although an initial commitment by the government in most IF countries to engage all national stakeholders in the IF process, few of those stakeholders ultimately understand the IF process or view it as an important and meaningful contributor to national development. Despite the IF’s requirement that a National IF Steering Committee be established (or that an existing consultative mechanism be adapted for the IF process), most national committees have turned out to be ad hoc entities, lacking in adequate support from their governments to carry out their mandate of coordinating the IF process domestically.\textsuperscript{78} In Tanzania there was a good and ambitious incentive among the stakeholders in the early days of the IF process. The IF NSC in Tanzania is a conjoined entity with their JITAP’s NSC and has been active since the

\textsuperscript{76} Grafström, 070131
\textsuperscript{77} Hamilton, 2005, p.15ff
\textsuperscript{78} Hamilton, 2005, p.16
beginning of the IF process. Unfortunately as time went, the process has lost momentum and
the interest of the stakeholders as well. The NSC has been dormant since May 2006.\textsuperscript{79}

To ensure the IF’s integration into national policies and the development of national
ownership, the Manual recommends that the NSC should comprise officials from the Finance
and Development Ministries and a representative from the PRSP National Committee. The
plan is to bring the entities closer together, enabling the exchange of ideas on the respective
calendars and agenda through working on the terms of reference.\textsuperscript{80} The Tanzania NSC has
relative broad based representation consisting of several ministries, national development
corporations, representatives from the private sector and a many donor and multilateral
organisations.\textsuperscript{81} The composition of high level stakeholders, ambitious and surely well
intended, may present a problem of engagement. In order to truly incorporate national
ownership, the committee should also embody more in-country and regional organisations.
The JITAP and the IF have similar agendas and sharing the same NSC may be efficient in
today’s busy policy climate. An overload of work could on the other hand result in the exact
opposite. This problem combined with weak support from the highest political level could be
a reason of why the process is evolving so slowly and why stakeholders are loosing their
interest and confidence. A broad based mixture of high and medium representatives in the
NSC combined with simplified goals could speed up the process.

6.2.3 Broad-Based Participation.

There is an absence of broad participation from key government ministries, in particularly the
Finance Ministry, in the IF countries. This lack of participation in the early stages of the IF
often creates bottlenecks during the implementation stage. Tanzania’s government however
permitted a strong, individual “champion of reform” to evolve. The champion held dual
positions in the Ministry of Trade and the President’s Office for Planning and Privatization,
which enhanced his ability to coordinate IF-related issues among government structures. The
champion was well aware of the potential benefits of the IF process for Tanzania from the
trade and planning perspectives, and he used his positions to reach out to and leverage other

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\textsuperscript{79} Grafström 070131
\textsuperscript{80} IF Home Page - K, 2005, p.35
\textsuperscript{81} See Appendix C
\end{flushleft}
governmental entities and opportunities. Today the commitment and participation in the IF process has attenuated. On paper the NSC consists of a relatively broad-based expert group, apart from the representation of medium- and low level representatives. In reality the picture could be very different depending on the level of participation of the included stakeholders. The representation of the private sector has for example been very small in the last years.

6.2.4 A Positive Incentive System.

The IF process has not yet reached this stage, eventual actions may come with the implementation of the Action Matrix.

6.2.5 A Common Understanding of the Pursued Objectives

Many countries regard the IF as the sole responsibility of the Ministry of Trade or Commerce. This narrow view fails to appreciate the importance of trade capacity in other development priorities that involve a broader group of governmental actors. Typically the Ministry of Finance, one of the strongest governmental entities due to its control over the national budget, tend use their resources to manage status and influence. In contrast, the Ministries of Trade or Commerce often holds more limited access to resources that can assist in effecting change.

The IF portfolio’s focus on trade related issues often alienates other branches of the national government, outside the Ministry of Trade or Commerce. They do not consider themselves as integral to the IF process or the IF process as relevant to their own work. Thus, Ministry of Finance officials are neither involved in the IF process or during the deliberations about national priorities in a meaningful fashion. One response to this asymmetry of governmental resources and authority, considered by some participants at the IF Simulation, is to suggest that Ministries of Finance take the lead role in the IF process. Although this may be the appropriate answer in certain instances, it also can undermine one of the potential benefits resulting from the IF process, namely, a strengthened and more effective Ministry of Trade.
6.2.6 Measurable Objectives and Outcomes.

The original Tanzanian Action Matrix includes 124 proposed reforms. This is a very ambitious agenda considering the expected timeframe of implementation and resources available. The GoT should follow Ethiopia’s example and gradually reduce the number of recommended reforms to a more manageable quantity. The reduction in recommendations, from 100 to 45 key points, was based on criteria’s established by national stakeholders, who now better understand how they can help in continuing to develop Ethiopia’s environment for trade. Hopefully Tanzania embraced this commendable effort at their prioritization workshop last September, if not they still have chances at doing so before the DTIS is raised for state consideration in the second quarter of 2007. Tanzania has also engaged an international consultant, Mr Thierry Noyelle, to help map out the specific DTIS efforts that has be made. In order to better monitor the ongoing work with the IF activities, like the objectives of the Action Plan, Tanzania has to work out a system for in-country follow-up.

6.2.7 Ongoing IF Dynamics through Project Implementation

The Implementation of the DTIS has not yet begun.

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Grafström, 070131
In conclusion one can see that many of the recommendations have been followed. An ambitious and well intended initiative seems to have been disrupted by an unfortunate political timing of governmental change. Despite the fact that the same political party continued ruling, a new generation entered giving a new Minister of Industry, Trade and marketing, a new Undersecretary of State, and at the same time a new IF Facilitator. This event is probably on one of the current reasons of why the IF process has stagnated.

Following the recommendations could raise a dilemma in the sense that they, once again, are taking the “advice” from donors and multilateral organisations and hence falling back into dependency. Their apparent need of assistance to break this dependency is considered to be achieved through the work of the IF-initiative. It is thus a vicious circle hard to break.

6.3 Changes for the Future

Even though the above mentioned contributions of the IF have brought the trade integration process forward, there still exist several major shortcomings within the Framework that prevents the process from reaching its full potential. This chapter will discuss certain objectives and possible priorities for the different parts of the proceeding process.

6.3.1 The IF Structure

The IF can be credited with having greatly contributed to increased knowledge of trade issues in the countries where it is implemented. The diagnostic phase of the IF has helped to raise in-country awareness of the wide array of complementary reforms needed for trade integration and have facilitated a dialogue on trade and growth across Ministries. The knowledge generated has provided a better basis for designing appropriate assistance. The overall IF concept of coherence and partnerships towards a common objective has enabled a more fluid dialogue on trade among LDC’s, donors, and trade-related agencies and stakeholders in the LDC’s.
6.3.1.1 Governance, Overall Management and Administration at International Level

(i) Single Agency Responsibility

The effectiveness of the IF is hindered by a fragmented management structure, a division of responsibilities, and a lack of clear accountability among the different agencies and donors. The WTO hosts a small Secretariat; UNDP is responsible for the Trust Fund; the World Bank, and sometimes UNDP, is responsible for the DTIS’s; and different donors are appointed as facilitators in the different LDC’s. The role of the other three agencies is rather unclear. The IFWG has had a major role in decision-making; still it meets only infrequently and is not a suitable body for undertaking day-to-day management functions.

The main objective of the Task Force mission to enhance the IF was to elaborate an approach on how to transfer responsibility to the country level while consolidating management and administration. The Task Force evaluations concluded that existing IF structure was to be retained, although under certain improvements. A proposition was therefore presented that recommended that the entire IF programme should be handled by one of the six agencies (probably one with field presence; i.e. UNDP or World Bank). This would simplify the process; clear mandate and responsibility/accountability to achieve objective to integrate trade in national process and a more rapid response to the aid for trade agenda. Whether this solution encourages a more co-ordinated approach to delivering assistance from multilateral and bilateral donors is unclear. What is certain is that they would have tremendous difficulties in getting consensus from donors on which of the agencies that should be appointed.\(^{86}\)

(ii) Improving Existing Structures

In order to build on the strengths of the existing structures as much as possible, the Task Force recommended a modified management and governance structure by proposing to keep the IF Steering Committee as the overall governing body, to transform the IF Working Group into a Board with greater recipient and donor participation, and to turn the Secretariat into an Executive Secretariat with a Chief Executive Officer (CEO). The Steering Committee would

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\(^{86}\) WTO, 2006, p.6
remain independent and provide overall governance, review progress and give general direction. It could meet once per annum. It should have wide stakeholder membership, including representatives of the private sector. Reporting to the Steering Committee would be the Board. This Board would include representatives of the recipients, the donors and the agencies. The Board would meet as regularly as necessary to conduct its business, to provide oversight, policy direction, to decide programme criteria and allocative criteria, and select a CEO.\(^7\)

Further the Task Force concluded that the Secretariat needs to combine a number of different functions to improve efficiency and effectiveness and provide for greater accountability. As a result, it should become an independent Executive Secretariat with a CEO accountable to the Board, and supported by implementing agencies. The Executive Secretariat would be responsible for: handling administration; inter-country coordination; supporting in-country programme management (diagnostics and project implementation); financial management, including management of the Trust Fund; proposing programme criteria; servicing the governing bodies; identifying new sources of funds; outreach to stakeholders; and monitoring and evaluation.\(^8\) This would encourage a country driven process. It would also minimise duplication and simplifying accommodation of differing bilateral and multilateral practices and the inclusion of other stakeholders (private sector).

(iii) New fund and instrument

There is a general demand for larger and quicker resource transmission to the LDC’s. Additional resources have been identified as one of the important elements for a successful continuance of an enhanced IF. How these supplementary resources should be governed is yet to be decided. If a separate fund was established by the international community the response to the LDC’s requisites would be more rapid. A clearer link of aid financing would give a more apparent mandate, and an increased responsibility/accountability of ownership. There is on the other hand a questioning regarding the necessity of a new aid instrument through a separate fund. A separate fund would complicate accommodations of other bilateral and multilateral practices, and the linkage to national process would probably be weaker.

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\(^{7}\) WTO, 2006, p.7

\(^{8}\) WTO, 2006, p.7
Another possibility could be to give responsibility of funding to the regional banks. Under the confidence that they are effective in delivery this solution could entail closer operation with countries and regions; raising regional perspective to address trade-capacity building. It could however disrupt co-ordination and harmonization of donor efforts. It may therefore be better to link the regional banks as potential implementing agencies and consider establishing regional fund/window to address issues that are region specific.  

As the global economy is moving at a fast pace, the IF should also finance updates to the DTIS’s and Action Matrices and facilitate other studies and activities that would be needed from time to time. This would make the Action Matrices living documents and enable them to be better integrated into PRSPs or other economic development plans.

6.3.1.2 Governance, Overall Management and Administration at National Level

In the context of the IF implementation process, effective and sustainable reform can take place only with the full and active participation of those most affected. Cognizant of past failures the IF requires that governments and other national stakeholders actually lead the process through which their countries’ needs are identified and responses are proposed and implemented. In fact, the technical review that is carried out by the IFWG prior to the acceptance of an LDC into the IF process is partially predicated on the country’s commitment to a participatory process which includes government, the private sector, and civil society. Likewise, donors and agencies are expected to have made a similar ongoing commitment to the IF.

Regrettably these preconditions do not correspond with the reality of today. Even though there is a unanimous recognition that the IF should be country-driven. LDC’s are often unable to do what is necessary for the country to take ownership. In many cases, absence of ownership is due to insufficient political leadership. Although political leadership generally refers to the commitment and will of government players behind the process, it can also implicate the presence of a “champion” whose task is to incorporate the current policy nationally. In the case of the IF, the champion is an individual (or a small well coordinated

89 WTO, 2006, p.17f
group of people) who thoroughly understands the IF process, as well as the ways through which it can be leveraged to both promote internal economic reforms and increase external development assistance.90

In the report from the IF simulation workshop it was concluded that absence of government ownership over the IF process is often explained by the level of engagement of the IF Focal Point. Although individual IF Focal Points often demonstrate great dedication to the IF process and to the mission of enhancing trade capacity, they often lack sufficient authority to carry out their work in a meaningful, effective fashion. Rather, they often must perform their jobs without adequate support from other government officials and with minimal or non-existent resources. Consequently, they lack sufficient capacity to transmit information, to facilitate interactions among stakeholders, and to serve as an effective intermediary between the government and donors.

Empowerment implies, most importantly, access to resources and other motivating tools from the earliest stages of the IF process. Tanzania has made an excellent example to illustrate the importance of an IF Focal Point who carried sufficient influence and resources to persuade others to act. This individual did not only actively champion the IF, but have also been sufficiently senior in his respective government to carry the necessary authority and accountability to effectively move the process forward.91

Regardless of initial intentions, the lack of ownership of the IF has to a certain extent excluded recipient countries from the process, resulting in inadequate project coordination. Will and capacity have to exist amongst LDC-governments in order to influence the contents of their DTIS’s, and in order to lead the consecutive implementation process. It is equally important that the remaining IF stakeholders, including the multinational organisations and their consults, accept and respect the role of the LDC’s. Several studies and evaluations have identified weak ownership and lacking coordination as the fundamental problems in the trade-related development aid area. This is why extended focus has to be set on the fundamental objectives intended to counter these problems. Not until a strong ownership and a functional coordination at country-level exist should the matter of renewed objectives be brought up to date. Expanding existing objectives today would risk deteriorating the situation, leading to

90 WTO, 2006, p.14f
91 Hamilton, 2005, p.17
additional vertical projects and worse coordination. As in most development countries it is not primarily more projects that are needed, but better.

To improve local governance in the LDC’s, through financing local capacity or increased support for improving existing institutional mechanisms, the IF could be complemented with a regional financing mechanism. Increased resources to Window II, enables LDC’s to recruit more local expertise into their ministries, and thereby maintaining ownership at country-level. When strengthening the implementation of the IF, a national implementation unit including the Focal Point, should be adopted, preferably through providing secretariat resources and through engagement of local expertise. This unit could be set within an appropriate government department or set outside normal government structures, as per specific country requirements. Each country, in consultation with the executive secretariat, would decide which agency or organisation is best suited to implement the diagnostics and related activities.

More support also needs to be given to the National Focal Point. This support could include measures such as basic coverage of staff costs, costs of local experts, a portion of local running costs and equipment such as computers and related accessories. The IF also needs to help raise the profile of trade and of the trade ministry in the LDC’s so that the highest organs of state give adequate recognition to the topic. The establishment of a high level inter-ministerial committee would ensure collaboration across government departments.92

The IF should also be given a more independent role relative to its proprietary organisations, i.e. through adjustments of its governance. A more independent role for the IF, and a stronger role for the proper owners (the member states), could create prerequisites for more predictable financing and long term ownership. Another element of ownership concerns the donors, who have generally not paid sufficient attention to the need to provide adequate resources and to provide them in a well-coordinated and harmonised manner. The donors need to give greater recognition to the importance of trade and to secure more funds in a sustainable manner. They need to harmonize procedures and coordinate more amongst themselves in the delivery of projects and programmes – focusing on the priorities in the Action Matrices. Donors should be encouraged to harmonize their trade related programming around the DTIS. They also

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92 WTO, 2006, p.14f
need to invest in capacity building measures. Internal capacity building will be critical as the IF is scaled up and responds more generally to the aid for trade agenda.93

6.3.1.3 DTIS

I have already touched upon some of the aspects of the DTIS and will continue my discussion hereon.

(i) The DTIS Process

The IF homepage describes the DTIS process as being “prepared in close consultation with the MITM, representatives from the private sector, the donor community, and researchers and consultants involved in trade-related work.” The study was prepared under the leadership of the Africa Region of the World Bank and judging from the reference group in the DTIS they have got a relative broad coverage of national stakeholders.94 Considering the extent of the DTIS, an even wider range of national and regional consultants would have provided a better ground in the pursuit of development ownership, than which was engaged in the Tanzania DTIS process.

In the preparation of the DTIS the Manual recommends that the National Focal Point pay special attention to the National consultants recruited for the mission. By increasing mentoring and coaching from international consultants, weaknesses of the ways in which the national and international consultants relate in the DTIS can be improved. This important interference is conceived to bring empowerment and development of ownership among the group of highly skilled individuals.95

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93 WTO, 2006, p.6
94 See Appendix D
95 IF Home Page - K, p.35
Advocating for more international consultants and mentors contradicts the IF’s objective of achieving enhanced national ownership. Involving additional expertise from abroad implicate less – not more- independence for national stakeholders. What is even more remarkable is the unilateral composition of the DTIS mission team. Among the 30-man strong team of experts, only three originated from Tanzanian institutions. The majority came from World Bank departments, 74 percent, and the rest were either IMF staff or independent researchers mainly from England.96 Attaining ownership of ones development policies implicates involvement in all aspects of the process, from start to finish. This is an apparent error that can be very costly in the long run. With out profound national assimilation the process becomes weak and can easily collapse with political eruption.

As mentioned in chapter 6.1.2.2, Tanzania does not reckon to have reached a sufficient level and quality of education, and are hence not adequate to meet the growing development challenges. Irrespective of this recognition it is rather unlikely that the country lack qualified technocrats to participate in the DTIS preparations. More plausible, as in most developing countries, is the shortage of capable officials. The ones in office barley manage the massive subject areas they are issued to cover. An assumption could be that submission to the donor community’s impatience of presenting policy results led the World Bank to engage its own staff in the writing of the DTIS. The delay of results could be a sign of failure, which in turn jeopardizes interest and support from participating stakeholders. An initiative of this considerable size is known to be complicated in manoeuvring. Endurance and solid support to the recipient countries engagement and capacity building is essential for a sustainable delivery, and can not be compromised by an impatient donor community waiting to report to their home commissions. If neither the shortage of Tanzanian technocrats nor the battle against time was the problem when engaging the country in the DTIS preparations; could it then be a deep-seated reluctance amongst World Bank staff to consign control of the reform program to a developing country? Regardless of the reason of the poor representation, talking to national entities is not the same as incorporating them in the “creating process” of the DTIS or its Action Matrix. When the Tanzanian DTIS states that it is “home grown” one can not help to wonder how much so? Is it a coincidence that the NSC has been dormant since the new regime took over, and that the evaluations of the DTIS has not been realized in almost two years? Or is it a consequence of the lack of ownership of the process that has made the

96 See Appendix D
GoT of Tanzania reluctant to proceed with its implementation? Two solutions stand out as the most plausible to correct this faux pas; one – facilitate and adapt the system to a level that can be administered by Tanzania; two – increase the commitment of capacity building to bring to the country up to speed with the rest of the trading community.

(ii) DTIS and PRSP

An insufficient linkage exists between the DTIS outcomes and the PRSPs. In most countries, the PRS process is distinct from the IF process, despite the fact that mainstreaming trade issues into the PRSP constitutes a key element in both the PRS and IF. This separation of processes has implicated administrative difficulties in the participating countries. At the IF Simulation seminar it was stressed that the recommendations the two documents have in common would hold a better chance of implementation if the IF Action Matrix were better incorporated into PRSPs. Better coordination between the efforts would compel IF countries to more effectively assess their trade priorities in the larger context of a national development strategy. Donor support has also been noted to be more responsive to PRSP-defined priorities since they are viewed as having broad national development implications and impacts.

A more effective incorporation of the IF Action Matrix recommendations into the PRSP would serve a number of purposes as donors look first to the PRSP in determining their overall assistance to a country. In developing their plans for TRTA donors and agencies have, on the one hand the PRSP priorities, and on the other Action Matrix recommendations. Donor decision-making would be facilitated by the consolidation into a single, more efficient and effective document that underscores the vital importance of trade in a country’s overall development strategy. Country ownership of the IF process would similarly be enhanced in light of improved donor response and resource allocation.97 The MITM is a member of the Poverty Reduction Strategy Committee, which is set up by the Poverty Reduction Strategy Secretariat in the Vice President’s Office. This is the mechanism through which MITM can mainstream findings of the DTIS into the PRSP.98

97 Hamilton, 2005, p.18f
98 IF Homepage – J, p.1
(iii) DTIS and the Way Forward

It is important that the recipient country itself take the lead in the preparation and updating of its DTIS, including selecting the executing entities. The DTIS team should include local expertise and should work closely with the national PRSP team. To facilitate consistency, information sharing and implementation; a global model for undertaking the DTIS should be developed to guide the process. The ultimate quality control of the DTIS should rest with the recipient country supported by the executing entity. The DTIS should be a living document, sequenced and synchronized with the national development planning process such as the PRSP; possibly through the creation of a national trade plan. The Focal Point should take the lead for updating the DTIS and for integrating it into the national development plan.

6.3.2 Tanzania

Eight years after the launch of the National Vision Plan 2025, in which Tanzania vowed to eradicate poverty, ignorance and disease, concerns are raised that motivation and the level of progress made has not met its initial expectations. Although some progress has been achieved in the fields of education and health, much still remains to be done. To overcome the past and deploy more appropriate driving forces in assuring socio-economic progress for the future, the underlying factors and forces which have held back the realization of the goals of the development plans and programs need to be identified. These factors can be summarized in to four impediments:

1. A donor dependency syndrome and a dependent and defeatist developmental mindset.
2. A weak and low capacity for economic management.
3. Failures in good governance and in the organization of production and
4. Ineffective implementation syndrome.
6.3.2.1 Donor Dependence

The long relationship between Tanzania and its donor-community has affected the mindset of the people of Tanzania and their leaders, which has resulted in an erosion of initiative and lack of ownership of the development agenda. In a climate where neither hard work, nor initiative or creativity is supported, a state of apathy, self-motivation, and lack of accountability has been allowed to grow. This is also reflected in the country’s level and quality of education which is not adequate to meeting and solving the growing development challenges that confront the nation. Equally, it also has not been able to innovatively engage Tanzanians in entrepreneurship and self-employment.99

It is imperative that both donors and Tanzania work much harder to create conditions that will ensure that reform policies are properly defined, articulated and implemented. The donor community’s desire to control aid, in order to ensure full accountability must be balanced against the need to allow sufficient space for Tanzania to refine their bureaucratic systems and evolve their own procedures for aid management.

Reaching convergence between the objectives and interests of Tanzania and its donors requires great willpower and hard work since the two parties are conditioned by different historical and institutional backgrounds. They are answerable to different constituencies, and they each have their own internal management imperatives. The conflict of interest explains the difficulties in generating the desired economic outcomes. But for a true partnership to emerge, both sides need to let go of the old conceptions and focus on strengthening institutions that can facilitate greater ownership for Tanzania.

6.3.2.2 The Need of Capacity for Economic Management

The capacity for economic management has not matched the demands for macro-economic stability or responded to changing conditions as it is supposed to. The economy has remained largely untransformed. The available domestic resources have not been adequately mobilized and effectively utilized to promote development on a robust and sustainable basis. The low

99 www.tanzania.go.tz
level of productivity also reflects the degree of creativity and innovativeness including the 
low level of utilization of science and technology. Development has generally been 
characterized by a low level of mobilization of domestic natural, human and financial 
resources to produce wealth and to raise the standards of living of the people. Further 
aggravating this situation has been the excessive use of administrative controls extending to 
non-strategic spheres, preventing the mobilization of capabilities outside the government. 
These controls and regulations have blocked the possibilities of exploiting market forces to 
achieve development objectives. The economy has as a result become weak.100

Many poor countries, including Tanzania, are not able to reap the benefits of globalisation 
because of a lack of knowledge in trade-related issues. This shortcoming gives these countries 
an unfair disadvantage when it comes to promoting their own interests in trade negotiations 
and reaching advantageous agreements that open markets for exports such as agricultural 
products and textiles. This limits their opportunities.

Strengthening policy formulation and implementation and harmonising different national 
policymaking processes is critical for the Tanzanian national ownership. There is a need to 
increase capacity building for policy making, analysis and evaluation at local and central 
levels of government, and ensuring that whenever new concepts and approaches become 
necessary, the Government, Region or Village has the capacity to carry out planning without 
depending on outside technical- or human assistance.

In December last year Tanzania, in co-operation with Sida and Lund University, inaugurated 
an institution in Arusha targeted at educating professionals from the LDC countries who aim 
to work with state authorities, universities, business or regional and international trade 
organisations. The Trade Policy Training Centre in Africa (TRAPCA), will play an important 
part in strengthening the negotiating capacity of the developing countries. Run by ten African 
countries, it will provide training and technical knowledge in trade issues to participants from 
the LDC’s. Each year 300 women and men will have the opportunity to take courses and/or 
complete an executive master's degree on trade-related topics at the TRAPCA. In this project 
Tanzania sets a good example when it comes to co-ordinating the activities of various donors 
and adapting them to the country's own development policies.

100 www.tanzania.go.tz
6.3.2.3 Restoring Governance and Organization of the IF Process

The unresolved problems in Tanzania’s development plans have broken the unity of the country. The national institutional and organizational structures have not been reviewed to cope with the demands of the countries on-going reforms. As a result, structures have not been supportive of evolving social relations which promote the participation of all partners in development. It has equally failed to effectively mobilize domestic resources and capabilities to meet the emerging challenges of development.\textsuperscript{101}

The elections of December 2005 rendered a new government when Benjamin Mkapa, credited with being the driving force behind the extensive economic liberalisation and political stability in Tanzania, stepped down after ten years of ruling. Although the governing party, the Chama Cha Mapinduzi (CCM), has been in power since the country’s liberation in 1977, the elections seems have brought on a stalemate in the proceedings of the IF agenda in general and the DTIS follow-up in particular.

One of the original mistakes made when initiating the development plan was the insufficient involvement of Tanzania in the preparation and realization of their DTIS. They were of course consulted in the process, but should have participated more in the writing of the study, which instead was done by a World Bank crew. The insufficient involvement has ironically resulted in a lack of ownership of the process, which was one of the three objectives the initiative wanted to abolish.

The great challenge today is to restore MITM’s focus on the IF process and make sure that the initiative is thoroughly integrated in to every relevant branch of the national government. A project of this magnitude cannot be so fragile that its foundations collapse with changes of political players. Only when the initiative is well incorporated and has gained enough strength can it survive the hardships of a power shift in office. Taking on the IF-‘re-launch’ is the responsibility of the Ministry in charge, namely the Ministry of Industry, Trade and Marketing. And if we are to follow the comprehension of the IF guidelines responsibility especially lay in the hands of Mr E. M. Sungula, the Director of Policy and Planning in the MITM, and the country’s directed IF Focal Point.

\textsuperscript{101} www.tanzania.go.tz
The Ministry also has to take greater responsibility of the process since they probably will have to go in front when the time for implementing the Action matrix comes. The Ministry and the new Focal Point should however not go through the process alone, but be supported by old key players to assure continuity. The precedent Focal Point in cooperation with the two generations of IF Facilitators, and the appointed consultant, should take charge and propel a more active participation among current stakeholders. The National Steering Committee also has to rouse from its stupor and recapture its role and responsibility of the process.

The IF query has to be set higher on the development agenda, it has to be better incorporated into the national plan, on regional levels, and more stakeholders have to be engaged in the process. By remaining a current issue, it will bring constant pressure on the MITM (or the ministry in charge) to move forward. Most important however, if the ‘re-launch’ is to be successful and if the country is to regain ownership, is that the incentive comes from within Tanzanian boarders.

6.3.2.4 Ineffective Implementation

Tanzania’s incapability of effective implementation, monitoring and evaluation mechanisms have resulted in an erosion of trust and confidence among the people on their leaders. People are now less enthusiastic about participating in national endeavors than before.102

The lack of trust has to be restored. Policy makers have to regain conviction that they are capable of initiating, and realizing and finalizing projects. The problem has to be approached from several different angels. It can partly be solved through capacity building and other forms of funding, but it is imperative that it is solved through the confidence and belief of policy makers. For the reforms to be successful they must also be accomplished without corruption or through other dubious means.

The belief in partnership also needs to be reinstated. Through partnership, or increased ownership, both sides will stand accountable. The previous approach has been to deal with the

102 www.tanzania.go.tz
issue as it occurs, which seldom happens, knowing that the donor typically do not withdraw from the project but tries to find some way to salvage it. Now when engaging in a development plan the recipient county should shoulder a large part of the recurrent costs. When signing the agreement the government will be obliged to pay a certain percentage, the rate will then gradually increase. This way one prevents the government to sign agreements they do not have funds or intentions to realize. It also makes the government more cautious when spending their and other people’s money. Bare in mind that co-ordinating both parties in a simple and effective management structure is rather hard. Both sides have a large variety of players and interests involved, and in a weak system as the Tanzanian one it will be hard to get the bureaucracy to work well.

Objectives identified in the National Vision are largely compatible and continue to inform the policies of the Fourth Phase Government of President Kikwete, who won the December 2005 elections and succeeded President Mkapa. Continued commitment to implementing the Vision together with the Millennium Development Goals was expressed in the CCM Party’s 2005 Election Manifesto. Commitment is a key word for Tanzania’s future development. Commitment to its development plans, commitment to the Manuals recommendations, commitment from donors, stakeholders, key players and government officials. Commitment in capacity building, commitment in funding, and commitment to the overall objectives. Tanzania must be allowed to evolve in its own necessary pace. Everybody have to participate, be persistent, and have faith that this will succeed.
7. Conclusions

Trade is a key factor for economic growth. One of the fundamental logics behind a country’s involvement in trade is to increase its economic development and, by doing so, increase the welfare of the country. But most poor countries are not able to use trade as an engine for growth. The continuously changing trading climate brings out a need for developing systems that improves, simplifies and facilitates complicated and bureaucratised trade procedures. Through broad multilateral cooperation between the government and the trading community, and by making methods compatible and procedures available, countries can develop programmes fitting its particular needs, preconditions and aims. These cooperations are beneficial for all parties through increased transparency, time, business, and better security.

For trade to become a strong lever of growth, good trade policies need to be accompanied by complementary reforms. A country’s ability to influence the conditions of these reforms depends on the institutional capacity of its government, the size of the country’s financial resources, and its strategic importance. Technical assistance providing training and policy advice can be useful in strengthening and broadening the foundation of ownership.

The Aid for Trade initiative combines trade policies with development policies, and fiscal policies to enhance coherence and create better prerequisites for growth and poverty alleviation. The Integrated Framework, one of the trade-focused programs designed to accelerate LDC’s integration into the multilateral trading system, enjoys strong support. It has contributed to increased knowledge of trade issues, facilitated intra-governmental dialogue on trade and growth, and raised awareness of the wide array of complementary reforms needed for trade integration. With the enhancement emphasis was laid on funding requirements, LDC’s ownership issues, and management structure both on national and on international level. In spite of the IF’s successes, it also faces considerable challenges in mainstreaming trade into the PRS process and translating diagnostics into implementation. Such challenges include: weak in-country capacity; lack of systematic follow up at the country level; insufficient and uncertain financing; and variable donor response to priorities in the DTIS.
Tanzania, one of the poorest countries in the world, faces many challenges and obstacles to its trade and economic development. The country has to some extent been spared the internal strife that has shattered many African states thanks to its devoted support from multilateral- and bilateral donors. Great increases of aid to the country have however created serious aid-management problems for the government, especially for local bureaucracies. Weak institutional capacities have resulted in shallow and inadequate ownership and Tanzania’s need for donor co-ordination has been obvious to everyone for a long time.

Tanzania was one of the first countries that went through the IF process. It has resulted in two development programs, the first covered legal and regulatory reforms, and the second serve as an instrument to identify key constraints to the expansion of Tanzania’s trade. External dependence is conceived to have demobilized Tanzania’s confidence, and ability to make use of its capacities in the search for options to solve developmental problems. Dependency on foreign expertise undermines country ownership and brings about a number of problems like the prospect of debt, vulnerability to donor conditionalities, and ineffective implementation.

To restore sustainable country ownership of trade policy the IF Manual provides seven key recommendations. Tanzania satisfies these recommendations well in some aspects but has work to do in others. In the early days of the IF process the country experienced strong support at the highest political levels and an ambitious incentive among its stakeholders. Unfortunately as time went, the process lost momentum and little progress has been made since the shift in power in 2005 rendered a new Minister and Undersecretary of State in the ministry in charge of the IF process. To prevent this kind of eruption broad based participation from key government ministries, medium- and low level representatives, the private sector and other concerned parties has to be realized. Tanzania and its IF Stakeholders also have to refresh their perception of the Frameworks pursued objectives, since the reasoning lately has evolved to being rhetorical wish lists. The DTIS proposal is currently too comprehensive and the next steps would be to comprise it to a more manageable size, assure effective implementation, introduce positive incentive systems to ascertain realization, and finally develop a system for in-country follow-up.

There still exist several major shortcomings within the Framework that prevents the process from reaching its full potential. By following the recommendations from the IF Task Force, a modified management and governance structural adjustments both on the national and on the
international arena, would simplify the process and clear mandate and responsibility to achieve objective to integrate trade in national process.

The DTIS was prepared by the World Bank staff, with certain consultation from national stakeholders. Considering the extent of the DTIS, Tanzania’s involvement in assembling the study should have been much more inclusive. Attaining ownership of ones development policies implicates involvement in all aspects of the process, from start to finish. This error can be very costly for future partnership between the World Bank and Tanzania. Without profound national assimilation the process becomes weak and can easily collapse with political eruption. This mistake has to be corrected through the conjoined efforts of the involved stakeholders. They have to facilitate and adapt the IF system to a level that can be administered by Tanzania, and also increase commitment of capacity building to bring to the country up to speed with the rest of the trading community. More work also has to be done to linkage the DTIS findings to the PRSPs. Better coordination and updates between the efforts would compel IF countries to more effectively assess their trade priorities in the larger context of a national development strategy. Country ownership of the IF process would similarly be enhanced in light of improved donor response and resource allocation.

Eight years after Tanzania vowed to eradicate poverty and ignorance, little progress has been made. Four factors have been identified as the main reasons for holding back the realization of the development plans and programs; these have to be overcome in order to deploy more appropriate driving forces and assuring progress for the future. For one, the long term donor-dependence has created a defeatist developmental mindset in Tanzania. It is imperative that both donors and Tanzania work together to create conditions that will ensure that reform policies are properly defined, articulated and implemented. The second reason is that the capacity for economic management does not match the demands for macro-economic stability and has not responded to changing conditions as it is supposed to. The economy has as a result become weak. Tanzania need to increase capacity building for policy making, strengthen analysis and evaluation at local and central levels of government, and ensure the country has the capacity to carry out planning of new concepts and approaches without depending on outside technical- or human assistance. The third challenge is to restore MITM’s focus on the IF process and make sure that the initiative is thoroughly integrated in to every relevant branch of the national government. The IF query has to be set higher on the development agenda. It has to be better incorporated into the national plan, on regional levels,
and more stakeholders have to be engaged in the process. The lack of trust and belief in partnership has to be restored, and policy makers have to regain conviction that they are capable of initiating, and realizing and finalizing projects. The fourth obstacle Tanzania needs to surmount is making policy implementation more effective. Shared partnership, and increased ownership, where both sides stand accountable, creates better incitements for the country to see its policy implementation through. The shared partnership and shared ownership must also be complemented with shared commitment for Tanzania’s future development to be successful.
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9. Appendix

Appendix A - Least Developed Countries

The Criteria for the identification of the LDCs

- A low-income criterion, based on a three-year average estimate of the gross national income (GNI) per capita;

- A human resource weakness criterion, involving a composite Human Assets Index (HAI) based on indicators of: nutrition; health; education; and adult literacy; and

- An economic vulnerability criterion based on indicators such as: the instability of agricultural production; and of exports of goods and services; the economic importance of non-traditional activities; and the handicap of economic smallness

To be added to the list, a country must satisfy all three criteria. In addition, since the LDC category excludes large economies, the population must not exceed 75 million.

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\footnote{Reference: United Nations 2006}
# Appendix B – LDC’s and their DTIS Validation

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<tr>
<th>Countries that have undertaken a DTIS and Validation Workshop:</th>
<th>Countries that have started the DTIS process:</th>
<th>The IFWG agreed to undertake technical reviews for the following countries</th>
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<td><strong>8 countries</strong></td>
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Note: The remaining LDC’s that may participate in the IF at a later date include Bhutan, Cape Verde, Guinea-Bissau, Kiribati, Myanmar, Samoa, Somalia, Timor-Leste, Togo and Tuvalu. They are mostly small island economies or conflict countries. Eritrea has taken a pause from IF, no DTIS has been undertaken. Bangladesh was an original participant in the first phase of the IF but chose not to participate in the re-vamped IF. ¹⁰⁴

¹⁰⁴ IF Home page - H
Appendix C - Members of Tanzania’s National Steering Committee

1. Bank of Tanzania
2. Board of External Trade
3. British High Commission/DFID.
4. Confederation of Tanzania Industry
5. Embassy of Finland
6. Embassy of Japan
7. European Union Delegation
8. International Monetary Fund
9. ITC/UNCTAD/WTO
10. Ministry of Agriculture & Cooperatives
11. Ministry of Communication and Transport
12. Ministry of Energy and Minerals
13. Ministry of Foreign Affairs
14. Ministry of Industry and Commerce
15. Ministry of Natural Resources and Tourism
17. National Development Corporation
18. Planning Commission Ministry of Finance
19. Royal Danish Embassy
20. Royal Netherlands Embassy
21. Small Industries Development Organisation
22. Swedish Embassy/Sida.
23. Tanzania Association of Exporters
24. Tanzania Bureau of Standards
25. Tanzania Chamber of Commerce Industry and Agriculture
26. Tanzania Investment Center
27. Tanzania Private Sector Foundation
28. UNDP
29. UNIDO
30. Vice President's Office
31. World Bank Country Office

Reference: JITAP
# Appendix D – DTIS Staff and Consultants

### DTIS Mission Team:

<table>
<thead>
<tr>
<th>Name</th>
<th>Organisation</th>
<th>Country</th>
<th>Role</th>
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<tr>
<td>Helena Tang</td>
<td>WB</td>
<td>WB</td>
<td>DTIS lead consultant</td>
</tr>
<tr>
<td>Steve Caiger</td>
<td>High Value Horticulture</td>
<td>GB</td>
<td>consultant, horticulture</td>
</tr>
<tr>
<td>Burcu Duygan</td>
<td>WB</td>
<td>WB</td>
<td>consultant, trade and poverty</td>
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<tr>
<td>Ian Gillson</td>
<td>WB</td>
<td>WB</td>
<td>consultant, preference erosion</td>
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<tr>
<td>Spencer Henson</td>
<td>WB</td>
<td>WB</td>
<td>consultant, standards</td>
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<tr>
<td>Steve Jaffee</td>
<td>PRMTR</td>
<td>WB</td>
<td>standards</td>
</tr>
<tr>
<td>Gerard Mc Linden</td>
<td>PRMTR</td>
<td>WB</td>
<td>customs</td>
</tr>
<tr>
<td>Rene Meeuws</td>
<td>WB</td>
<td>WB</td>
<td>consultant, transport and trade facilitation</td>
</tr>
<tr>
<td>Flora Musonda</td>
<td>ESRF, Dar Es Salaam</td>
<td>TZ</td>
<td>consultant, standards</td>
</tr>
<tr>
<td>David Nyange</td>
<td>University in Morogoro</td>
<td>TZ</td>
<td>consultant, rural logistics</td>
</tr>
<tr>
<td>Sheila Page</td>
<td>ODI</td>
<td>GB</td>
<td>consultant, preference erosion</td>
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<td>Patricia Petney</td>
<td>WB</td>
<td>WB</td>
<td>consultant, standards</td>
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<td>Deborah Porte</td>
<td>WB</td>
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<td>consultant, export processing zones</td>
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<td>Philip Schuler</td>
<td>PRMTR</td>
<td>WB</td>
<td>market access</td>
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<tr>
<td>Andrew Sergeant</td>
<td>Accord Associates LLP</td>
<td>GB</td>
<td>consultant, horticulture and floriculture</td>
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<tr>
<td>Mirvat Sewadeh</td>
<td>PRMTR</td>
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<td>Amit Sharma</td>
<td>Iowa State University (India)</td>
<td>US</td>
<td>consultant, tourism backward linkages</td>
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<td>Andrew Singer</td>
<td>WB</td>
<td>WB</td>
<td>consultant, trade institutions</td>
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<td>Peter Walkenhorst</td>
<td>PRMTR</td>
<td>WB</td>
<td>trade policy and regional trade arrangements</td>
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<tr>
<td>Yuri Sobolev</td>
<td>IMF</td>
<td>IMF</td>
<td>provided the contribution on macroeconomic developments and prospects</td>
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<td>Iain Christie</td>
<td>WB</td>
<td>WB</td>
<td>consultant, tourism</td>
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<tr>
<td>Henry Gordon</td>
<td>AFTS2</td>
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<td>Ron Kopicki</td>
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<td>Don Mitchell</td>
<td>DECPG</td>
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<td>(agricultural export crops)</td>
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<td>Francis Ng</td>
<td>WB</td>
<td>WB</td>
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<tr>
<td>Emmanuel Mungunasi</td>
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<td>Yvonne Tsikata</td>
<td>OEDCR</td>
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<td>Josaphat Kweka</td>
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<td>Sarah Babirye</td>
<td>AFMUG</td>
<td>WB</td>
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<tr>
<td>Arlette Sourou</td>
<td>AFTP2</td>
<td>WB</td>
<td>The report has been produced by</td>
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Reference: Tang et. al., 2005, p.8f
Representatives of the public and private sector agencies and institutions, donor agencies, research institutes and academic institutions, consulting the preparation of the DTIS\textsuperscript{106};

1. The Vice President’s Office
2. The Ministry of Agriculture and Food Security (MOAFS),
3. The Ministry of Energy and Minerals,
4. The Ministry of Foreign Affairs and International Cooperation (MFAIC),
5. The Ministry of Industry and Trade (MIT),
6. The Ministry of Natural Resources and Tourism (MNRT),
7. The Ministry of Water and Livestock Development (MWLD),
8. The National Bureau of Statistics (NBS),
9. The Tanzania Revenue Authority (TRA),
10. The East African Community Secretariat,
11. The Board of External Trade (BET),
12. The Tanzania Bureau of Standards (TBS),
13. The Tanzania Food and Drug Authority (TFDA),
14. The Tanzania Investment Center (TIC),
15. The Confederation of Tanzania Industries (CTI),
16. The Tanzania Chamber of Commerce, Industry and Agriculture (TCCIA),
17. The Tanzania Exporters Association (TANEXA),
18. The University of Dar Es Salaam.
19. The Economic and Social Research Foundation (ESRF),
20. The Research on Poverty Alleviation (REPOA),
21. The European Union (EU),
22. The Canadian International Development Agency (CIDA),
23. The Danish International Development Agency (DANIDA),
24. The Royal Netherlands Embassy (RNE),
25. The Swedish International Development Corporation (SIDA),
26. The Swiss Cooperation Office (SECO),
27. The UK Department for International Development (DFID),

\textsuperscript{106} Tang et.al. 2005, p.9
28. The US Agency for International Development (USAID),
29. The Joint Integrated Technical Assistance Program (JITAP),
30. The United Nations Development Organization (UNDP),
31. The United Nations Industrial Development Organization (UNIDO),