

Country Strategy for Development Cooperation

TANZANIA

2016-2019

MINISTRY FOR FOREIGN AFFAIRS

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ABBREVIATIONS

BEAM	Business with Impact Instrument
CSO	Civil Society Organisation
CPI	Corruption Perception Index
CS	Country Strategy
EEP	Energy and Environment partnership programme
FDI	Foreign Direct Investment
FORVAC	Forestry and Value Chains Development Programme
HEI-ICI	Higher Education Institutions Institutional Cooperation Instrument
HIV/AIDS	Human immunodeficiency virus/ Acquired Immune Deficiency Syndrome
ICI	Institutional Cooperation Instrument
ICT	Internet and Communication Technology
LIMAS	Lindi and Mtwara Agribusiness Support
LCF	Local Cooperation Fund
LGA	Local Governance Authority
MDG	Millennium Development Goals
MFA	Ministry for Foreign Affairs
NGO	Non-Governmental Organisation
ODA	Official Development Assistance
OECD	Organisation for Economic Co-operation and Development
PFP	Private Forestry Programme
PFM	Public Finance Management
PFMRP	Public Finance Management Reform Programme
PIF	Public Sector Investment Facility
PPP	Public-Private Partnership



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TANZIS	Support to Tanzania's Innovation System
SDG	Sustainable Development Goals
TRA	Tax Revenue Authority
FYDP II	The Second Five-Year Development Plan
UNWOMEN	United Nations Entity for Gender Equality and the Empowerment of Women
WGI	Worldwide Governance Indicators



Executive summary

Tanzania has enjoyed long-standing peace and security since its independence in 1961. Over the past decade, the country has reached a high rate of economic growth and managed to reduce poverty. Nevertheless it remains one of the 25 poorest countries in the world. Almost 47% of the population live below the international poverty line and a large part of the population lack adequate access to basic infrastructure and social services. Massive population growth is bringing in a young generation with poor education and limited job prospects. This trend risks to overshadow many earlier development achievements.

Tanzania's aspiration is to become a middle-income, semi-industrialised nation by 2025. This vision is strongly advocated by President Magufuli who has taken sweeping measures to improve public governance, fiscal management and domestic revenue in order to benefit the poor and to reduce Tanzania's dependence on aid.

Finland will continue to support Tanzania because it is one of the world's poorest countries and it is committed to necessary development reforms. Finland's Country Strategy builds on the targets outlined in Tanzania's Five Year Development Plan for 2016–2021. Employment creation for the rapidly growing population as well as accountable and effective public financial management and inclusive decision-making are crucial for Tanzania's future development. Therefore the Country Strategy aims to accelerate progress by strengthening the country's economic base, promoting job creation in the innovation and forest sectors, and by consolidating public finance management, taxation capacity and good governance. While the current strategy is based on previous cooperation, it has a narrower sectoral focus and fewer interventions than the previous Country Strategy. Finland will be withdrawing from agriculture and some other sectors, and at the same time intensify its efforts in public sector management and in the private sector. In the forest sector the focus will be on livelihoods and entrepreneurship.



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In the area of public financial management systems, Finland is committed to support the Tanzanian government in its efforts to solve critical shortcomings in revenue management as well as budget execution and oversight through national basket fund programmes. The expected improvements are crucial for macro-economic stability, poverty reduction and overall governance. Furthermore, Finland continues to support more accountable and inclusive policy-making through cooperation with the Uongozi Institute and UN Women by building nationwide the capacity and integrity of current and emerging leaders, with a special emphasis on women. Finland also stresses the importance of a free civil society and its role in holding the government accountable. Finnish support to local civil society focuses on human rights and democracy promotion.

In job creation, Finland concentrates on bilateral private sector forestry programmes with a regional focus (PFP, FORVAC) and a nationwide innovation programme (TANZIS). Finland is a leading partner with Tanzania in these sectors and has developed sectoral institutions, policies and legislation as well as working with local communities. Finnish programmes highlight the role of the private sector and its productivity, and link the cooperation with Finnish partner organisations. Special attention is given to creating an enabling environment for businesses and livelihoods as well as competitive and responsible businesses and value chains. In the forestry sector, Finland's efforts also contribute to Tanzania's national climate change action plan.

The Country Strategy also encompasses other Finnish-funded development cooperation in Tanzania, including the work of many NGOs and companies. The long-standing cooperation between Finland and Tanzania has laid a solid foundation for wider partnerships. Finland will continue to be an engaged partner for Tanzania as it continues to work to alleviate poverty and to improve the lives of all its citizens. At the same time, there is a mutual effort to increase trade and investment between the countries.



1. Country Context

1.1 Political, economic and social development

Tanzania is reputed for its stability and social cohesion, in marked contrast to many of its East African neighbours. Since the formation of the Union in 1964, the country has enjoyed peace and security, enabling it to make remarkable progress in development.

In May 2016, the agenda in Tanzania is set by the newly elected President John Magufuli. During his first year in office, the President has proceeded to fulfill his election promises, concentrating on domestic politics and standing strong on his priorities: cutting wasteful expenditure, improving public services and tackling corruption. These measures have gained him wide acclaim. At the same time, concerns have been raised about freedom of expression and the opposition's room to manoeuvre as well as about the political impasse in Zanzibar.

The President's aspirations to improve public governance and fiscal management are well justified. Despite previous reforms, the public sector remains ineffective in implementing development policies and providing adequate services to all. In the Transparency corruption index (CPI), Tanzania ranks 117th out of 168 countries. Other international governance indices (Mo Ibrahim Index, WGI) also show either stagnation or decline for Tanzania in recent years.

Cumbersome bureaucracy and corruption contribute to a weak business environment, including poor infrastructure and energy shortages. In the Doing Business Index, Tanzania ranked 139/189 in 2015, behind most of its neighbours. Investor confidence is at its lowest level in over four years due to uncertainty over future policies on taxation and immigration as well as protective measures in selected industrial sectors.



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Despite these challenges, Tanzania has enjoyed impressive economic growth in the past decade: annual GDP growth has averaged 7%, higher than in Kenya and Uganda, for instance. Foreign direct investment (FDI) has also increased remarkably. This growth has mainly been driven by the construction, ICT, hotels and restaurants, finance and trade sectors. The agricultural sector, however, which still employs the vast majority of Tanzanians, has not been able to keep up with this pace. Tanzania's level of domestic revenue mobilisation also remains among the lowest in the world.

Economic growth in Tanzania has coincided with a decline in poverty. Nevertheless 46.6% of Tanzanians live below the international poverty line. Over four-fifths, 84.1% of these poor people live in rural areas. In pursuit of the Millennium Development Goals, Tanzania has achieved a significant decline in infant and under-five mortality as well as important progress in the fight against HIV/AIDS, malaria and tuberculosis. Net enrolment in education has improved considerably, but the quality of education remains a problem. In poverty reduction and reproductive and maternal health, the country did not meet the MDGs. Women's rights are still compromised by discriminatory laws and cultural practices as well as pervasive violence.

The positive developments are being frustrated by rapid population growth. Tanzania has one of the highest birth rates in the world: by 2035 it is projected that its population will double to 100 million. Each year, 800,000 young Tanzanians are now entering the labour market. Population growth is accompanied by rapid urbanisation. Dar es Salaam is one of the fastest growing cities in the world. Coupled with the effects of climate change, these trends pose a huge challenge not only to social services, but also to food security and environmental sustainability in the country.

1.2 Development scenario for the country

Tanzania is undergoing a process of economic and social transition. Facing the future, the country has several assets: it is rich in natural resources – minerals, natural gas, forest and wildlife – and its coastal location is a definite strategic advantage. At the same time, there are some major risks on the horizon: population growth in particular poses increasing challenges to education, health and other social services. Almost half of the population is aged under 15, and their basic education and job



prospects are poor. The combination of poverty and frustration among young people is a potential breeding ground for unrest, even radicalisation. Tanzania also hosts a growing number of Burundian refugees.

President Magufuli has started his term in office by introducing sweeping measures of reform, and he enjoys great popularity among the people. However, in order to push through the reform agenda, the government needs broad political support for its priorities, an efficient civil service as well as good cooperation with the private sector. The efficiency drive has already started up in public administration, but the problem of capacity constraints cannot be resolved overnight. On the economic front, the prospects are mixed: growth is projected to remain high, but at the same time the new administration's early actions have only muddled rather than brought greater efficiencies to the business environment.

There are also concerns about the human rights situation and democracy in society. Transparency, the closing space for civil society and the opposition as well as freedom of expression are under threat from restrictive laws and their selective application. The new administration's commitment to human rights will be further tested if the long-postponed referendum on the constitution moves forward. This will also bring to the table the controversial question of the governance of Zanzibar.

1.3 Finland's relations with the country and prospects for more diverse relations

Finland's cooperation with Tanzania is long-standing and built on mutual respect. Close political relations started when Finland recognized Tanganyika immediately after its independence in 1961. Development cooperation started in the 1960s. The first joint Nordic projects were followed by substantial bilateral cooperation, making Tanzania one of Finland's major long-term development partners. Years of cooperation have resulted in strong bilateral relations as well as friendships between the civil societies and citizens of the two countries.



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Long-standing cooperation has laid a solid foundation for wider partnerships in the future. Finland will continue to be an engaged partner with Tanzania in its aspirations to alleviate poverty and to improve the lives of all its citizens. Political relations and development cooperation will remain major elements in the partnership in the future as well.

Trade between Tanzania and Finland has remained modest. Exports to Finland consist mainly of coffee and tea, imports mainly of machinery, fertilizers and electronics. Finnish companies operating in Tanzania vary widely in size, and the total number of established companies is still low. There is, however, a mutual commitment to increase trade and investment between the countries. These efforts are supported by synergies with development cooperation in the forestry and innovation sectors.

The annual budget framework for bilateral cooperation will be around 13 million euros. Bilateral programmes will be complemented by institutional cooperation (ICI and HEI-ICI) and other ODA financed cooperation, such as funding for NGOs and companies, all very relevant to Tanzania. In all its cooperation with the private sector, Finland will promote the principles of corporate social responsibility.

1.4 Themes of dialogue and advocacy

Finnish operations in Tanzania take place in the framework of the European Union's Common Foreign and Security Policy and in close coordination with the other Nordic countries. In the EU framework, the objective is to have regular, substantial and comprehensive political dialogue with the Tanzanian government. This dialogue is heavily focused on human rights, democratic development and good governance as well as trade, investment and the creation of an enabling environment for the private sector in Tanzania.

Finland engages in bilateral dialogue with the Government of Tanzania on political and bilateral trade related issues as well as on development cooperation. Finland's dialogue and advocacy within its development programme in Tanzania will focus on promoting a rights-based approach to develop-



ment, good governance and improved performance of the public sector, the creation of employment and livelihoods, the sustainable use of natural resources, and the reduction of inequality.

In the dialogue regarding the performance of the public sector, Finland's aim is to promote more efficient and accountable public financial management, more accountable and inclusive public policy-making, and to address the barriers to the participation of civil society in democratic development. In the dialogue regarding the creation of employment and livelihoods, Finland advocates the promotion of an enabling environment for business and the private sector, access to land, natural resources and financing, as well as responsible business culture. In the promotion of sustainable use of natural resources, Finland's aim is to advance the empowerment of communities in sustainably managing their natural resources and to promote the climate resilience of development efforts. Furthermore, Finland is keen to support efforts to reduce inequality by promoting the rights of women, people with disabilities and other vulnerable groups through the realization of their rights and needs and through their equal inclusion in development activities.

2. Development Cooperation Context

The objectives for Tanzania's political, economic and social development are spelled out in the Tanzania Development Vision 2025. This Vision expects to see the country to transform into a middle-income, semi-industrialised nation by 2025. It should be characterised by a high-quality livelihood; peace, security and unity; good governance; a well-educated and learning society; and a strong and competitive economy. Practical implementation of this vision is through Five Year Development Plans (FYDP). FYDP II (2016–2021) outlines President Magufuli's transformation agenda. The new plan incorporates both growth and poverty reduction agendas and localises the implementation of the sustainable development goals.

FYDP II is frank in its situation analysis, yet very ambitious in its goal-setting. Despite its overarching title, the plan is in significant part focused on industrialisation. It underlines the private sector's role in implementation, while the government is envisioned more in a facilitating role. It also notes that the attainment of the goals and targets set out hinges on good governance and effective accountability. As for financing, FYDP II includes a significant step-up in domestic resource mobilisation, support from traditional and new partners as well as PPP arrangements with the private sector.

At the same time, the new government is determined to reduce Tanzania's dependence on aid. For 2016/17, official aid makes up about 12% of the national budget, which includes a remarkable increase in domestic revenues, especially taxes. This is a noteworthy achievement indeed: as late as 2006 aid still accounted for 37.3% of the national budget. Aid does, however, continue to account for a large proportion of finances available for the development budget, i.e. reform and equality-enhancing priorities. Also, a major part of official development assistance continues to go outside the budget.

For years, Tanzania has been one of the top 10 recipients of aid from OECD countries. Its biggest bilateral partners are the United States, the United Kingdom, the EU, Japan and Canada. The Nordic countries also have a strong presence in Tanzania. The World Bank, the African Development Bank



and UN agencies are particularly important for the multilaterals. At the same time as aid from many OECD donors has tended to decline, the involvement of non-OECD actors has been on the rise. China and India in particular have long-standing ties with Tanzania. In addition to the bi- and multilateral donors there are several Finnish and other civil society organisations that are active in the field. CSOs play an important part both in service delivery and advocacy for a democratic, inclusive and transparent society.

The global trends of development cooperation are clearly apparent and visible in Tanzania. Domestic pressures and shrinking budgets have made donors more risk averse and forced them to focus on quick and measurable results. This has precipitated the fragmentation of aid – once again the current goes towards small projects instead of joint efforts. Within the EU there are aspirations for joint programming, but otherwise application of the Paris principles on aid efficiency is challenging.

In recent years, relations between the government and development partners have been hurt by a number of grand corruption cases, contributing to the erosion of dialogue. A fundamental rethink of the relationship is ongoing. It is agreed by the parties that there is a need for profound reform that would cater for an efficient and strategic dialogue in the future. The new model should be based on the current and future development landscape and reflect the needs to strengthen mutual accountability and to find a structure for efficient problem-solving.

Finland is an active participant at all levels of the policy dialogue, either bilaterally or through the EU. In the recent past, Finland has chaired several sector groups: general budget support, governance, natural resources and environment as well as innovation and technology. During the strategy period, the extent of policy dialogue will be adjusted to reflect the resources available.

3. Finnish Development Cooperation to Date and in the Future

Finland's previous Country Strategy (CS) for Tanzania aimed at the achievement of three development results: 1) good governance and equitable service delivery, 2) sustainable use and management of natural resources and access to land, and 3) the promotion of inclusive, sustainable and employment-enhancing growth. These objectives were directly relevant to Tanzania's national development strategies.

For most of the strategy period, Finland contributed to major development results via general budget support (GBS). GBS contributed to the reduction of basic needs poverty, improved infrastructure, macroeconomic stability and improved public financial management. Finland continued to be the leading donor in the forestry sector. It supported Tanzania in the formulation of national policies and practices. The cooperation programmes helped communities achieve better livelihoods through forests. Chairmanship in the donors' forest/environment group enabled Finland to promote the role of forests in mitigating climate change. Finland also took a leading role in introducing new innovation and entrepreneurship concepts to Tanzania and in supporting the government's policy and capacity development in the forestry sector. Another major priority in Finland's development cooperation was to promote women's economic and political empowerment.

Development cooperation nonetheless faced several challenges. Aid effectiveness and the climate for aid deteriorated during the CS period, especially due to the decline of budget support and the breakdown of related donor-government dialogue. Furthermore, the efficiency of projects was often impaired by a lack of institutional capacity. In several projects the use of weak country systems led to mismanagement and unnecessary delays in implementation. One of the biggest challenges, however, was created by Finland itself: a fragmented programme portfolio that had evolved over the years meant that resources were scattered and impacts were compromised.



The CS evaluation in spring 2016 also drew attention to these challenges. It called for a more targeted focus in the future, recommending that Finland continue its support to natural resource management and equitable growth as well as good governance. Particular emphasis was to be given to complementarity with other instruments of Finnish support as well as to cooperation with the private sector and civil society.

The new CS is based on Finland's 2016 development policy as described in Chapter 4. The CS takes into account the recommendations of the CS evaluation. The choice of impact areas is based on a situation analysis, continuing the strong commitment to a human rights based approach as well as gender equality. More realistic planning and timing of a more limited number of interventions will also contribute to enhance efficiency. Results-based management will be strengthened both at the strategy and programme levels with the help of the new logic model, results monitoring framework and risk matrix. The new CS will be aligned with national systems to the extent feasible.

Finnish non-governmental organisations have traditionally been very active in Tanzania. In 2015 disbursements to the total of some 30 Finnish organisations came to around 3.2 million euros. The following Finnish partner NGOs receive multiannual programme-based support in Tanzania: KEPA, WWF Finland, FELM, FIDA International, Frikyrklig Samverkan and Abilis Foundation.

Private sector financing instruments were in active use during 2015. Finnpartnership awarded 173,000 euros to eight different applicants. During 2006–2016, Finnpartnership has received 84 applications for Tanzania, 42 of which have been approved. Furthermore, Finnfund has seven investments in Tanzania, mainly in the forestry sector. Finnfund is the leading investor in the forestry sector in Tanzania, and therefore it makes sense that Finland's bilateral projects work in this sector, too.

Finland provides core funding to the UN organisations and international development financing institutions in Tanzania. The most active and relevant international organisations with close links to Finland's Country Strategy are UN Women, UNDP, FAO, the World Bank and the African Development Bank.

During the financial year 2014–2015, Finland was the fourteenth biggest donor out of 21 donors in Tanzania. Tanzania's ODA receipts in 2014 totalled USD 2.8 billion.

4. Expected Results of the Development Cooperation Programme

4.1 Impact

Finland's Country Strategy for Tanzania has two impact areas:

- Improved performance of the public sector
- Increased employment and livelihoods

These areas target two crucial aspects for the future development of Tanzania. As such, they echo the priorities of FYDP II as well as Finland's experience and expertise. They contribute to the four priority areas of Finland's 2016 development policy by strengthening a democratic and well-functioning society, generating jobs and livelihoods, enhancing the sustainable use of natural resources and advancing women's rights. In addition, they encompass the broad spectrum of other Finnish-funded cooperation in Tanzania. With respect to the human rights based approach, Finland will in both areas support the capacity of rights-holders and duty-bearers, i.e. people who know and claim their rights and government which is responsible for fulfilling and protecting these rights.

The first impact area, Improved performance of the public sector, builds on an understanding that good governance and an efficient and accountable public sector are vital to the sustainable development of any nation. Well-functioning institutions are a prerequisite for the alleviation of poverty and inequality, a reliable judicial system as well as a good business climate – and thus to all development efforts.



FYDP II and global governance indices identify several weaknesses in the Tanzanian public sector's performance. In the 2015 Ibrahim Index on African Governance, Tanzania ranked above the regional average in overall governance, although with a lower score than previously. A similar trend is visible in global governance indices. FYDP II identifies these challenges in more detail as follows: grand and petty corruption and lawlessness, weak accountability and quality of public services, weak public systems, processes and procedures, and a sub-optimal public finance management system. Finland will continue to support public sector reforms and the strengthening of good governance via specific programmes, CSOs and policy dialogue. Domestic resource mobilisation will be supported in different ways that are in line with the objectives of Finland's Tax and Development Action Programme.

The second impact area, Increased employment and livelihoods, addresses the urgent need to create jobs and livelihoods for the growing population. It also contributes to Tanzania's vision of becoming a middle-income semi-industrialised country by 2025. While the legal and institutional framework for economic growth will be set by the government, the private sector is needed to create jobs and to generate income for the growing population. This, in turn, is expected to generate more tax revenue, which is necessary for the equal delivery of public services

Finnish efforts in the creation of employment and livelihoods will concentrate on two areas: the national innovation system and forestry. Both of them are identified by FYDP II as priorities for national development, with forestry having close links to the national action against climate change. These areas will also benefit from Finland's experience and know-how. In this impact area, Finland will furthermore be working to strengthen linkages between Tanzania and the global economy. Finnish programmes can facilitate the Tanzanian private sector's access to global value chains, markets, capital and technology. The know-how of the Finnish private sector will be an important asset in this effort. These commercial relations will be to the mutual benefit of both countries.

4.2 Outcomes and outputs



IMPACT 1. IMPROVED PERFORMANCE OF THE PUBLIC SECTOR

Outcome 1.1. More efficient and accountable public financial management

The first outcome to support public sector performance focuses on improving public financial management (PFM) systems. These systems are crucial for macroeconomic stability, the effective use of resources as well as poverty reduction and private sector development. Moreover, they increase aid effectiveness and are essential in managing the fiduciary risks involved in financial aid going through in-country systems.

Tanzania has been undertaking PFM reforms in a series of phases under the Public Financial Management Reform Programme (PFMRP). Significant milestones have been achieved in domestic revenue collection, debt management and expenditure control, for instance. At the same time, though, several challenges remain. These include limited budget credibility, the accumulation of arrears, weaknesses in non-salary internal control systems as well as shortcomings in domestic revenue collection. The need for PFM reforms is acknowledged in FYDP II, but there is a need for a strong political push to make the expected benefits materialise. Within PFM, Finland will focus its efforts on two key areas:

Outputs

- Improved revenue management
- Strengthened capacity of oversight institutions



Tanzania has one of the lowest tax revenue to GDP ratios in the region: in 2014/15 the figure was 12.4%. The country also continues to fall short of its revenue forecasts, resulting in financing constraints and thus hampering the government's development plans. Finland will fund and participate in programmes targeting revenue management. As part of wider PFM reforms and policy work, steps will be taken to strengthen the tools and capacities to forecast as well as to collect revenues. This support contributes to the third objective of Finland's Tax and Development Action Programme in terms of reliable country-specific analyses as well as measures aimed at building taxation capacity.

In the oversight institutions, internal and external audit functions have been strengthened in recent years. A recent assessment of supreme audit institutions in Africa awarded a high score to the National Audit Office, for example. The Treasury Registrar has also made progress in its oversight function over parastatals. At the same time, audit recommendations are not being adequately followed up. Insufficient oversight of parastatals may lead to fiduciary risk. Finland will support these institutions by capacity building and policy work.

Outcome 1.2. More accountable and inclusive public policy-making

The second outcome the performance of the public sector impact area concerns public policy-making. This underlines the importance of how decisions are made and monitored: what are the roles and competencies of democratically elected institutions, leaders, citizens and media.

Over the years, Tanzania has taken steps towards more accountable and inclusive policy-making. In 2011, the country joined the Open Government Partnership Initiative, with the aim of improving public service delivery, government responsiveness, the fight against corruption and trust in public institutions. In recent years, state budgets have been published online and citizen's participation in decision-making and policy formulation has been enhanced. At the same time, the Ibrahim Index on African Governance shows a marked decline in accountability, especially in access to information and prosecution for abuse of office. The 2015 elections saw an increase in the number of women nominated as candidates and elected to parliament, another promising sign of inclusivity. Still, the number of women in key leadership positions remain low. As regards public policy-making, Finland will focus on two areas:

Outputs

- Improved leadership
- Improved capacities of civil society to hold the government accountable

Sustainable economic growth, social welfare and environmental protection are among the issues that Tanzanian leaders must address now and in the future. In order to make decisions that benefit the whole country, leaders must have appropriate competencies to produce development policies and programmes that are tailored to Tanzanian needs. To support sound leadership, Finland will continue to partner with the Uongozi Institute which provides training for current and emerging leaders, conducts research, organises roundtable discussions and provides resources on leadership, executive management, policy development and strategic thinking.

This work is complemented by support for civil society. During this strategy period, Finland's Fund for Local Cooperation (FLC) will focus on democracy and human rights, enhancing the capacity of CSOs to participate in and monitor public processes. The Embassy will also continue to partner with KEPA and other Finnish CSOs present in Tanzania in areas of common interest.

Instruments, inputs and linkages:

Finland will channel its support via basket funds of relevant reform programmes (e.g. PFMRP IV and Public Expenditure Review) and the Uongozi Institute. This work will be complemented by the Fund for Local Cooperation and the work of Finnish CSOs. The possibilities of providing additional funding to tax administration and women's leadership will be assessed during the strategy period. Finland will also participate in sectoral working groups and influence policy dialogue both bilaterally and as part of the EU and/or donor community. The Finnish financial contribution will be directed to programmes that strive for donor coordination and complementarity.



IMPACT 2. INCREASED EMPLOYMENT AND LIVELIHOODS

Outcome 2.1. Enabling environment for business and livelihoods enhanced

The first outcome to support employment and livelihoods focuses on the creation of an enabling environment. This is essential for the development of the private sector as well as for the livelihoods of ordinary citizens.

Tanzania's stable macroeconomic and political environment has enabled rapid economic growth during the past two decades. There has been, however, not much improvement in the enabling environment for private sector development. In the IFC's Ease of Doing Business Index, Tanzania ranks 139th out of 189 countries, significantly behind its EAC neighbours Kenya, Uganda and Rwanda. This is a particular problem for small and medium-sized companies, which do not have the necessary resources and connections to navigate government procedures. These companies must succeed in order for the country to achieve broad-based and employment-generating growth.

Finland will support efforts to improve the general business environment – for example, reducing red tape and barriers to trade and developing transparent taxation – through policy dialogue with the government and other development partners. In addition, Finland will support the government in targeted reforms in areas where Finland has particular expertise. In its bilateral work, Finland will focus on three areas:

Outputs

- Increased access to innovation finance
- Increased access to skills development
- Strengthened forest management



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Access to finance is one of the key bottlenecks for innovative growth-oriented companies in Tanzania. The stage where an idea has not yet been proven as a product on the market is particularly difficult. In order to ease the situation, Tanzania is developing a national system for funding innovation through the National Fund for Science and Technology (NFAST) based at the National Commission for Science and Technology (Costech). Finland will support this effort through technical assistance and contributions to initial funding for NFAST.

As regards skills development, Finland will contribute to the improvement of entrepreneurship culture and training as well as business development services, especially in the innovation and forestry sectors. All these need to be strengthened in order to ensure there is a sufficient number of companies competing in the generation of feasible business concepts.

In the forestry sector, Finland will support the private sector and local communities in the sustainable use and management of natural forests as well as in establishing forest plantations. At the moment there are official title deeds or land-use plans for no more than some 15% of the land, and open access to forests is resulting in land depletion and deforestation. Bilateral programmes will therefore also support land-use planning and strengthen forest administration and forest NGOs. This will contribute to the fight against illegal timber trade.

Outcome 2.2. Competitive and responsible businesses and value chains created

The second outcome contributing to increased employment and livelihoods focuses on individual companies and value chains. Although the Tanzanian private sector has grown rapidly during the past two decades, most companies still have weak capacity in this regard.

Through its bilateral programmes, Finland will support the capacity and systems of the private sector to bolster its growth and development. This will include strengthening the links between Tanzanian actors (e.g. within value chains and technology clusters), information sharing and the introduction of best practices from other countries. Here Finland will focus on three aspects:

Outputs

- Innovative products and services contributing to Tanzanian society
- Forest resource base widened and inclusive products developed
- New Finnish-Tanzanian business/institutional partnerships facilitated

In the past five years Tanzania's ICT sector has grown at an average annual rate of 20%, and technological change has revolutionised financial services, access to information and rural electrification. Positively disruptive innovations are under development in other sectors as well. Given its extensive ICT experience, expertise and networks, Finland can support Tanzania in its efforts to link up with technology, global networks and innovative ideas.

Finnish-funded forestry programmes will help communities and the private sector increase their incomes and livelihood from forests. Support for plantation forestry will generate valuable income for farmers and entrepreneurs in the Southern Highlands and valuable resources for forest companies. The aim is to add value to raw timber by generating new products for consumers and by improving marketing and information systems and increasing volumes.

The Finnish private sector possesses a great deal of know-how that can be applied in market development. Finnish-Tanzanian business partnerships can support Tanzania's development through better and/or cheaper products, improved efficiency, technology transfer, investment and exports.



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Instruments, inputs and linkages:

Finland's inputs will include bilateral programmes: the Private Forestry Programme (PFP), the Forests and Value Chains programme (FORVAC) and the Support to Tanzanian Innovation System programme (TANZIS). These programmes are complemented by cooperation between institutions (ICIs) and the private sector.

In addition, Finland will participate in sectoral working groups and influence policy dialogue both bilaterally and as part of the EU and/or donor community. The Finnish financial contribution will be directed to programmes which strive for donor coordination and complementarity.



5. Implementation

5.1 Complementarity and coherence

Tanzania benefits from many Finnish-funded regional programmes. For example, Finland supports Trademark East Africa, the world's largest Aid for Trade programme, which is to aim at improving the trade environment in the region. The Energy and Environment partnership programme (EEP) has funded several successful projects in renewable energy, energy efficiency and clean technology.

Cooperation between Finnish and Tanzanian civil societies is very active and annually 20–30 Finnish NGOs have projects in Tanzania. Their work complements the bilateral cooperation between the two countries, supporting service delivery and the development of a democratic, inclusive and transparent society.

Tanzania's rapid socio-economic development will provide opportunities to broaden partnerships at various levels between the two countries. Finland's private sector programmes in forestry and innovation are aimed at increasing interaction between Finnish and Tanzanian entrepreneurs. To complement development cooperation, Finland will also actively seek opportunities to increase trade-related, R&D and institutional relations and the use of various MFA-funded instruments (Finnfund, Finnpartnership, BEAM, EEP, PIF, ICI, HEI-ICI) in Tanzania.

5.2 Partnerships and modalities for development cooperation

The Government of Tanzania, its institutions, academia, private sector and civil society are key partners for Finland's development cooperation. In order to enhance coordination, collaboration and the



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division of labour, Finland also works closely with other bilateral and multilateral donors. Finland will also keep in close contact with the Finnish NGOs working in Tanzania. Finland remains open to partnerships with emerging economies as well as North-South-South cooperation.

In issues related to the macroeconomy and public financial management, Finland owes much to the analysis by and partnership with the IMF, the World Bank and the African Development Bank. In questions of women's rights, Finland works closely with the UN, especially with UN Women.

Withdrawal of general budget support has slanted Finland's portfolio towards project-based support. Despite this, Finland will seek opportunities for joint financing and sector support and make use of country systems wherever possible. Joint financing opportunities exist above all in public sector governance programmes relating to the Country Strategy's first impact area.

5.3 Long-term sustainability

The impact areas of this strategy – improved performance of the public sector and increased employment and livelihoods – are important priorities for Tanzania's current government and in line with the country's national development plans. In order to become a middle-income country by 2025, with stronger domestic financing for development investments, Tanzania needs to make improvements in its public financial management, including revenue management, and public policy-making. The same goes for the sustainable use of natural resources and the development of smart innovations. These impact areas are also in line with Tanzania's commitment to Sustainable Development Goals (SDGs) and Paris Agreement on climate change.

Positive results are expected in the focus areas of this CS. Finland's support will improve the capacity of public institutions to manage public finances and policy-making, and also enhance the capacity of civil society to hold the government accountable. Furthermore, Finland's support will enhance the sustainable use of natural resources and the creation of employment and livelihoods. Long-term sustainability, however, will depend on the country's overall development and the dynamism of its private sector. Despite the Tanzanian government's commitment and stern actions, change will not



come overnight. There are many challenges to be overcome. If it is to achieve its national development targets, Tanzania will need support even after this strategy period.

5.4 Risk management

Tanzania is one of the 25 poorest countries in the world. This necessarily implies contextual, institutional and programme-related risks in development cooperation.

The contextual risks stem from a possible deterioration of the country's democratic, human rights and good governance situation or from a major slowdown in economic growth. Either of these could adversely affect the stability of the nation or undermine the private sector's interest, which in turn would dilute aspirations to reduce poverty and inequality. Despite some negative signs, however, the overall trend is expected to remain positive.

The institutional and programme-related risks stem from poor governance as well as the local partners' inadequate human and financial resources. Programmes may suffer from weak financial management or corruption, loss of key personnel or lack of funding. In forestry, poor governance can translate into illegal logging, deforestation and erosion, aggravated by the adverse effects of climate change.

In order to mitigate these risks, Finland is committed to support the new government in its good governance reforms, including the improvement of public financial management systems, state accountability and transparency. Governance and corruption issues are regularly raised and discussed in the political dialogue.

In the context of programme implementation, the risks are managed by the use of a full range of safeguard measures, such as careful planning, the screening and selection of partners and funding channels, regular monitoring, constant learning and timely reaction. Audits and evaluations are carried out regularly. Participation in the programmes' administrative and governing bodies is an integral part of risk management on a programme level. Risk management and risk analysis updates will



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be included as standard items on the agenda. All programmes include capacity building efforts to strengthen the partner organisations and make them more efficient and less dependent on donor support. Finland also supports civil society in its efforts to monitor the government's actions and use of public funds. Attention will also be paid to Finland's own human resource management, ongoing competency development and to communication about results.



6. Monitoring and evaluation

Country Strategy monitoring is based on ongoing monitoring of development projects, programmes, policy dialogue and other cooperation by the Embassy. This work follows the MFA's principles and guidelines, especially the Guideline on Results-based Management, the Manual for Bilateral Programmes and the Evaluation Guidelines. In joint arrangements, Finland will participate in joint reviews and evaluations.

The Country Team will continuously monitor the validity of the assumptions made in the Country Strategy and its Logic Model (Annex I) as well as the identified risks, and take corrective measures as needed. The use of Country Strategy budgeted funds is monitored on an ongoing basis using automated reports from the MFA financial accounting systems.

The Country Team will prepare an annual report following the MFA reporting format in the first quarter of the calendar year. The annual report provides an overview of Country Strategy monitoring and reporting. The potential need for corrective measures will be determined by the Department for Africa and the Middle East.

Findings of project-level management reviews and mid-term, final and potential impact evaluations, as well as relevant thematic evaluations also feed into Country Strategy monitoring and reporting.

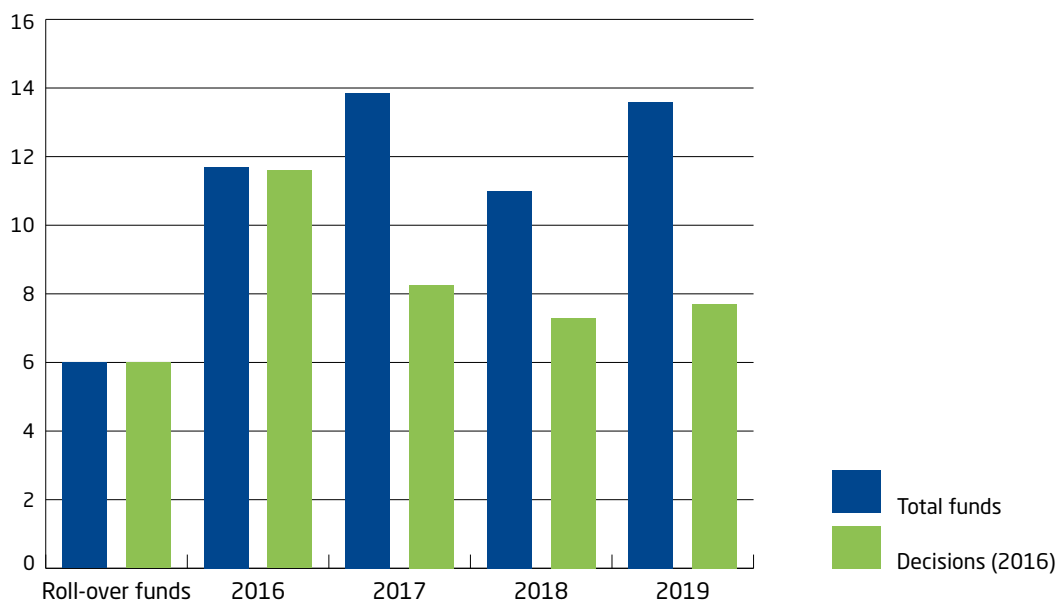
The Country Strategy as a whole will be evaluated towards the end of the strategy period (MFA Evaluation Unit).

7. Tentative financing plan (budget)

The planned budget frame for 2016–2019 is approximately 52 million euros. The financing plan only applies to the bilateral development cooperation that comes under the Country Strategy. It does not include humanitarian aid, private sector instruments or Finnish CSOs referred to in Chapter 3.

Budgeting framework 2016-2019

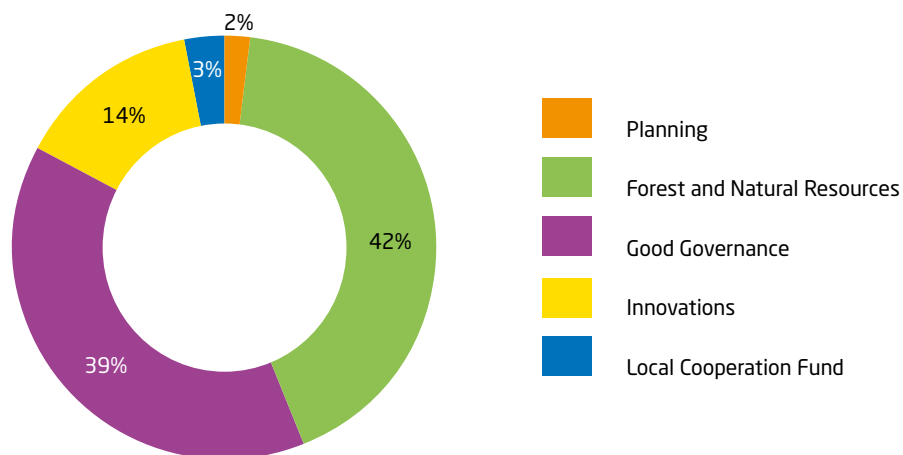
(million euros)





Planned budget allocation 2016-2019

(Total funds 52 million euros)



These figures do not include roll-over funds from the LIMAS programme and the Dar Es Salaam Electrification project as they are not included in the new Country Strategy.

Annexes

Annex I. Logic Model Tanzania

IMPACT	OUTCOME	OUTPUT	Key assumptions linking outputs/ outcomes/impacts	Instruments and inputs
<p>1. Improved performance of the public sector</p>	<p>1.1. More efficient and accountable public financial management</p>	<p>1.1.1. Improved revenue management</p> <p>1.1.2. Strengthened capacity of oversight institutions</p>	<p>Impact-related:</p> <ul style="list-style-type: none"> • Government delivers on the reform agenda for good governance and remains committed to human rights. • Public financial management remains at the centre of the government reforms, making the use of public resources more efficient and strategic. • Citizens' right to information and participation in policy-making is guaranteed. <p>Outcome-related:</p> <ul style="list-style-type: none"> • Measures are taken to ensure higher revenue mobilisation and efficient use of financial resources. • National Audit Office maintains its independent status and gets sufficient resources. Other oversight institutions continue to build their capacity. • Uongozi Institute continues to consolidate its role as a key institute in leadership promotion. • The work of media and civil society are not hindered by restrictive policies or legislation. 	<p>Basket funding to:</p> <ul style="list-style-type: none"> • PFM RP IV, V (1.2 million annually) • Public Expenditure Review (80,000 annually) <p>Project support to:</p> <ul style="list-style-type: none"> • Uongozi Institute (3 million annually) • UN Women (1.5 million for 2014-2016) <p>Support to civil society:</p> <ul style="list-style-type: none"> • Fund for Local Cooperation • Support to Finnish CSOs by KEO-30 <p>Potential new funding to tax administration and women's leadership.</p> <p>Policy dialogue in sector working groups/coordination as well as in technical working groups and steering committees of all basket funds and programmes.</p>



IMPACT	OUTCOME	OUTPUT	Key assumptions linking outputs/ outcomes/impacts	Instruments and inputs
	1.2. More account- able and inclu- sive public policy-making	1.2.1. Improved leadership 1.2.2. Improved capac- ities of civil soci- ety to hold the government accountable		

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IMPACT	OUTCOME	OUTPUT	Key assumptions linking outputs/outcomes/impacts	Instruments and inputs
2. Increased employment and livelihoods	2.1. Enabling environment for business and livelihoods enhanced	2.1.1. Increased access to innovation finance	<p>Impact-related:</p> <ul style="list-style-type: none"> • Political and macroeconomic stability maintained in the Union. • Government delivers on improvements to enabling business environment, including regulatory framework and adequate infrastructure. • Land conflicts are better managed and land-security improved. • Control on illegal activities and corruption improves. <p>Outcome-related:</p> <ul style="list-style-type: none"> • New ICT policy will be implemented and innovation policy approved. Government delivers on its commitment to innovation funding. • Skills development receives adequate support from the government. • Government, including LGAs, sustains leadership in the sustainable use of forest and climate policy. • People's and communities- responsiveness to entrepreneurship increases. Local communities are motivated in sustainable use of forests. • Private sector has adequate interest to collaborate with the public sector. • Supply of raw wood for entrepreneurs and availability of land for plantations is secured. • Interest in forest investments and demand of forest products increases. • Integration in the EAC region improves. 	<p>Project support to:</p> <ul style="list-style-type: none"> • TANZIS Programme (EUR 8,9 million) • Private Forestry Programme (EUR 19,7 million) • FORVAC (EUR 9,9 million) <p>Regional support to Trademark East Africa</p> <p>ICI, BEAM, EEP, Finnpartnership, Finnfund, PIF, Team Finland</p> <p>Policy dialogue in sector working groups/coordination as well as in technical working groups and programme steering committees.</p>
		2.1.2. Increased access to skills development		
		2.1.3. Strengthened forest management		



IMPACT	OUTCOME	OUTPUT	Key assumptions linking outputs/ outcomes/impacts	Instruments and inputs
	2.2. Competitive and responsible businesses and value chains created	2.2.1. Innovative products and services contributing to Tanzanian society		
		2.2.2. Forest resource base widened and inclusive products developed		
		2.2.3. New Finnish-Tanzanian business/institutional partnerships facilitated		



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