Danish support to Global Gateway engagement and Team Europe Initiatives in Tanzania

Key results:
• Infrastructure and nature-based solutions sustainable urban drainage, sanitation and water supply in selected cities are developed
• Social facilities, local markets and basic services to poor urban communities in Pemba are improved
• Municipal investment project preparation and implementation quality are improved

Justification for support:
In line with the Africa Strategy, the high-level strategic objective of the Danish TEI support programme in Tanzania is for Denmark to contribute to the Global Gateway strategy to add value and contribute to making the EU a stronger and more effective actor in Tanzania. The Green and Smarter Cities initiative (SASA) provides an opportunity for Denmark, for this first year of its 'new partnership operation', to join the EU and other member states in a framework that is well-aligned to Tanzanian government structures and priorities, including the soon-to-be-launched 'Vision 2050'.

Major risks and challenges:
Limited capacities of LGAs in planning, budgeting and managing funds is highly likely with assessed medium impact. Mitigating measures of the risk is to include institutional capacity building programme to relevant LGAs, including through local offices for coordination and implementation.

Private sector investments do not materialise due to a non-conducive business environment and constrained access to finance, which is assessed to be likely and with high impact. To mitigate, public-private dialogue will be incorporated in the programme.

File No.	2024/52601					
Country	Tanzania					
Responsible Unit	Dar es Salaam					
Sector	Water					
DKK million	**2025**	**2026**	**2027**	**2028**	**2029**	**Total**
Commitment	150	0	0	0	-	150
Projected Disbursement	75	50	25	0	-	150
Duration	2025-2028					
Finance Act code.	§06.32.01.10					
Head of unit	Jesper Kammersgaard					
Desk officer	Lise Abildgaard Sørensen					
Reviewed by CFO	Michael Schou Olsen					

Relevant SDGs

No Poverty	No Hunger	Good Health, Wellbeing	Quality Education	Gender Equality	Clean Water, Sanitation
Affordable Clean Energy	Decent Jobs, Econ. Growth	Industry, Innovation, Infrastructure	Reduced Inequalities	Sustainable Cities, Communities	Responsible Consumption & Production
Climate Action	Life below Water	Life on Land	Peace & Justice, strong Inst.	Partnerships for Goals	

Objectives for stand-alone programme:

By contributing to larger, strategic Team Europe Initiatives in support of the EU Global Gateway strategy in Tanzania, Denmark will bring existing initiatives to scale through smart investments in quality infrastructure, respecting the highest social and environmental standards.

Environment and climate targeting - Principal objective (100%); Significant objective (50%)

	Climate adaptation	**Climate mitigation**	**Biodiversity**	**Other green/environment**
Indicate 0, 50% or 100%				
Project 1	Significant/50%			
Project 2				
Total green budget (DKK)	70 mio.			

Project 1 (engagement as defined in FMI):	**Partner**	**Total thematic budget: [million]**
Engagement 1 – EU SASA	European Union/Tanzania	140
Engagement 2 – Un-allocated		10
Total		150

Total	150

Concept note for discussion in Programme Committee 25 February 2025

Formulation of Danish support to Global Gateway engagement and Team Europe Initiatives in Tanzania

1 Background and context

The Danish Africa Strategy guides the new cooperation with Tanzania
Standing on 60 years of development cooperation with Tanzania and guided by the Danish Africa Strategy 'Africa's Century', Denmark is to set off on a new - and broader - partnership with Tanzania that reflects the world of today.

With the Africa Strategy comes the ambition to ensure stronger and more visible EU partnerships with African partners in light of geopolitical changes. The Embassy in Dar es Salaam is therefore looking to working with the EU as a strong and effective actor in Tanzania by investing in a Global Gateway initiative that can ensure a more significant imprint of the EU.

By contributing to larger, strategic Team Europe Initiatives (TEI) in support of the EU Global Gateway strategy in Tanzania, Denmark will be able to bring existing initiatives to scale.

The set-off will be

a) DKK 140 million investment in the TEI for Green and Smart Cities (SASA). The initiative is jointly operated by the EU delegation in Dar es Salaam, France (AFD), Germany (GIZ and KfW) and Belgium (Enabel). Danish investments will give fresh impetus to the initiative, and it will provide an opportunity to attract other instruments and raise risk capital through e.g. IFU and EIB in line with the principles of Global Gateway.

   Engaging in the TEI will partly ensure investments of a scale in city infrastructure that are seen and felt in Tanzania. Secondly, it will contribute to paving the way for stronger political dialogue between the EU and its member states and Tanzania, and it will enhance economic diplomacy and partnerships - an integral part of Danish foreign and security policy.

b) DKK 10 million to 'unallocated' to identify and initiate projects in line with EU and Danish priorities to e.g. democratization, skills, vocational training and employment, as well as value chains in Tanzania.

Team Europe Initiative "Green and Smart Cities SASA
Tanzania is a country of approximately 62 million people (2022), of whom 60 pct. are under 24, making it one of the youngest populations on earth. At the current growth rate, the population is expected to have doubled by 2044, where it will be one of eight countries responsible for more than half of the increase in global population over the coming decades.

Urbanization is inevitable. The urban population of Tanzania, currently estimated at 30% of its overall population, is expected to reach 50% in 2040.

The rapid physical urban expansion overwhelmes Government capacity and resources for planning and service delivery. As a result, the majority of urban development is unplanned

and basic service provision in most urban neighbourhoods is limited. Yet, urban areas are critical to national economic growth and poverty reduction. They account for the majority of the country's physical, financial, human, academic, and technological capital. There is a growing risk that the current urbanization path will limit economic growth potential and lock Tanzanian cities into unsustainable energy-intensive pattern that is costly for service provision and unattractive for business.[1]

The TEI "Green and Smart Cities SASA" was initiated in Tanzania in 2022 to promote green and smart cities for the benefit of their communities and businesses, also incorporating relevant skills and access to finance as well as strong governance components for private sector development and investment.

More concretely, the initiative intends to create wealth and enhance the quality of life for people – in particular women and youth – in the three geographical areas that are expected to grow considerably over the coming decades, namely Mwanza, Tanga and the island of Pemba. This is to be accomplished through the attainment of

- Investments in green infrastructure to boost local economic growth and circular economy
- Empowerment of authorities in (e-)governance and improve public service delivery
- Enhance life quality in targeted cities
- Promote urban resilience and stimulate local economies.

The initiative is currently being supported by a range of Team Europe actors as outlined in the figure below.

EU takes the lead development partner role as part of its wider 'Green Deals' (2021-2027) multi-Annual Indicative Programme (MIP) for Tanzania[2].

France, through the AFD, engages in supporting urban food systems infrastructure in Mwanza and Tanga including major investments in market places, fish landing sites and related infrastructure and the necessary management and institutional capacity development.

Belgium through its development cooperation agency (ENABEL) supports local economic development in all three cities. The support aims at improving business development services and accessible financial services and capital investment for the local private sector in key economic sectors. The preparatory work has delayed the implementation, but ENABEL's engagements is expected to set off in 2025.

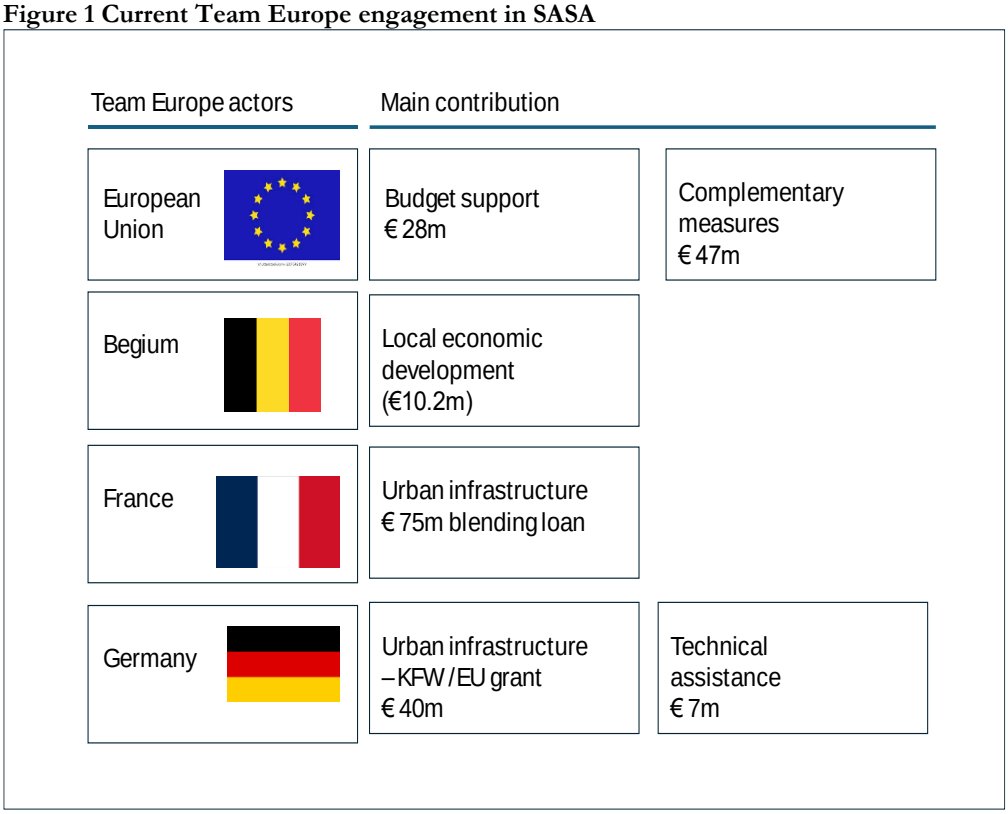
Germany supports through GIZ and KFW. GIZ provides technical capacity development in Mwanza and Tanga with a focus on ensuring operational performance of the water, waste and environmental sectors. This work is done in collaboration with the *Dutch* water utilities (VEI)-. KFW supports through financing major rural water and environmental

[1] World Bank, Transforming Tanzania's Cities, 2021
[2] https://international-partnerships.ec.europa.eu/countries/tanzania_en

investments in Pemba aimed at improving services and sustainability, including promotion of solar power for water pumping.

Finally, there are on-going discussions with other European actors, including the European Investment Bank (EIB), Invest International from the Netherlands, and Danish Sustainable Infrastructure Finance (DSIF).

Figure 1 Current Team Europe engagement in SASA



The SASA programme has moved from being a light touch coordination of activities in the three locations in the early days to become a more genuinely integrated programme. The inauguration of joint EU SASA offices in Tanga and Mwanza are a concrete testimony of the intention to facilitate close day-to-day coordination, stronger EU visibility, and to ensure local ownership through close and coordinated cooperation with two city authorities. On the island of Pemba, the SASA partners are using existing NGO consortium spaces (North and South).

SASA has also invested in a seconded posted staff based in the President's Office for Regional and Local Government (PO-RALG), the coordinating ministry for local government, with the aim to enhance the dialogue with the designated SASA team within the ministry.

2 Strategic considerations, rationale and justification

Rationale and justification, including lessons learned from previous support

In line with the Africa Strategy, the high-level strategic objective of the Danish TEI support programme in Tanzania is for Denmark to contribute to the Global Gateway strategy and contribute to making the EU a stronger and more effective actor in Tanzania.

SASA provides an opportunity for Denmark, for this first year of its 'new partnership operation', to join the EU and other member states in a framework that is well-aligned to Tanzanian government structures and priorities, including the soon-to-be-launched 'Vision 2050'.

Specifically, the SASA green and smart cities programme responds to the Africa Strategy's focus on:

- The need for the EU to support the growth potential and sustainable quality infrastructure on the African continent to open doors for relations that extend far beyond the individual projects.
- The importance of establishing a link to the growth potential by catering for the growing population in urban areas and their need for access to green infrastructure including water resources, markets and other local development initiatives that are relevant to the society and development of the local economy.
- The potential of bringing Danish technology, innovation and knowhow closer to the Tanzanian partners, opening potentials for investments and strengthened trade cooperation through engagement of Danish technical assistance ('twinning light').
- The importance of addressing the risk of national conflict and violent extremism by engaging where there is an opportunity to support national responsibility.

An essential added value to the Danish support programme to SASA is the potential to improve the opportunities for scaling the programme even further through access to concessional loans (e.g. DSIF and EIB).

The initiative ensures strategic geographical coverage of the country, from inland Mwanza on the shore of Lake Victoria, over the coastal city of Tanga, to the underprivileged island of Pemba, the Northern part of the quasi-autonomous Zanzibar archipelago. Pemba is an opposition stronghold inhabited almost exclusively by Muslims, and a place that historically has seen a high level of political violence, in particular around elections.

Danish support to SASA - Proposed programme components

The Danish TEI support programme to SASA provides an opportunity to scale up activities and add complementary and interconnected measures to the TEI. The below proposed elements are based on dialogue with the EU Team, the involved implementing partners, SASA representatives from the coordinating Ministry of Local Government (PO-RALG), Ministry of Water and Ministry of Finance. Local authorities in Tanga have furthermore participated in the scoping mission, whereas the EU, AFD and KfW have held the initial dialogue with local government agencies in Mwanza and Pemba. Based on the initial dialogue the following components are under consideration:

Table 1. Proposed programme components for the Danish TEI support programme to SASA

Components	Concrete outputs
Proposed components financed by the SSA grant	
Grant for PO-RALG for TA support to LGAs	• PO-RALG is able to consolidate and maintain momentum on the local government reforms. It provides an opportunity to engage with the government partner responsible for urban development in other cities as well, and to explore means to strengthen local business environment and promote Private Public Partnerships in line with the Government of Tanzania's Regional and Local Government Strengthening Programme.
Pemba: Water supply (complementing KFW grant)	• Water supply for an additional 3 settlements in Pemba: Improvement of water production, treatment, storage, and distribution systems, household connections, water metering, and non-technical aspects incl. institutional strengthening and water tariff review.
Tanga and Mwanza innovative green investments including potential support to twinning with Danish water utilities (complementing local GIZ and ENABEL activities)	• 3 to 10 high priority green investments related to decentralised water, possibly waste treatment plants; biogas facility, market places, fish landing sites and cold chain investments. • Involvement of Danish water utility partner in a twinning format with focus on water and sanitation to strengthen technical cooperation in the field of waste water management and non-revenue water (e.g. water leakages).
Blending grants for IFI investments	• Significant investment in water and waste management infrastructure will be considered if the opportunity to leverage investments through grant support arises, e.g. for required preparation and studies. The grant funding is envisaged to leverage a number of infrastructure investment projects through e.g. DSIF and/or EIB with the aim of achieving a 1:20 ratio of blending grant to loan.
Complementary components **to be explored outside** the SASA grant	
Secondment to the EU (SNE) with a focus on Global Gateway	• EU Delegation has a stronger capacity to plan and carry out joint programmes and bring additional investments from e.g. EIB and EU member states investment funds to complement TEI and Global Gateway Investments. • Together with DK-Embassy focal point for commitment to strengthen visibility and TEI/GG narrative in Tanzania
Close dialogue with IFU/DSIF/ EIB/IFI re. concessional loans and blended financing	• Leverage significant funding for urban infrastructure • Wastewater treatment system for Tanga
Dialogue with Danish PS and philanthropic foundations in the water or waste sector	• Establish contacts between relevant authorities and Danish private sector with an interest in investing capital expenditures PPP to demonstrate the commercially attractive revenue model that can advance the SDG agenda. • Capitalize on Danish philanthropic foundations engaged in the water sector (incl. TVET and capacity building activities)
Strategic Sector Cooperation-Miljøministeriet	• An essential instrument in the new approach to the Danish-Tanzanian partnership. It will capitalize on decades of development investments in the water sector, contribute to Danish economic diplomacy by strengthening contacts with local authorities, and establish closer ties between Denmark and Tanzania to pave the way for commercial opportunities and trade for Danish companies.

EU and its member states decision to ensure a targeted and chosen approach to green and smart cities are based on consideration around the following challenges and opportunities[3]:

Environment and urban services
Tanzanian cities are urbanising fast with limited resources for capital investments. Urban areas offer residents limited access to most basic services due to unplanned development. Environmental degradation is occurring at a rapid pace with large areas vulnerable to disasters and climate-related hazards.

Job creation and growth
Cities are the powerhouse of Tanzania's economy and offer opportunities for job creation, innovation and inclusion. An aggravating factor is the absence of private-public dialogue, leading to the disruption of value-chains. Public-Private partnerships, e.g. for the management of social infrastructures, have not been well developed due to the complexity of these arrangements requiring additional capacities and proper private public dialogue.

Governance and public administration
The level of fiscal independence of cities and the resources at their disposal are inadequate to unlock their socio-economic potential, and respond to the mounting pressure on land, services and infrastructure. The unpredictability and delay of transfers from central to local governments, as well as a lack of alignment with local needs, compromise the implementation of city council's budgets and plans.

The Danish TEI support programme builds on decades of Danish support, cooperation and scientific engagement in a range of sectors, incl. decentralization, sustainable cities and urban management in Tanzania. A range of the initiatives under this programme will thus tap into earlier investments in local capacity, incl. PO-RALG's role in decentralization and local development.

Choice of implementing partner(s)
The Embassy of Denmark in Dar es Salaam is envisioned to be engaged in a few larger strategic development projects in Tanzania over the coming years. The projects are meant to complement the Embassy's ambition to build a broader partnership focusing also on trade and investment, and a closer political dialogue with the Government of Tanzania on matters of mutual interest and concern to Denmark and the EU on the one side and Tanzania and the regional organisations on the other.

The EU, and other EU member states, are the right partners to ensure a programme of a magnitude and nature that can showcase European offers as well as the values of quality investments, local ownership and local job creation.

Working together in a Team Europe Initiative, with EU as the driver, will mobilise greater scale, impact, visibility and political influence as well as simplify implementation arrangements.

The Tanzanian partners under the SASA is the coordinating ministry for local government, PO-RALG, and the relevant public utilities and urban governments under the existing SASA arrangement, namely Tanga, Pemba and Mwanza.

[3] EU, Action document Green and Smart Cities, SASA, 2021

PO-RALG is responsible for overseeing the local government system and the decentralization process, while line ministries (Ministry of Water, Ministry of Education, Ministry of Health etc.) have regulatory and sectoral policy responsibility. SASA cooperates with PO-RALG through technical assistance. Budget support through the EU has been used as an additional instrument in the past few years, but is being phased out in 2025.

Mwanza has a population of approximately 1,300,000. Mwanza's economy is diverse, encompassing sectors such as agriculture, fishing, manufacturing, and services. The private sector plays a pivotal role in driving economic activities, with numerous small and medium-sized enterprises (SMEs) contributing to employment and income generation. The Mwanza Urban Water Supply and Sanitation Authority is responsible for providing portable water and waste water services to the city and the city council is responsible for solid waste management and management of market, fish landing sites and other economic infrastructure.

Tanga Region has a population of approximately 2,600,000 of which the urban center has a population of approximately 400,000. Tanga's economy is anchored in industries such as agriculture, fishing, and manufacturing including cement factories and a recent development to enlarge the port to off load e.g. oil from a pipeline from Uganda. The Tanga Urban water supply and sanitation authority is responsible for solid waste management and management of market, fish landing sites and other economic infrastructure. A water bond for USD 22m was recently launched with a coupon of 13% that is being paid by the water utility to finance extension of services. The city council is responsible for solid waste management and management of market, fish landing sites and other economic infrastructure.

Pemba - The island of Pemba has a population of approximately 400,000 people. Pemba's economy is predominantly driven by agriculture, with clove production being a significant contributor. Fishing and seaweed farming also play vital roles in the livelihoods of many residents. The private sector, comprising small and medium-sized enterprises, is active in these industries, as well as in trade and tourism. Water, sanitation and environmental services are threatened and of increasing importance to sustain the livelihoods and economic wellbeing of the island. Urban and rural services are run by the Zanzibar Water Authority. Pemba is an opposition stronghold, and a place that historically has seen a high level of political violence in particular around elections.

Poverty orientation and target group considerations

Across the three cities, the EU SASA addresses existing and future urban poverty. It fosters economic opportunities, improves living conditions, and builds resilience to environmental and climate challenges, creating a virtuous cycle of sustainable development – as summarised in the table below. The EU SASA programme supported by Denmark helps to catalyse the larger concessional loans that are necessary to ensure comprehensive and sustainable improvements to the urban environmental and economic infrastructure. By providing technical assistance and working closely with European utilities and others, local economic development through the engagement of the local private sector as well as the institutional and technical performance at the city level will be improved. Infrastructure investments will be affordable and operated and maintained so that the services and environmental benefits are sustained.

Table 2. Summary of poverty orientation and target group considerations

Topic	Justification
Economic Opportunities and Job Creation	• **Green Jobs:** Green urban projects, such as market place renovation, renewable energy installations and waste management, create employment opportunities, particularly for low-income communities. • **Urban Agriculture and fisheries** Initiatives such as improved market places, fish landing sites and cool chain development improve food security and provide income for urban dwellers as well enhance the prospects of export of fish. • **Tourism and Investment:** Green cities attract eco-tourism and foreign investments, boosting local economies.
Improved Livelihoods	• **Affordable Services:** Green infrastructure, such as efficient water supply and waste and waste water management reduces the cost of living for urban residents. • **Health Benefits:** Cleaner air, more hygienic market places, improved sanitation, and access to green spaces reduce health costs and improve productivity.
Climate resilience	• **Vulnerability Reduction:** Urban poor are often the most affected by climate change. Green projects on water resource management, flood management systems and tree planting reduce their vulnerability to climate-related risks. • **Sustainable Resources:** Renewable energy and efficient resource use of water reduce dependency on expensive, finite resources, benefiting low-income households.
Social Inclusion	• **Empowerment of Marginalized Groups:** Many green projects focus on community participation, ensuring that marginalized groups, including women and youth, have a voice and opportunities in urban development. • **Equitable Access:** Green urban projects prioritize access to essential services like clean water, sanitation, and energy for underserved populations.
Environmental Benefits	• **Pollution Reduction:** Improved waste management and cleaner energy sources enhance urban environments, particularly in low-income neighbourhoods disproportionately affected by pollution. • **Ecosystem Services:** Green spaces and urban forestry provide shade, reduce heat islands, and improve water management, directly benefiting urban residents
Alignment with National and Global Goals	• **Tanzania's Development Vision 2025:** Green urban projects align with Tanzania's goals for sustainable development and poverty eradication. • **SDGs:** These projects contribute to the UN Sustainable Development Goals (e.g., SDG 1: No Poverty, SDG 11: Sustainable Cities, SDG 13: Climate Action).

Climate and environment markers

This programme would have climate and environment as a significant objective because the green cities approach would:

- Improve water resources management and reduce sources and impact of pollution through waste water, sanitation and waste management and thereby improving the environment as well enhancing climate resilience as a climate adaptation measures.
- Support the use of solar power for scattered water supplies in Pemba and where relevant for cool chain and market place renovation projects and thus enhance adaptation to climate as well as make a modest contribution to mitigation of greenhouse emissions.

3 Programme outline

3.1 Objectives

The objective of the Danish TEI support programme is identical to the overall SASA programme with the aim to improve the conditions for greener cities and decent urban job creation through attainment of the following set of specific objectives:

- To promote an urban enabling regulatory and policy environment, to enhance local revenue mobilisation and inclusive urban economic development.
- To strengthen urban resilience and public services to urban poor communities, in particular in settlements.
- To stimulate a sustainable local economy in the selected cities, creating economic opportunities especially for women and youth.

3.2 Theory of change and key assumptions for the SASA Team Europe Initiative

The present green and smart cities initiative aims to build resilient and sustainable cities, to the benefit of their citizens. The intervention logic and implicit theory of change of the programme is described in the EU action document[4] and summarised below (in the format and style of the EU action document).

The ambitious objectives of SASA require deep institutional and infrastructural improvements and a concentration of joint financing from the EU and its member states. This in turn demands a strong geographical focus and an integrated multi-sector approach supported by a range of financing modalities which promote EU "green values" for a sustainable economic growth, mindful of climate change, the need for environmental protection and inclusiveness, in particular of women, youth and vulnerable populations. To realise such an ambition, the intervention logic rests on close public-private (and non-state actors in general) dialogue and partnership. There are three main tracks of intervention that guide the theory of change.

Public sector reform: For the public actors to deliver on their part of the partnership and create the necessary conditions for structural change to happen (e.g. urban planning, delivery of reliable services, local business environment, Private Public Partnerships (PPPs)). A regular and open policy dialogue with the President's Office for Regional Administrations and Local Governments and the involved cities will help ensure that policy reforms will be adopted at central level and implemented locally.

Large scale infrastructure investment: Through blending operations with European Development Finance institutions and more generally Team Europe partnerships, concrete green infrastructure investments in sectors affected by rapid urban population growth will be combined with digital solutions to provide services to urban poor communities and support cities resilience. Depending on the nature of the investment and the ambition of the local authorities, operation and maintenance may remain a public service (e.g. for social services like water and sanitation) or be entrusted to the private sector, under the form of PPPs (e.g. markets, industrial parks, strategic value-chains promotion).

[4] EU, Action document Green and Smart Cities, SASA!, 2021

Engagement of the private sector: The programme will empower the local private sector – micro, small and medium enterprises and start-ups – with skills development opportunities (e.g. partnerships with European investors looking for qualified workforce) and access to financial products and services (including business development services, incubators, accelerators), in particular for women and youth. Contribution agreement with an EU member state with experience of working with impact funds is envisaged and would work concomitantly with the European Fund for Sustainable Development and other guarantees provided to the finance sector. In addition, the EU aims to act as a "broker" for PPPs and European investment at local level. This will be leveraged by creating a conducive local business environment and promoting innovation ecosystems. Private-public dialogue will be inclusive in the sense that civil society organisations, as the voice of the citizens, as well as institutions such as training centres, will be involved in the dialogue around public and private development and investment strategies. Collaboration with the World Bank will be essential. Denmark is already, through ESMAP, contributing to paving the way for enhanced private sector engagement in the water sector.

Compared to the current low level of investment in the selected cities, the two-pronged national and local levels approach and the mix of different financial instruments are expected to strongly and sustainably boost the local economy and employment in those cities.

The key assumptions behind the theory of change are that:

- The initial two years of sector budget support have ensured an appetite for local government reforms. Continued investments in capacity building activities in the relevant LGAs (without additional budget support) will suffice for future achievements.
- The government is willing to take loans for more infrastructure in particular in the water and waste sector – so that the major infrastructure investments are implemented.
- There is willingness to raise tariffs on water and waste management to levels that are affordable and sufficiently cost reflective – so that the facilities can be operated and maintained sustainably.
- The political and socio-economic environment for private sector operations is stable and on an improving trend so that efforts to engage the private sector are successful.

These assumptions are linked to the risk matrix shown in section 3.6.

3.3 [Draft] Results framework

The Embassy of Denmark will build its reporting on the overall SASA results to depict the whole picture rather than isolated elements. The green and smart cities SASA programme has three existing outcome level results:

Outcome 1: Promoted an enabling urban environment and enhanced local revenues mobilisation and inclusive urban economic development (indicator: % of public resources spent on projects in the urban development plans of focal cities)

Outcome 2: Strengthened urban resilience and public services to urban poor communities, in particular in settlements (indicator: Number of green infrastructure projects developed through team Europe resources)

Outcome 3: Stimulated a sustainable local economy in the selected cities, creating economic opportunities especially for women and youth (indicator: Number of sustainable small and medium enterprises supported / created with EU support.

These have been monitored since the SASA programme start and will continue to be monitored and reported on by EU throughout the running of the Danish support to the project.

The Danish TEI support programme will contribute to all outcomes. The Danish fund will, however, ensure an evident increase in Outcome 2. This will be measured through a number of output level results that are already monitored under the SASA programme as follows:

Output: Infrastructure and nature-based solutions sustainable urban drainage, sanitation and water supply in selected cities are developed (indicator: % of leakage on the water pipe networks (Non-Revenue Water))

Output: Social facilities, local markets and basic services to poor urban and peri urban communities [including in Pemba] are improved (Indicator: Number of urban projects financed by EU resources)

Output: Municipal investment project preparation and implementation quality are improved (Indicator: Number of bankable and climate change adaptation projects prepared, Number of investment projects implemented).

3.4 Inputs/budget

The total funding for the green and smart cities SASA programme prior to the Danish contribution is €75m. The Danish TEI support programme is DKK 150m.

DKK 140m will be disbursed to the EU under a standard transfer agreement with an administration fee of 7%. The allocation and use of these funds will be guided by the SASA programme steering committee guided by the following tentative outline:

Table 3. Budget outline 2025-2028

Danish TEI support programme components	(DKKm)	Implementing entity
Action grant for PO-RALG	12	PO-RALG
Pemba water supply (complementing KFW grant)	67	KFW
Tanga and Mwanza innovative green investments, incl. anticipated twinning with Danish water utilities €1m	32	GIZ
Blending grants to support IFI investments	20	IFI e.g. EIB/DSIF
EU administration (7% of the above components)	9	EU
Unallocated	10	
Total	150	

The DKK 10 million 'unallocated' will be used to identify and initiate projects in line with EU and Danish priorities to e.g. democratization, skills, vocational training and employment, as well as value chains in Tanzania.

3.5 Institutional and Management arrangement

The Danish grant funding will be managed by the EU using EU procedures. The programme will be integrated in and managed by current SASA arrangements. The key actors involved and their roles are summarised below:

- The Ministry of Finance
- The President's Office for Regional Administration and Local Government (PO-RALG) and its equivalent in Zanzibar are administratively overseeing activities implemented by the selected cities of Tanga and Mwanza, and the island of Pemba
- The Local Government Authorities (LGAs) in Tanga, Mwanza and Pemba will be the main beneficiary institution and counterpart for all results areas
- Ministry of Water and Urban Water and Sanitation Authorities are administratively overseeing activities implemented to address water and sanitation
- Line ministries - for their partial involvement in the project: Ministry of lands and the Ministries responsible for Gender
- The Delegation of the European Union – government partner and coordinating donor for the European institutions under Team Europe including Germany (Embassy, KFW/GIZ); France (Embassy, AFD); Belgium (Embassy, ENABEL); Denmark (Embassy, possibly IFU/DSIF).

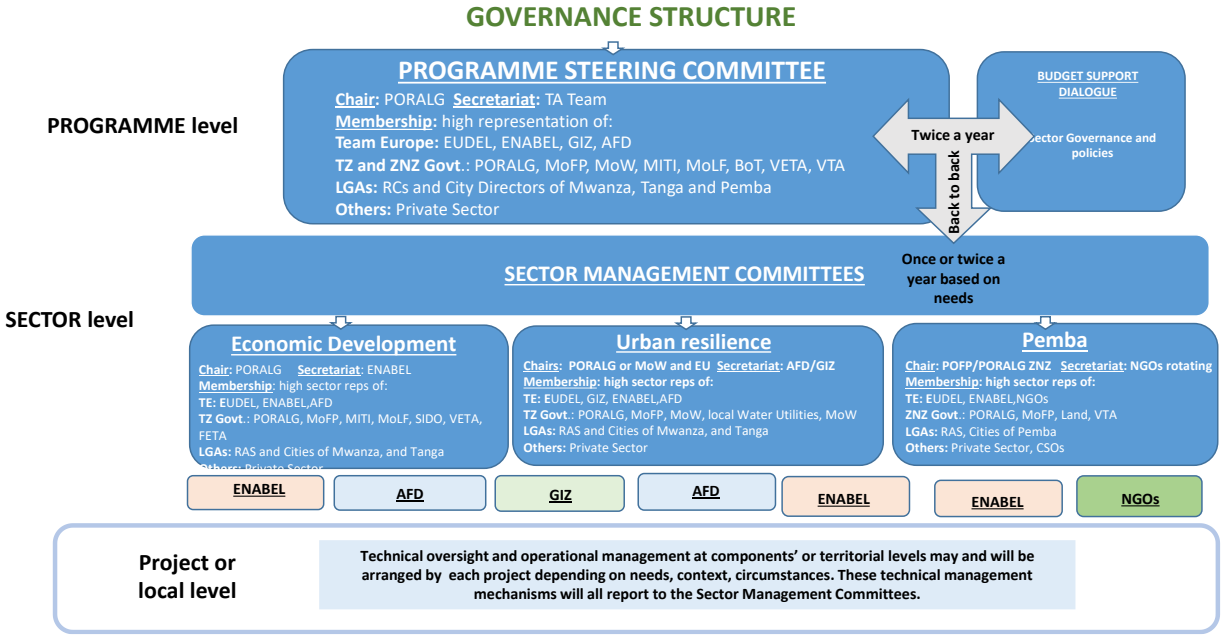
A Steering Committee (SC) is the overall governance entity. It meets every six months and is chaired by the Permanent Secretary of PO-RALG. A biannual performance report is submitted at 6-month intervals with a clear focus on achievement of the results. The Steering Committee includes the main stakeholders mentioned above for both Mainland and Zanzibar. The SC is supported by three sector management committees, two on thematic issues (economic development, urban resilience) and one on Pemba solely.

Broader Tanzania-EU dialogue falls under the Development Cooperation Framework and the EU-Tanzania partnership dialogue.

Day-to-day coordination and harmonization of activities, components and contracts is supported by technical assistance recruited by the programme to facilitate dialogue across institutions, private sector and civil society as well as other international cooperation activities such as the World Bank supported Tanzania Cities Transforming Infrastructure and Competitiveness Project (TACTIC), which also operates in Tanga and Mwanza. Technical assistance will specifically support functions of coordination, internal coherence across results and contracts, building up a programme level monitoring and evaluation system, building capacities across institutions and stakeholders for management by results.

As part of its prerogative of budget implementation and to safeguard the financial interests of the development partners, the EU Delegation and grant donors such as Denmark will participate in the governance structures to engage strategically in the decision-making bodies and ensure fulfilment of monitoring obligations.

Figure 2 SASA governance structure (Figur tilpasses i PD – skal reflektere DKs deltagelse)



3.6 Risk Management

Table 4. Risks, likelihood, impact and the risk response – summarised

Risk	Likelihood	Impact	Risk response
Lack of political will to implement institutional and policy reforms to strengthen sector context	Medium	Medium	A continued and where possible intensified policy dialogue at the different levels of Government
Limited capacities of LGAs in planning, budgeting and managing funds	High	Medium	Include institutional capacity building programme to selected LGAs
Overlapping roles and responsibilities between the local authorities and central government, mainly with agencies operating in the urban context	Medium	Low	Conduct political and policy dialogue framework involving all relevant stakeholders.
Unsustainability of the invested infrastructures	Low	High	Ensure participation of private sector and civil society organizations in planning, implementation and operations of infrastructure facilities
Private sector investments do not materialise due to a non-conducive business environment and constrained access to finance	Medium	High	PPPs and public-private dialogue, including with financial sector, will be organised with help of technical assistance. A mix of financing tool, including guarantees will be used.

As noted earlier the assumptions behind the theory of change are closely linked to the risk factors above as follows:

Assumptions	Risks
• The initial two years of budget support have contributed to the local government reforms and built capacity in the relevant LGAs – so that the Danish TEI support programme can build on the achievements.	• Lack of political will to implement institutional and policy reforms to strengthen sector context • Limited capacities of LGAs in planning, budgeting and managing funds • Overlapping roles and responsibilities between the local authorities and central government, mainly with agencies operating in the urban context
• The government is willing to take loans for more infrastructure in the water and waste sector – so that the major infrastructure investments are implemented. • There is willingness to raise tariffs to levels that are affordable and sufficiently cost reflective – so that the facilities can be operated and maintained sustainably.	• Unsustainability of the invested infrastructures
• The political and socio-economic environment for private sector operations is stable and on an improving trend - so that efforts to engage the private sector are successful.	• Private sector investments do not materialise due to a non-conducive business environment and constrained access to finance

Annex 1 Partner Assessment

Partner	Core business	Importance	Influence	Contribution	Capacity
EU Delegation	Development cooperation	High – as the lead partner with government	High – lead partner	Overall management and funding the major part of the SASA programme since 2021	Fully staffed office with 2 senior programme staff
GIZ	Technical assistance	High – major provider of TA (22% of the Budget)	High due to strong capacity and long engagement in the programme	Implementor of grant actions	Strong technical staff with office staff in SASA office in Tanga.
KFW	IFI– concessional infrastructure finance	High - Lead IFI for Pemba water and sanitation infrastructure	High due to strong capacity and long engagement in the programme	Provision of technical oversight and supervision	EU pillar assessed - Strong technical staff with office staff in Tanzania
DSIF	IFI– concessional infrastructure finance	High – likely lead IFI for Tanga waste water infrastructure	High due to lead IFI role	Provision of technical oversight and supervision	EU pillar assessed – investment staff in Kenya
Other IFIs e.g. EIB	IFI– concessional infrastructure finance	High - likely lead IFI for Tanga Zero Waste infrastructure	High due to lead IFI role and earlier	Provision of technical oversight and supervision	EU pillar assessed – investment staff in Kenya
PORALG	Policy and support to LGAs	High – ensuring adequate capacity and financial transfers to LGAs	High – coordinator of Regional and Local Government Strengthening Programme	Provision of the secretariat and government overview of the SASA programme	Small secretariat that draws on a number of technical departments in PO-RALG
ZAWA	Provision of water and sanitation services in Pemba	High – as they will be main operator of new and improved facilities	High – as the contract holder for infrastructure works and operating entity for provision of improved services	Management and technical staffing and defined financial contribution to the works.	Under going restructuring with possible outsourcing to a private entity for some operations
Tanga UWASA	Provision of water and sanitation services in Tanga	High – as they will be main operator of new and improved facilities	High – as the contract holder for infrastructure works and operating entity for provision of improved services	Management and technical staffing and defined financial contribution to the works.	Considered one of the best functioning water and sanitation utilities in Tanzania – Launched a water bond for USD 22m
Tanga City Authority	Provision of waste management and urban services in Tanga	High – as they will be main operator of new and improved facilities	High – as the contract holder and operator for waste management works. infrastructure works and operating entity for provision of improved services	Management and technical staffing and defined financial contribution to the works.	Tanga city authority is supported by PO-RALG and capacity is built through engagement with SASA, TACTIC and other external programmes.

- The EU is a core partner for Denmark as described in the strategic framework for Denmark's participation in EU development cooperation.
- GIZ, KFW, DSIF and EIB are international organisations that have been pillar assessed by the EU. The grant funds provided as blending will generally be implemented by the IFIs when used for technical assistance, project preparation and monitoring or passed on to the relevant water utilities as investment grants or interest rate shielding.
- GIZ will manage sub-grants to other entities such as VEI and potentially also a Danish utility as well as engage with Tanga water and sanitation utility and the city authorities. The ultimate beneficiaries and implementing partners will be ZAWA for the Pemba investments and the Tanga water and sanitation utility for the Tanga wastewater project and potentially also Tanga city authority for the zero waste investment project and innovative green investments financed through GIZ . For these projects, financial management, procurement and environmental and social governance standards will follow the IFI guidelines.
- PO-RALG will under the Danish supported programme receive support in kind through an extended technical assistance grant or benefit from an action grant managed channelled through the EU.

Annex 2 : Process Action Plan

Formulation			
Activity	**Timeline**	**Responsible**	**Comment/Deliverable**
Contract and Pre-preparation	6 Jan	Dar + Consultant	Preparation of background material and documents
Kick-off meeting	13 Jan	Dar + Consultant	
Preparation	13-17 Jan	Consultant	Submission of inception note 17 January 2024
Formulation visit	25 Jan – 31 Jan	Consultant	Dar supports with the programme Visit Tanga, Dodoma
Programme Document shared with Programme Committee	13 Feb	RDE	
Programme Committee	25 Feb		
2nd Draft of Pro Doc submitted to Embassy → LÆRING	14 March	Consultant and RDE	
Appraisal	24-28 March	LÆRING	
Finalization and signing			
Final draft adjusted to appraisal	Primo April	Consultant	
Submitted to UPR	28 April	Dar	
UPR	15 May		
Submission to the Minister for signature		Dar	
Signing ceremony		Dar	

Annex 3 : Abbreviations and acronyms

AFD	Agence Française de Développement
BMZ	German Federal Ministry of Economic Cooperation and Development
DAI	An international development company
DSIF	Danish Sustainable Infrastructure Fund
EFSD+	European Fund for Sustainable Development +
EIB	European Investment Bank
ENABEL	Belgium Development Agency
EU	European Union
IFI	International Financing Institution
IFU	International Fund for Developing Countries
GIZ	Deutsche Gesellschaft für Internationale Zusammenarbeit
KFW	Kreditanstalt für Wiederaufbau
LGA	Local Government Authority
MIP	Multi Annual Indicative Programme
MOF	Ministry of Finance
NPC	National Planning Commission
PO-RALG	President Office
PPP	Public, Private Partnership
TA	Technical Assistance
TACTIC	Tanzania Cities Transforming Infrastructure and Competitiveness Project (World Bank)
VEI	Dutch water operator partners
ZAWA	Zanzibar Water Authority