

**OPEN FORUM ON HOW RECs AND MEMBER STATES CAN HARNESS AID
FOR TRADE POTENTIALS TO DEEPEN REGIONAL INTEGRATION**

***Introduction of the African
countries' perspectives: The case of
Tanzania***

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Outline of the Presentation

- **Background**
 - Importance of trade to Tanzania
 - The need for Aid for trade to Tanzania
- **Situation analysis on Aid for trade in Tanzania**
 - Institutional set up
 - Contribution of Aid for trade support to Tanzania
 - Challenges facing Tanzania on accessing and managing Aid for trade support
- **Recommendations**

Why trade?

- A tool for sustainable economic growth and development
- This entails, promoting exports and receiving foreign investment,
- an LDC like Tanzania can expand income and employment; and through transfers of technology and know-how of management she can then strengthen the activities of domestic private sector enterprises, and thereby provide the funds needed for development,

Why Trade.....cont

- Trade can expand markets, facilitate competition and disseminate knowledge
- No country has developed by turning its back on trade

Why the need for Aid for trade to Tanzania?

- Supporting Institutional and Policy reforms
 - Poor investment and business environment (including inappropriate macroeconomic policies; low-quality labor forces; outdated legal & regulatory systems for accepting investment and promoting trade)

The need for AfT....cont

- Infrastructure development
 - Supply side constraints
 - poor infrastructure (including roads, railway, ports, storage facilities, communication system)

Why the need....cont

- Lack of international competitiveness
- Stringent Tariff and Non-tariff barriers especially in the developed countries' markets
- The objectives of AfT link with the need for AfT in Tanzania, thus justifying AfT among the tools for development to Tanzania

Institutional set-up for channelling Aid for trade support in Tanzania

- Commitments made by donors via Ministry of Finance & Economic Affairs (MOFEA)- through Exchequer system/Treasury.
- Commitments made by donors via Government Ministries, Departments and Agencies(MDAs) and Local Government Authorities (LGAs)- support direct to projects without going through Treasury.
- MDAs and LGAs responsible to report to MOFEA after execution of projects

Institutional set-up...cont

- Joint Assistance Strategy and Tanzania Assistance Strategy (there is no specific Aid for trade strategy)
- Until mid 2000, most AfT support channelled direct to projects, the effect of which was:
 - Proliferation of projects eg BEST, BDG
 - Lack of focus to Trade-most projects were not done and/or coordinated by MITM
 - Difficult in recording of the commitment and disbursement of the AfT support

Contribution of Aid for trade support to Tanzania

- TZ is one of top 20 recipient of AfT in Africa
- Total Aid flow to TZ averages to \$ 1 billion a year
- Aid is geared towards balance of payments support, debt relief, direct budget support, sector basket funding, and project financing
- About 50% of Aid to Tanzania goes through General Government Support (GBS) of which more than 40% is Official Development assistance (ODA)

Contribution of AfT.....cont

- A shift from direct project funding to wider sector support eg. In agriculture
- Some ongoing support includes: the BEST Programme (creating conducive business environment); Tanzania Trade Integrated Strategy; Business Sector Programme Support; Trade and Agriculture Programme support.

Challenges facing Tanzania on accessing and managing Aid for trade support

- Some of donors not meeting their commitments thus creating gaps in delivering required interventions
- Poor execution of plan Medium Term Expenditure framework (MTEF) due to unpredictability of the AfT resources
- Distinguishing general Aid and Aid for trade, which has an impact on difficulty in reporting

Challenges....cont

- Channelling AfT direct to projects creates challenges of coordination and duplication of effort
- There is still a need to build HR capacity especially in strengthening skills in managing AfT resources/projects
- Competition of Aid between productive and social sectors e.g. health, education; environment and natural resources.

Recommendation

- Redefine priority sectors-trade being the main focus
- Emphasize on exchequer system with limited flexibilities in stand alone projects where necessary
- Distinguishing Aid and Aid for trade-need for a specific AfT strategy
- Improve on predictability of delivering AfT to match disbursements with AfT commitments in the MTEF

Recommendation.....cont

- Structuring the aid supply in accordance with donors' specific areas of expertise
- Enhancing coordination among the various stakeholders, both public and private.
- MDAs & LGAs continuing to build HR capacity to manage AfT

Conclusion

- Trade-related needs are particularly significant in developing countries in Africa, and substantial in the infrastructure sector
- The intention for Aid for trade to support the integration of developing countries into the world trading system is still very relevant
- But the delivery of AfT needs to be improved upon for it to be effective (ie donors fulfill their commitments and recipients achieve their development agenda)

THANK YOU FOR YOUR
ATTENTION

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