



## **Policy Coordination Process: Status, Experience and Way Forward**

**Preliminary Draft for Discussion only**

**Prof. Samuel Wangwe**  
**Chairman and Researcher**  
**Daima Associates**  
[swangwe@daima.co.tz](mailto:swangwe@daima.co.tz)

**Paper prepared for presentation at the Policy Dialogue Seminar at ESRF on 13<sup>th</sup>  
April, 2006**

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## **1.0 Introduction**

The rationale for policy coordination is based on the fact that policy formulation, analysis and implementation should be aiming at achieving improved performance and better public service delivery. Policy coordination and the policy management process has to be mindful of the workings of the economy and the broad philosophy of development that a society decides to adopt.

Tanzania adopted a planning approach to the economy right from independence starting with the first development plan, Three Year Development Plan 1961-63, followed by four subsequent five year development plans (1964-69, 1969-74, 1976-81 and 1981-85). The Fourth Five Year Development Plan was caught up in the economic crisis of early 1980s and was therefore not implemented. Instead a three-year Economic Recovery Programme was adopted in 1986. That marked the end of five year plans. Since that time Tanzania resorted to 3-year economic recovery programmes which essentially substituted for planning.

The five-year development plans of the 1960s and 1970s were guided by long term perspective plans. The first long term perspective plan covered the period 1964-1980 and the second one covered the period 1981-2000. The implementation of the second long term perspective plan was abandoned almost from its inception following the economic crisis of the early 1980s and the subsequent adoption of short term economic recovery programmes which had little to do with long term perspective planning.

Concerns over long term planning emerged after a decade of grappling with the economic reforms and observing that reforming policies without a clear direction of development was problematic. In the mid-1990s demands for definition of the direction of development were rising and in response initiatives were taken to craft vision 2025.

In the mid-1980s the government introduced economic policy reforms which changed the approach to economic management from an economy based on central planning and administrative controls to a market oriented economy whereby the respective roles of the public and private sectors were also redefined. The policy reforms introduced a market-led economy with the first generation of reforms, carried out between 1986 and 1995 and the second generation of reforms started in the mid-1990s. The first generation of policy reforms focused on macro-economic stabilization and on correcting market distortions of the command economy including “getting prices right”. The second generation of reforms whose implementation started from the mid-1990s focused on institutional reforms for a market economy in the context of democratization associated with increased demands for good governance. The changing situation has had far reaching implications on the policy

management process. For the purpose of this paper, the policy management process comprises all stages of the policy process from problem identification, to policy formulation, policy analysis and policy implementation including monitoring and evaluation. The whole process calls for coordination. The policy management process entails clear understanding of the processes through which policies are initiated and passed through the government system until they finally approved and implemented.

The policy management process in Tanzania is expected to address not only the relationships between vision 2025, MKUKUTA, sector development plans and budget processes in the new context of economic and political liberalization and changing patterns of partnerships internally and between government (and other internal actors) and development partners but also to cope with policy reforms and the coordination requirements of those reforms. The GOT has introduced a wide range of public sector reforms ranging from those which are cross cutting to those which are sector specific. All these reforms are supposed to move in unison as coordinated programmes if they are to have the desired thrust and outcomes.

Policy making is essentially about changing in the way the business of development is done in government. This change needs to be coordinated, duplication avoided, interdependencies among them be recognised, sequencing be done systematically and synergy among them be maximised in order to achieve maximum results for a given amount of resources. Effectiveness and efficiency are to be achieved.

An important dimension of coordination is common understanding of what is to be done. The implication is that common understanding among the technical, managerial and political leadership of the content and direction of reforms deserves high priority in harmonisation of reforms.

The challenge of policy coordination can be conceptualised at **four levels**:

- First, there is the challenge of defining a national reference point against which coordination of all reforms can be gauged. Coordination between policies in various ministries and sectors need to be referenced to a clear national development framework. Vision 2025 and its articulation in medium term policy documents such as MKUKUTA and strategic plans and budgeting are expected to play that role.
- Second, there is the challenge of budgeting and resource allocation with special reference to donor coordination. Gaps in the budgeting process and donor coordination tend to be reflected in gaps in coordination of the policy management process. The approaches adopted in some of the policies tend to reflect the approaches that the respective sources of financing are expected to take. Policy actions may be tempted to follow financing possibilities or expectations.
- Third, coordination between components of policy processes within Ministries or within sectors need to mainstream all activities of those

MDAs.. The quality of strategic plans, budgets (MTEFs) and mainstreaming of reforms into the activities of the various MDAs are the main instruments for addressing the problem at the level of MDAs.

- Fourth, is the operational level where such policy coordination issues are addressed in various coordination institutions such as Cabinet, Inter-Ministerial Technical Committees and other interministerial committees. The effectiveness of existing committees should continue to be improved and any gaps in the institutional framework should be identified with a view to filling such gaps.

These levels are discussed in the sections that follow in this paper.

## **2.0 The National Development Framework and Goals**

The national development goals and objectives are a main reference point towards which coordination of the policy management process can be directed.

Coordination between policy processes need to be referenced to a clear national development framework.

Vision 2025 and its articulation in medium term policy documents such as MKUKUTA and strategic plans and budgeting are expected to play that role. Vision 2025 states that it is essential to **review it every five years** to gauge progress and make the necessary adjustments. Such reviews can best be done through **five year plans** to ensure that the Vision is implemented in five yearly phases. Policy processes should be structured with a view to achieving the goals and objectives stipulated in Vision 2025 and its five year implementation plans and programmes.

The instruments such as strategic plans and budgets (PER/MTEF) have been introduced and are being used. The question is whether they are used effectively and in the manner that helps to realise policy coordination. Weak coordination between sector policies and strategies, sector development programmes, strategic plans, budgeting processes (MTEF, PER) and monitoring and evaluation systems of various MDAs. There is still a disconnect between sector policies and strategic plans and the budget. SWaps have not been developed into fully integrated sector programmes, guided by clear sector policies, sector strategic plans consistent with MKUKUTA, sector MTEFs, client consultation mechanisms, defined coordination and harmonisation processes and adaptive to national performance monitoring systems including participation of clients consistent with the Client Service Charters. Now that MKUKUTA is in place, the challenge is to gradually adapt all policies, strategies, plans and programmes to be consistent with MKUKUTA and that process alone will go a long way towards improving policy coordination.

A major challenge continues to occur in policy coordination between the central ministries and the local government authorities where the majority of Tanzanians live. Decentralisation policy of 1998 was meant to transfer more power and facilitate greater participation on the part of LGAs and communities. The finding of a recent review of

LGRP has found that while the process of decentralisation (by devolution) is still ongoing three reasons have been given for the slow pace in consolidating decentralisation by devolution (PORALG, 2004). First, internalisation of decentralisation policy remains tenuous in Tanzania with Central ministries continuing to seek direct control over LGAs. Second, the fact that decentralisation by devolution is essentially a political project involving the transfer of power has yet to be sufficiently internalised. Third, Sector ministries see decentralisation as a loss of their power and authority over resources and services.

Common understanding of policy reforms, their rationale and the nature and direction of the change that is envisaged can be achieved if a communication strategy is formulated and implemented in all MDAs. Such a communication strategy should aim at achieving coherence and building awareness and consensus within government and among all stakeholders in society.

### **3.0 Budgeting Process, Aid Relationships and Donor Coordination**

Gaps in budgeting processes and donor coordination tend to be reflected in gaps in coordination of the policy reforms that are being financed from various sources including support from different donors.

A major development in recent years is the adoption of a more strategic approach to public spending through the MTEF/PER with focus on priorities as articulated in the PRS. The link between PER and PRS and the budget in general has been strengthened. Sectors engage in prioritization of their activities more than they did in the past. Budget guidelines have been rewritten to reflect new developments. Public resource management has improved considerably. Transparency and accountability of public financial resources has improved. All regions have been computerized. Priority has been given to strengthening the infrastructure needed to make computerized sub-Treasuries work more effectively. Investment in capacity building in local government authorities is getting some attention. Tanzania has been acknowledged as a leading country in implementing the IFMS and many African countries are keen to learn from the Tanzania's experience and to emulate it. These improvements have contributed to giving comfort to the DPs.

Progress has been made in strengthening the predictability of resources especially through budget support. Projections of scheduled expenditures on projects and programmes were submitted by the DPs to the MOF through the PER process. The fact that disbursements started to be made under the harmonized PRBS and PRSC mechanisms has contributed to improving predictability of budget support inflows.

However, there are two challenges. First, is the challenge of making the budget play a major role as a strategic policy and resource allocation tool and integrate all resources into one budget. Second is taking ownership and leadership in the budgeting process including resources from development partners. Where government leadership and ownership is low and donor harmonisation is not sufficiently done the approach taken in

the budget process and policy processes would most likely be driven by the respective donors and coordination would be rendered difficult. Government leadership and national ownership is a major consideration in harmonising approaches taken in policy making processes.

Tanzania has carried out a successful economic reform programme with significant results in economic growth, macroeconomic stabilisation, lowered interest rates and in public financial management systems. However, all involved parties also observe that progress is much more limited as far as the quality of the budget process raises concern in that the budget does not yet function as the strategic policy and resource allocation tool it is supposed to be. In the policy-budget-service delivery chain the budget formulation is seen as the weak link. There is empirical knowledge about needs and social conditions and the overall planning process provides national policy objectives and plans, but the goals and objectives are not translated into properly costed budgets and overall priorities.

A low quality budget process is a problem in any country but even more so in a country with severe resource constraints such as Tanzania. This has two important consequences:

- One is political. A parliamentary democracy is based on a full budget process but politicians will not bother much about the budget if they feel that it lacks coverage and is of low technical quality etc. Political ownership and accountability are likely to be undermined. Perhaps even more importantly, practice has shown that it is not feasible to invite the Tanzanian Parliament to vote on budget allocations that are the results of donor controlled projects and sector programmes. These resource flows are regarded as decided upon by development partners and therefore not included in the full political budget process even though they might be listed in budget documents.
- The other is linked to fiduciary risk. Any modern public sector accounting and auditing service requires a good budget to measure results against. A fully functioning MTEF could prove to be difficult to achieve unless action on two fronts is taken. First, full information is provided of donor resources and their predictability is enhanced. Second, there is political and institutional capacity within GoT to abide by sequencing and prioritisation. These problems have been acknowledged in other MTEFs in Africa (Holmes & Evans 2003 on the experience of MTEFs in Africa). MTEF in Tanzania is reported to be working but it works selectively with wide variations between sectors. The PER process at national and sector level has been functioning but the level of functioning varies widely depending on the quality of leadership in the respective working groups.

As is noted in the 2004 World Development Report, the problematic aspect of the donor – government relationship is not just that dialogue processes are not coordinated but that donors provide resources to the public sector that are outside the budget process. Different sectors represented by line ministries and other spending agencies in government access resources uncontested and outside the priority setting process. Government budgets and priority setting processes in most countries are based on

contestability as the key driver for priority setting. Contestability drives research, policy development and ultimately political debate.

The main conclusion is that the link between aid coordination, the choice of aid modalities and the development of the Tanzanian budget process is crucially important.

Donors are not to be passive in this context, but they are expected to change their policies and practices to give more space for domestic initiatives and facilitate progress towards national ownership by encouraging and supporting processes of analysis and discussion that leads to more informed and balanced domestic decision making. Moving in this direction is consistent with the spirit of Rome Declaration (2003) and Paris Declaration (2005).

The front-line initiatives in ownership, alignment and harmonisation of aid in Tanzania are now getting international backing as evidenced in the Paris Declaration on Aid Effectiveness of the Paris High-level Forum of 2<sup>nd</sup> March 2005 in which partners countries and developed countries made specific commitments with target dates for achievement in favour of these objectives. The derived tasks and goals for Tanzania's implementation should be reflected in the JAS.

The Joint Assistance Strategy (JAS) is planned to move TAS to a higher stage of attaining national ownership and leadership in the development process, reduce transaction costs by enhancing harmonisation and alignment to national priorities and national systems. JAS is intended to be a broad framework for all partners (domestic and external) to operate at a higher level of commitment to the principles of best practices in development cooperation as stated in TAS and hopefully to be more concretised in JAS. It is envisaged that JAS will replace individual donor country assistance strategies as one way of reducing multiplicity of donor processes and enhancing aid coordination and promote collective support to Tanzania consistent with its national development goals and priorities. JAS is expected to contribute to consolidating and institutionalising current efforts towards harmonisation, alignment and managing for results.

#### **4.0 Coordination of Policy Processes and Mainstreaming of All Activities in MDAs**

Policy reforms and related policy processes have tended to be implemented in a manner that undermines government machinery and government systems, failed to achieve sustainability and not integrated into existing systems largely because a large part of activities have been allowed to take place outside the mainstream government system. It has also been pointed out this phenomenon can be attributed to the nature of interests, which drive negotiations between government and donors and design of such policy reform programmes with donor support in mind. The design of reporting systems often gives undue power to the donors rather than to the government machinery. The challenge is to design and provide guidelines on how policy processes should be managed to ensure that they do not undermine government machinery and systems, they are mainstreamed, they are consistent with achieving sustainability, low transaction costs and ownership.

Mainstreaming of all activities has the advantage of: promoting a coherent planning process, consolidating the resource envelope and strengthening national ownership by emphasizing the national budget as the framework for identifying priorities and programming resource use. Mainstreaming would help to focus dialogue on the strategic issues of economic management, and in the process make significant contributions to the design of policy. It would also make a major contribution to the alignment and harmonization processes. Mainstreaming has been associated with greater ownership and more consistent with facilitating greater degree of budget management, contestability of resources and strengthened government systems for expenditure management initiatives. Pooling of resources would have the advantage of giving greater room for prioritization and facilitate more effective allocation of resources. Mainstreaming is also more likely to lower transaction costs, enhance ownership and avoid unnecessary overstretching of capacity to manage many reforms in the same MDA.

The quality of strategic plans, budgets (MTEFs) and mainstreaming of reforms into the activities of the various MDAs are the main instruments for addressing the problem at the level of MDAs. Initiatives should be taken to mainstream policy reforms into the activities of MDAs.

## **5.0 Effectiveness of Existing Policy Coordination institutions**

Institutions and coordination committees have been established at various levels for the purpose of managing coordination of policy processes. The effectiveness of existing policy processes needs to be addressed and institutional gaps should be filled where such gaps can be identified in the existing institutional framework. A major challenge is to enhance the effectiveness of existing institutional frameworks especially the various coordination committees.

Coordination of policy processes is being facilitated by the kinds of institutional framework that is already in place. The institutional framework for managing policy coordination of reforms includes the IMTC, Cabinet Secretariat and Cabinet and Parliament. The question is whether these institutions are being used effectively and even if they are utilised effectively whether there are still gaps that need to be filled for completeness.

A closer look should be made of the modus operandi of these the coordinating committees with a view to identifying gaps that could be filled and enhancing the effectiveness of existing institutional arrangements. It is quite possible that the preparatory work behind the committee meetings may need to be stepped up and be made more substantive. It is also possible that the commitment in engaging in discussions on fundamental policy and reform issues needs to be enhanced and made consistent with the national objectives and goals.

## 6.0 Implications on Capacity Development

Effective capacity development is essential to achieving greater policy coherence and synergy between the national development frameworks and the policy processes. Capacity development needs of government, the private sector, civil society and communities need to be identified and supported so they can more effectively engage in the policy development and execution processes. Capacity development should also be addressed in the context of mutual GoT/DP Paris Declaration commitments and the Joint Assistance Strategy (JAS).

MKUKUTA/ZPRP has defined the development objectives, identified three clusters (growth and reducing income poverty, quality of life and well-being and governance and accountability) and identified implementation arrangements, monitoring and evaluation for which performance indicators are being developed. What have yet to be determined are the capacity development implications of implementing MKUKUTA/ZPRP and managing policy coordination to ensure consistency with the national development frameworks. It is critical that the capacity development implications of the adopted outcome approach and the demand side of accountability are considered (i.e., drivers of change, policy analysis, and political economy aspects).

Considering that both MKUKUTA/ZPRP and JAS assume the contribution of many actors beyond the public sector, the concept of capacity development is addressed in the broader context (beyond the notion of capacity development for the delivery of public services) and considers the rights, obligations, authority, and responsibility aspects of a wide range of stakeholders.

Coordination of capacity development programmes can contribute to improved policy coordination if initiatives are taken to achieve a common understanding of the nature of change to be effected and how business of development should be done differently.

Capacity constraints are identified as follows:

- Weak political and administrative structures and governance systems. The economic crisis of the 1980s in Tanzania with its associated budget cuts and pressure to cut back on government expenditures as part of the strategy to reduce the role of the state in the economy contributed to reducing the capacity of the state to formulate policies and manage the economy.
- A weak demand side for capacity development resulting from weak accountability systems and weak political will to set and achieve development objectives. The role of key stakeholders such as civil society and the private sector was curtailed in the immediate post-independence period and even more so in the post-Arusha Declaration period, a situation which either eroded their capacity to participate in the policy-making process and exert pressure on the demand side of capacity development, or did not create a conducive environment for capacity development of the key stakeholders.
- Unclear definition of roles and responsibilities resulting in a lack of structured guidance for setting and achieving development objectives.

- An absence of effective incentives and a framework that catalyse capacity creation, capacity utilization and capacity retention. In particular, the difficulty in establishing a pay policy that will attract, motivate and retain high quality public servants, and that liberates them from seeking rents through the allowance system and other means, has frustrated capacity development in the public service;
  - Donor practices and aid modalities that undermine country ownership and national leadership in setting the development agenda, with consequent capacity development implications.

Capacity development needs to be conceptualised more broadly to comprise human and institutional dimensions, to be derived from strategic plans and to be consistent with the national policy agenda. This requires that common understanding and common skills be developed at the technical, managerial and political level so that leadership at all these levels. Capacity development and understanding at the three levels should be harmonised. A common understanding of capacity development would also lead to more effective utilisation of the existing Performance Improvement Fund (PIF) which is currently not only underutilised by MDAs but there is room for improvement of the effectiveness of its use.

Capacity development includes putting in place effective leadership and good governance practices, including measures to upgrade institutions and policies. Such a holistic approach assumes an “empowering culture” and capacity development that goes beyond the public sector to involve non-government institutions, communities, the private sector and other actors.

A major challenge is in mainstreaming capacity in policy and practice.

- Align CD with comprehensive country-led strategies. This implies that the state must develop the capacity to plan, prioritise, coordinate, mobilize, and account for financial and human resources, and deliver goods and services for the public good.
- CD should be based on a capacity needs assessment of the relevant actors in different sectors according to the kind of development change that is required as determined by the development agenda.
- Capacity development may be difficult to tackle on all fronts. There is need to adopt an incremental approach based upon an identification of the key areas that play a strategic role in establishing incentives and the rules of the game.
- These key areas should be derived from a comprehensive capacity needs assessment that would identify critical areas that could be useful catalysts for change in mindset and rules of the game.
- Commitments and incentives for a long-term approach to capacity development.

Putting in place mechanisms for scanning and learning from experience locally and globally and being innovative and creative locally.

## 7.0 Recommendations

- ❖ Policy management processes should be structured with a view to achieving the goals and objectives stipulated in Vision 2025 and its five year implementation plans and programmes.
- ❖ Take initiatives to adapt all policies, strategies, plans and programmes to ensure their consistency with MKUKUTA.
- ❖ Initiatives should be taken towards mainstreaming of all activities and policy actions into the mainstream programmes as contained in the strategic plans of the MDAs.
- ❖ Common understanding of policy reforms should be developed at the technical, managerial and political level so that leadership at all these levels have a common interpretation of policy reforms, their rationale and the nature and direction of the change that is envisaged. This should be achieved by formulating a communication strategy that should be implemented in all MDAs.
- ❖ Government leadership and national ownership is a major consideration in harmonising approaches taken in the policy process. Central ministries which supposed to spearhead coordination should coordinate their coordinating activities more effectively. There five central ministries which play a coordination function. These are PMO as coordinator<sup>5</sup> of government business, PMO-RALG as coordinator of LGAs, MPEE as coordinator of planning and economic management, PO-PSM as coordinator of public service and Ministry of Finance as coordinator of budget and financial resource management. These ministries need to form an institutional framework for coordination so that their coordination function is harmonised and strengthened.
- ❖ Donors should consistently be reminded to change their policies and practices to give more space for domestic initiatives and ownership of the policy process.
- ❖ Existing policy coordination mechanisms should be studied more closely with a view to identifying gaps and finding ways of enhancing their effectiveness of the existing coordination committees.
- ❖ The implications of policy coordination on capacity development should be addressed more comprehensively. Government should prepare a comprehensive capacity building programme based on capacity needs assessment.