

Evaluation of Danish Support to Framework Conditions for Private Sector Development, 2008-2021

Tanzania Country Report
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List of Abbreviations

ACT	Agriculture Council of Tanzania
ALAT	Association of Local Authorities in Tanzania
AMDT	Agriculture Market Development Trust
ATE	Association of Tanzania Employers
BER	Business Environment Reform
BEST	Business Environment Strengthening Tanzania
BEST-AC	Business Environment Strengthening Tanzania – Advocacy Component
BEST-BRU	Business Environment Strengthening Tanzania – Better Regulation Unit
BRELA	The Business Registration and Licensing Agency
BSPS	Business Sector Programme Support
CBA	Collective Bargaining Agreements
CMA	The Commission for Mediation and Arbitration
CTI	Confederation of Tanzania Industries
DBC	District Business Council
DFID	Department for International Development
DI	Confederation of Danish Industries
DP	Development Partner
EAC	East African Community
ELQ	Department for Evaluation, Learning and Quality Assurance
FSDT	Financial Services Development Trust
GDP	Gross Domestic Product
GoT	Government of Tanzania
ICT	Information Communication Technology
ILO	International Labour Organisation
LBER	Local Business Environment Reform Plans
LESCO	Labour, Economic and Social Council
LIC	Local Investment Climate Programme
LGA	Local Government Agencies
MDG	Millennium Development Goal
MFA	Danish Ministry of Foreign Affairs
MOLYD	Ministry of Labour
MSME	Micro-, small- and medium-sized enterprises
NCG	Nordic Consulting Group
OECD-DAC	Organisation for Economic Cooperation and Development – Development Assistance Committee.
OSBC	One-Stop-Business Centres
OSHA	Occupational Safety and Health Agency
PASS	Private Agriculture Sector Support
PO-RALG	President’s Office – Regional Administration and Local Governments
POS	Point of Sales
PPD	Public-Private Dialogue
PSD	Private Sector Development
PSO	Private Sector Organisation
RBC	Regional Business Council
SAGCOT	Southern Agricultural Growth Corridor of Tanzania
SIF	Small Industrial Facility Fund
TAHA	Tanzania Horticulture Association
TCCIA	Tanzania Chamber of Commerce, Industry and Agriculture
TCT	Tourism Confederation of Tanzania

TIC	Tanzania Investment Centre
TNBC	Tanzania National Business Council
ToR	Terms of Reference
TRA	Tanzania Revenue Authority
TPSF	Tanzania Private Sector Foundation
TSh.	Tanzania Shilling
TUCTA	Trade Union Congress of Tanzania
TUICO	Tanzania Union of Industrial and Commercial Workers
UK	United Kingdom
UNCDF	United Nations Capital Development Fund
WB	World Bank

Executive Summary

Background and methodology

The Evaluation of Danish support to framework conditions for Private Sector Development (PSD) in the Global South during the period 2008-2021 was implemented in four countries: Mali, Ghana, Kenya and Tanzania. For all four country studies, a common theory-based and utilisation-focused approach was developed. A reconstructed Theory of Change (ToC) for support to framework conditions for PSD was developed (Annex 2). The main data collection methods were document analysis, interviews and a focus group discussion.

The evaluation objectives focus on accountability and learning. On the one hand, the past performance of the Danish cooperation is assessed in accordance with the OECD-DAC evaluation criteria (relevance, coherence, effectiveness, impact, sustainability and efficiency). On the other, the country studies provide lessons learned for future Danida private sector development cooperation and in the case of Tanzania, the exit of the cooperation programme planned for 2023.

The sample and analysis for Tanzania have been structured around three major framework condition themes where Danish support has been concentrated: 1) Business environment reform (BER), i.e., changes in the legislative and regulatory framework for the private sector 2) Business advocacy and public-private dialogue; and 3) Labour market reform.

Tanzania: Stable Growth but challenging business environment

Tanzania has during the past 15 years seen growth in the GDP at an average annual rate of over 6% and the country achieved lower middle-income status in 2020. The country has a history of stable governments and orderly transition of power but also of governments with some animosity towards the private sector stemming from its socialist past. Although reforms towards a market economy started in the late 1980s, progress has been slow, characterised by frequent policy reversals.

Policy reduction strategies and overall development plans have aimed at promoting growth, also in the private sector. Under President Magufuli from 2015 (termed the fifth phase administration), significant efforts were made at addressing corruption, reforming the public service and increasing government revenues, but the area of private sector framework conditions was only emphasised very late in the first presidential period and to some extent overshadowed by actions towards the private sector that have not always followed due process.

Tanzania's economy fared better than many regional peers during the COVID-19 pandemic but still suffered significant losses due to a decline in tourism and related services. The pandemic also compounded pre-existing financial sector issues, and private sector credit growth slowed while nonperforming loans continue to be high.

Danish support to framework conditions

There were three Business Sector Programme Support (BSPS) programmes in the evaluation period: BSPS II (2003-2008), BSPS III (2008-2013) and BSPS IV (2013-2019). Business environment reform was supported under BSPS II and BSPS IV, business advocacy and public-private dialogue were supported in all three phases and support to labour market reform was provided under BSPS II and BSPS III, but the support was initiated before the evaluation period under BSPS I.

The BSPS phases were relatively constant in terms of the overall themes of support within the programme but in line with the Danida aid management guidelines, the number of partners and engagements decreased over the years whereby the programme was focused on fewer thematic areas. It should also be noted that (with a minor exception) direct cooperation with the public sector at the central level was not continued beyond 2008 when the evaluation period starts.

At the start of the evaluation period, the aid effectiveness agenda was dominant, and together with most other development partners, Denmark took part in the joint assistance strategy supporting the government's poverty reduction strategy and sectoral development plans. The BSPS IV and the Danida country strategy (2013 and 2014, respectively) marked a change with the PSD programme's enhanced focus on inclusive growth and the agriculture sector.

Main findings regarding business environment reform

Denmark supported the Business Environment Strengthening for Tanzania (BEST) programme under BSPS II, 2003-2008, and Local Investment Climate under BSPS IV, 2013-2019. The BEST programme contributed to strengthening the capacity of relevant public institutions but was generally perceived as underperforming. The scope of the programme was too broad given the complex and comprehensive reform agenda and there were challenges in the implementation which involved many ministries, departments and agencies.

The BEST programme was initially delayed, and government and development partners did not reach an agreement on a second phase, which meant that the programme only provided significant funding over little more than three years. Although less than anticipated, the programme contributed to strengthening capacity of institutions relevant for the business environment, some of which were newly established. The Evaluation Team found that some of the institutions supported have since developed further and have had considerable effects on the business environment, despite the fact that challenges remain.

The Local Investment Climate Programme (LIC) in Kigoma and Dodoma regions represented another approach combining decentralised public sector support to the business environment with funding of public infrastructure and direct support to companies. The programme delivered important outputs at district and regional levels in relation to public-private dialogue mechanisms, one-stop business centres and public infrastructure investments some of which also had effects at the level of businesses. LIC contributed significantly to the improvement of the public-private dialogue at the local level, although this has only partially been continued after the project.

Main findings regarding business advocacy

The Danish support to business advocacy and public-private dialogue in Tanzania includes three phases of support to the business advocacy fund (called BEST-AC under BSPS II and BSPS III and BEST-Dialogue under BSPS IV) and the twinning arrangement between Confederation of Tanzania Industries and Danish Industry under BSPS IV.

The business advocacy fund was relatively successful in supporting private sector organisations and their advocacy projects that achieved the stated objective. 116 specific changes in policies, regulations, taxes and levies were reported, some of which potentially had a significant impact on the cost of doing business. The support to the demand side of business environment reforms was relevant in the Tanzanian context, especially when it was combined with support to public institutions through other programmes.

Given the demand-driven nature of the fund, there does not seem to have been many efforts to steer the advocacy towards specific themes or sectors, for instance, the agriculture sector under BSPS IV. Partly as a consequence of this, the effects of the programme are scattered. Systemic challenges of over-regulation and overcharging remained, and the specific gains were to some extent overshadowed by a general deterioration of the relationship between the government and the private sector in the last phase of the programme.

The programme strengthened the advocacy capacity of the PSOs, but with the exception of a few of the larger organisations, they are not able to continue the level of advocacy without external funding. The business advocacy fund may have contributed to a changed government attitude in relation to engaging the private sector, especially at a technical level, although most of the dialogue through the public-private dialogue platforms was not continued.

The twinning project between the Confederation of Tanzania Industries (CTI) and the Confederation of Danish Industries (DI) strengthened the capacity of CTI and introduced energy efficiency audits in private companies, which led to energy cost savings. The system for energy audits has not been sustained. Mainly due to the lack of regulatory incentives. Although member adherence did not increase as much as expected, CTI has to a large extent managed to sustain its activity level in terms of advocacy capacity.

Main findings regarding labour market reform

Danida provided support to labour market institutions from the first phase of the Business Sector Programme Support (BSPS) in 1998 and through BSPS II. The support to public sector labour market institutions was later included in the joint programme Business Environment Strengthening Tanzania, BEST, but when the second phase of BEST did not materialise, only the Danish cooperation with the Association of Tanzania Employers (ATE) and Trade Union Congress of Tanzania (TUCTA) was continued under BSPS III.

The support to labour market institutions can be considered a niche within private sector development that Danida developed and pursued in Tanzania in the period 1998 to 2013, as one of the few bilateral development partners. The development of the public institutions saw good progress supported by Danida at the beginning of the evaluation period, especially, the newly established Commission for Mediation and Arbitration (CMA), but also the Occupational Safety and Health Authority (OSHA) and the Ministry of Labour. CMA seem to have had a considerable effect on resolving labour disputes out of court and continues to maintain a high level of activity despite lack of staff.

The level of engagement of the Association of Tanzania Employers (ATE) and the Trade Union Congress of Tanzania (TUCTA) increased considerably during the implementation period, and it is likely to have had a positive effect on social dialogue and labour conflict resolution in the workplace as well as with the CMA.

Support to ATE and TUCTA continued under BSPS III with a changed focus from labour market conditions to general capacity building without well-defined outcomes in relation to the labour market. Despite a significant increase in members, TUCTA and ATE continue to struggle with low payment of membership fees. ATE has maintained a high level of donor support and has expanded significantly in both mandate and capacity.

There does not seem to have been direct linkages between the bilateral programme and support to labour market institutions provided through the ILO, the Labour Market Consortium or development research.

Conclusions

1. While the BEST programme addressed issues relevant to the private sector, the sector-wide approach to business environment reform was not effective in Tanzania.
2. The challenges with the sector-wide approach led Danida to support framework conditions at decentral level and directly to the private sector, which was considered more effective.
3. Supporting business advocacy in Tanzania has especially been effective in addressing issues related to local or very specific sub-sector issues and less effective in terms of moving the overall reform agenda.
4. The business advocacy fund is likely to have influenced private sector and government perceptions about the role of the private sector in policymaking. It did generally not play the role of supporting the demand side to specific government reforms.
5. While initial support to labour market institutions provided some good results, the support provided to trade unions and employers' organisations in the subsequent phase was less effective.
6. The possibilities for synergy and internal coherence between Danish-funded programmes were generally not sufficiently exploited.
7. Insufficient attention was given to documenting outcomes, primarily because the outcomes defined in the log frames were in most cases outputs. Cross-cutting issues were in general not reported on.

Lessons learned

1. The experience from the BEST Programme in Tanzania suggests that the advantages of engaging in a broad government-led business environment reform programme include considerable risks.
2. The approach of addressing the broader investment climate at local level seems to have potential.
3. Collecting and analysing outcome-level data is essential for assessing programme achievements during or after a programme intervention. This is not included in programme reporting and requires a dedicated M&E effort.
4. Donor support to member-based associations with the aim that they become financially sustainable should be approached with caution.
5. When the support modality is changed from direct support to a joint programme between two phases, there should be a contingency plan in case the joint programme is discontinued.

Recommendation for Tanzania exit planning

- A. When preparing an exit for the bilateral programme, Danish-funded support provided through other channels, such as UN organisations, civil society or global programmes, should be considered as a possible channel for continuing the support to the organisations or thematic areas and used actively to plan an exit that takes into account the sustainability of the results.

1 Introduction

Evaluation focus and objectives

The Evaluation, Learning and Quality Department (ELQ) of the Danish Ministry of Foreign Affairs (MFA) launched an Evaluation of the Danish support for improving framework conditions for Private Sector Development (PSD) in the Global South. This Evaluation was commissioned to Nordic Consulting Group. As indicated in the Terms of Reference, the Evaluation includes four country studies: Mali, Ghana, Kenya and **Tanzania**. The Evaluation focuses explicitly on the Danish support to private sector framework conditions, which is the only part of the Danish support to private sector development. The bulk of the Danish support consists of direct support to the private sector. This direct support is examined from a coherence and relevance point of view, however, this is not the main focus of this Evaluation.

The inception phase started end of October 2021 and the final approved inception report is dated 8 February 2022. In this inception report, the detailed evaluation framework including evaluation questions and evaluation matrix, the detailed approach for the country studies and the work plan were presented.

The objectives of this Evaluation focus on accountability and learning. The first objective requires evaluating the past performance of the Danish interventions in accordance with the evaluation criteria. In addition, it is necessary to understand what has worked and under which circumstances to draw lessons and provide recommendations in the context of Denmark's new development strategy from 2021 "The World We Share".

In this report, the findings and conclusions of the country study in Tanzania are presented.

Evaluation criteria and questions

There are six main evaluation questions related to the OECD-DAC evaluation criteria:

1. **Relevance:** To what extent has the Danish support to framework conditions for PSD responded to the evolving needs and challenges the private sector is facing in partner countries?
2. **Coherence:** To what extent have there been complementarities and synergies between the various types of Danish support to framework conditions for PSD on the one hand and PSD support by other actors on the other?
3. **Effectiveness:** What are the results of the Danish support to framework conditions for PSD and what are the main factors affecting the results?
4. **Efficiency:** What have been the main efficiency challenges of the Danish support to framework conditions for PSD and how have these challenges been addressed?
5. **Sustainability:** To what extent has the Danish support to framework conditions for PSD been sustainable?
6. **Impact:** Is there evidence on (intended or unintended, positive or negative) intermediary impact and overall impact of the Danish support to framework conditions for PSD?

In addition, there are various sub-questions for which indicators and data collection methods have been identified in the evaluation matrix (see Annex 4).

Country study Tanzania

The country study was based on the specific country context and the type of support provided by Danida. Specific documents and stakeholders to be interviewed were identified. A theory-based approach

was followed. The utilisation-focused approach has only been partially possible to pursue in Tanzania where Danida is phasing out.

In the inception report, a sample of the Danida programmes for each country was identified for in-depth research (see Chapter 2, Table 2.1 for the sample). The sample and analysis in Tanzania have been structured around three major framework condition themes where Danish support to framework conditions under the Business Sector Programme Support (BSPS) has been concentrated:

1. Business environment reform i.e. changes in the legislative and regulatory framework for the private sector.
2. Business advocacy and public-private dialogue.
3. Labour market institutions.

These were not the only thematic areas in the country programme on the framework conditions for the private sector, but these three areas were selected for the country study in order to focus the Evaluation and increase the depth of analysis. The Danida support to trade facilitation in Tanzania has not been addressed during the country study but is part of the overall synthesis report based on desk review. Other components of Danish PSD support were included for the assessment of coherence and linkages to these three themes, as were Danish support through other channels (civil society, research and multilateral assistance).

Under the overall responsibility of the Evaluation Team Leader Ms. Anneke Slob, two consultants, Lars Christian Oxe and Donath Olomi, are responsible for the Tanzania study, while Jakob Kjærtinge Faarbæk has participated in the preparation phase as the research assistant.

Prior to the field visit, a Mission Preparation Note was prepared and shared with the embassy and ELQ, including the Theory of Change, the sample, preliminary findings and gaps in information emerging from document analysis and the work programme for the field visit that took place from 20 to 25 March in Dar es Salaam (both consultants) and 28-30 March in Dodoma (national consultant). Dodoma was selected as one of the two regions where the Local Investment Climate (LIC) programme took place.

The main data collection methods were document analysis and interviews¹. 43 people were interviewed, including present and former staff of ministries, agencies and local government, private sector organisations, programmes, development partners and former staff of programmes and of the Danish embassy. Furthermore, a focus group discussion was undertaken with nine business leaders from different sectors. The field mission started with a meeting with the Danish embassy and a debriefing was undertaken by video conference on 6 April, which allowed embassy reactions to the interim findings presented². After the mission, additional online interviews and document analysis were undertaken fill gaps in information and for further validation. This report is based on careful triangulation of findings from different sources and various validation meetings.

Theory of Change

As indicated in the Evaluation Inception report, a reconstructed ToC (included in Annex 4) has been applied for the analysis. In the results chain of the ToC outputs, intermediary outcomes, outcomes, intermediary impact, and impact have been defined. At the lower level of the results chain in the ToC, a distinction is made between support to framework conditions for the private sector on the one hand and

¹ The list of people met is removed from the final version of the document to be compliant with GDPR regulations.

² Due to time constraints, only the Business Environment Reform theme was discussed during the debriefing.

direct support to the private sector on the other, while the global PSD programmes and policy dialogue are related to both types of support. The support to framework conditions is provided to the three main themes as mentioned above, where BER support and trade facilitation are closely related. Strengthened capacity of government and private sector actors is a key output, together with new texts for laws and policies, evidence-based policy proposals etc. This results at the intermediate outcome level in the actual adoption and implementation of new policies, strategies, laws, etc. The main focus of the Evaluation is on the realisation of outcomes, which are the results for the private sector that benefits from improved framework conditions. In addition, there are some important underlying assumptions regarding the inclusiveness of the support and the coherence between different forms of Danish PSD support. Finally, there are contextual factors that have affected the results³.

Evaluation challenges

In addition to the challenges mentioned above in relation to identifying the outcomes according to the Evaluation's Theory of Change, the following challenges were encountered.

The fact that the Danida is phasing out its cooperation with Tanzania by the end of 2023 has been important in meetings with former and present Tanzanian partners and some expressed the hope that the decision would be changed, and that the Evaluation was linked to this.

It has been a considerable challenge to obtain information regarding Business Environment Strengthening Tanzania 2003-2008. As a jointly donor-GoT funded programme, the reporting and reviews have not been included in the BPS reporting and have only to a very limited extent been available to the Evaluation Team. The available reporting is focused on activities, budget execution and procurement. The staff of the institutions met by the Evaluation Team were not engaged in the programme at the time. The Evaluation Team has met with several former key staff, which has provided valuable, but not very detailed information. The Evaluation Team chose to select two institutions supported by the BEST programme (the Business Registration and Licensing Agency and Tanzania Investment Centre) and obtain the relevant information through interviews with current staff. A progress report from 2009 has provided some information and a search on relevant documents online has also provided some information.

The Local Investment Climate (LIC) programme included both public infrastructure investments and activities related to public-private dialogue and public service provision (licences and regulations). The programme has been evaluated from the perspective of its contribution to framework conditions but should ideally be assessed in its entirety.

In much of the programme documentation, the outcomes defined in the log frames are considered outputs by this Evaluation based on the reconstructed ToC. Outputs were in most cases included in programme reporting, whereas outcome reporting is in the best cases only included in Programme Completion Reports.

It is difficult to find the justification and background for programming choices between the phases. Danida programme documents do in general not offer much attention to the justification of the intervention areas, and the lessons learned and basis for the choices made in programming are in general not well documented. The concept notes and the presentation to the Danida Programme Committee provide some justification, but are often kept relatively short, and identification reports are only rarely

³ In the ToC, only Danish and global context factors are included. Specific factors referring to the change of context in Tanzania are mentioned in Chapter 2 and are part of the external explanatory factors.

prepared. The Evaluation Team has interviewed former embassy staff to obtain information on the reasons for programme changes.

2 Overview of Danish PSD Support in the Evolving Context of Tanzania

2.1 Tanzania: Stable growth but challenging business environment

Political context

Tanzania has enjoyed political stability since its independence, although tensions have been observed during and after elections since the introduction of multiparty politics in the early 1990s, especially in the semi-autonomous islands of Zanzibar. The country has a history of at least partial antipathy towards the business community, which has contributed to the creation of a challenging regulatory and administrative environment for the private sector. Since its independence, in 1961, a policy of state control of the economy was adopted, and this became institutionalised after the 1967 Arusha Declaration. Although reforms towards a market economy started in the late 1980s, progress has been slow, characterised by frequent policy reversals. Even today some institutions and attitudes can be traced back to this era.

The dialogue with development partners around the general budget support was generally poor in the evaluation period, a decline that set in around the start of the evaluation period, particularly after the scandal surrounding the External Payments Arrears account in the Bank of Tanzania. The development partners backed out of the general budget support. Like other countries in the region, Tanzania is increasingly attracting investment and public debt finance from China, emerging powers like Turkey and others with an investment interest in Tanzania, such as the Gulf states.

Tanzania's first Five Year Development Plan 2011/12-2015/16 was designed to address growth constraints (power, port, rural roads, rail, technology), skills development, business environment and agriculture productivity. Under President Magufuli from 2015, significant efforts were made at addressing corruption, reforming the public service and increasing government revenues, but the area of the private sector framework conditions was only emphasised very late in the first presidential period and to some extent overshadowed by actions towards the private sector that have not always followed due process.

On March 19, 2021, Vice-President Samia Suluhu Hassan became the sixth President of the United Republic of Tanzania, following the death of President Magufuli. In her first months in office, President Samia promised reforms to improve the business climate and identified attracting foreign investment as a key priority. The Government of Tanzania has signalled that new investment policy and investment promotion legislation as well as changes to prevailing tax and labour regulations will be adopted. Samia's government is also engaging in dialogue with stakeholders including private sector organisations and development partners to identify measures to improve the business climate and win back investor confidence.

Economic context

During the past 15 years, Tanzania's GDP grew at an average annual rate of over 6% catapulting the country to a lower middle-income status in 2020. The largest contributor to the growth was the agricultural sector providing 28% of the total growth, followed by construction at 19%. Manufacturing, trade & repairs, mining & quartering and transport & storage sectors each contributed between 8% and 6%. The government has implemented many reforms to improve the business environment, including simplifying regulations and taxes and improving access to skills, finance and other services. Credit to the

private sector grew from 8% of GDP in 2006 to over 13% by 2020. Foreign direct investments have fallen from 5% of GDP in 2008 to 1.1% in 2020⁴.

Tanzania has East Africa's most developed extractive industries sector, including an important gold mining industry and petroleum production. Both sub-sectors have been the site of repeated legislative reform and benefitted from reforms under President Benjamin Mkapa (1995-2005) and President Kikwete (2005-2015), including specific commitments to transparency. However, in 2017 significant legislation was introduced reinforcing state control of land and natural resources, including a right for the National Assembly to review all new contracts⁵.

Data on the private sector is outdated due to a lack of recent comprehensive surveys and the absence of systematic data capture through administrative processes. According to the latest available data⁶, the private sector in Tanzania is dominated by micro-enterprises, typically informal and employing less than five persons. Over 97% of the 3.3 million enterprises are micro, with just over 4,000 enterprises employing more than 50 people, and less than 2,000 employing over 100 people. Large firms employing more than 100 people are focused on manufacturing, health, and education as well as agro-processing. Low levels of awareness, skills and access to finance and non-financial services limit the micro and small enterprises' use of technology, productivity, innovation, growth, and employment generation, and contribute to a high business mortality rate and high level of informality. Only about 11% of enterprises are formalised. Women-led enterprises are about 40%, while youth (below 35 years of age) own about 50% of businesses. Due to cultural and historical reasons, women-owned businesses are disproportionately disadvantaged. Similarly, a lack of skills, experience, networks and resources means youth are also disproportionately affected by the challenges.

Tanzania's export basket has diversified considerably from raw commodities to manufactured products, including food, adding resilience to the economy. African regional markets and Asia are primary destinations for the manufactured products⁷.

More recent analyses report positive trends in the private sector. ICTs are being increasingly adopted for learning, networking, payments, communication, record keeping, marketing, etc. There is an increasing number of social media platforms connecting investors with input supplies, customers, policymakers, service providers, etc. There is increasing productivity accompanying increased intensification, use of technology and reliance on markets in agriculture, the dominant economic activity. The percentage of farmers hiring in labour rose from 45% in 2008 to 50% by 2014 and the percentage of farmers renting land rose from 12% to 16% during the same period. The average percentage of crop output sold rose from 36 to 41%. The proportion of medium-scale farms (cultivating 5-20 ha) increased from 8% to 10.5% respectively and their share of the total value of marketed agricultural products increased from 20% to 33%. There is a growing network business model that links production to markets in ways that address several of the binding constraints especially in agribusiness.

Tanzania's economy fared better than many regional peers during the COVID-19 pandemic, but still suffered significant losses due to a decline in tourism and related services. The pandemic also compounded pre-existing financial sector issues, and private sector credit growth slowed while

⁴ World Bank data.

⁵ Tanzania: A political economy analysis, S. S. Eriksen, Norwegian Institute of International Affairs, 2018.

⁶ Baseline Survey of Micro, Small and Medium Enterprises, Ministry of Industry and Trade and the Financial Sector Deepening Trust, 2012.

⁷ Country Partnership Framework for Tanzania, World Bank, 2018.

nonperforming loans continue to be high. After the pandemic, the tourism industry is picking up fairly quickly.

2.2 Overview of Denmark’s private sector development programmes in Tanzania

Development cooperation between Tanzania and Denmark was initiated in 1962, the same year Danida was established, and Tanzania was the first African country to engage in a long-term development cooperation agreement with Denmark.

In the evaluation period, the Danish cooperation with Tanzania was implemented within the framework of two consecutive country strategies. In 2006, Denmark and other development partners in Tanzania, agreed on a Joint Assistance Strategy, which constituted the Danish country strategy up until the Country Policy Paper 2014-2018, which was extended to 2021.

As part of the Danish contribution to the Joint Assistance Strategy, the Danish development programme was focused on the health sector, environment and business sector in addition to general budget support. Agriculture sector support was phased out in 2008 and the roads sector programme was phased out in 2014.⁸ Tanzania was considered an important partner for Denmark. President Kikwete participated as a member of the Danish Africa Commission in 2008 and he was one of the MDG 3 torchbearers, an international initiative launched by the Danish Minister for Development Cooperation.

The Country Policy Paper approved in November 2013 indicates health, agriculture and good governance as Denmark’s three focus sectors. The fourth phase of the Business Sector Programme Support (BSPS) was approved earlier in 2013, with a distinct emphasis on inclusive growth and the agricultural sector. Denmark and Tanzania renewed their agreement on the country programme in 2014 including support to the health sector, and the business sector and a good governance and human rights programme, including general budget support.

Table 2.1 Denmark-Tanzania Business Sector Programme Support, framework condition themes and direct support (commitments)

	BSPS II 2003-2008	BSPS III 2008-2013	BSPS IV 2013-2019
Business Environment Reform	Business Environment Strengthening Tanzania (BEST) DKK 35.6 million	Business Environment Strengthening Tanzania (BEST) Approved, not disbursed	Local Investment Climate (LIC) DKK 108 million
Business Advocacy	BEST-AC DKK 15.8 million	BEST-AC DKK 32.9 million	BEST-Dialogue DKK 97 million Confederation of Tanzanian Industries and Confederation of Danish Industry DKK 10 million
Labour Market Institutions	Improved Labour Market DKK 58 million	Enhanced capacity of private labour market organisations DKK 52 million	

⁸ Denmark-Tanzania Country Policy Paper 2014-2018.

	BSPS II 2003-2008	BSPS III 2008-2013	BSPS IV 2013-2019
Other BSPS Components	Viable Banking and Financing (CRDB-Bank) DKK 35 million Improved Access to Markets DKK 35 million	CRDB-Bank Exit DKK 7 million MSME Development DKK 210 million Better Access to Markets DKK 76 million	Agricultural Markets Development Trust DKK 130 million Access to Finance DKK 185 million
Other programmes and channels of support			Labour Market Consortium (2018-22) International Labour Organisation Research: Informal worker organisation and social protection (2016- 21)

Sources: Programme documentation.

Especially, two things are noticeable from the overview of three phases of BSPS in Tanzania in the evaluation period (Table 2.1). One is that the BSPS has been relatively constant in terms of the overall themes of the programme. The programme initially included a large number of partners, components and sub-components, which was later reduced or combined in adherence with the Danida Aid Management guidelines. The other element is that direct cooperation with the public sector at central level was not continued beyond 2008 when the evaluation period starts, except for the trade-related assistance to the Ministry of Industry and Trade under the component Better Access to Markets.

3 Business Environment Reform

In this chapter, the Danish contribution to Business Environment Reform (BER) has been analysed in regard to the assessment of relevance, effectiveness and sustainability (see Annex 4). The business environment has been defined as a complex of policy, legal, institutional and regulatory conditions that govern business activities. The Theory of Change (see Annex 2) serves as a point of departure for the analysis. As indicated in Table 2.1, there are two programmes under this thematic area: The Business Environment Strengthening for Tanzania (BEST) programme under BSPS II, 2003-2008, and Local Investment Climate under BSPS IV, 2013-2019. Danish funding for a second phase of the BEST Programme was approved under BSPS III, but the second phase was not implemented.

Main findings regarding Danish contribution to Business Environment Reform in Tanzania:

- The BEST programme represented the pinnacle of government-donor cooperation within the private sector in Tanzania based on the aid effectiveness agenda and the joint assistance strategy.
- The BEST programme addressed relevant issues based on a thorough diagnostic, but the scope of the programme was too ambitious given the complex issues and the challenges of implementing across many ministries and agencies.
- Although less than anticipated, the programme contributed to strengthening capacity of institutions relevant for the business environment, some of which were newly established. Progress was most significant in relation to business registration and land administration, but little is reported in terms of outcomes.
- The public institutions visited by the evaluation team show good signs of sustainability. They have evolved considerably and contributed to improving framework conditions in the period since the programme ended.
- Government and development partners did not agree on a second phase of the BEST programme and the funding from bilateral development partners was discontinued after little more than three years of implementation, which was before the programme could have a discernible effect on private sector framework conditions.
- Due to the challenges of business environment reform at central level, the Local Investment Climate Programme in Kigoma and Dodoma region was a relevant intervention at local level as part of BSPS IV.
- The LIC programme delivered important outputs in relation to public-private dialogue mechanisms, one-stop business centres at district level and public infrastructure investments.
- Some effects have been documented from the direct investments and LIC was important in advancing the cooperation between public and private actors, although public-private dialogue mechanisms have not been continued at the same level after project closure.
- The sustainability of some of the public infrastructure investments funded under LIC is threatened, because the envisaged management arrangements involving the private sector were not established.

The Business Environment Strengthening for Tanzania (BEST) programme under BSPS II was a government programme funded 2004-2009 jointly by Denmark, Sweden, United Kingdom, the Netherlands and 2006-2012 by the World Bank within a total budget frame of USD 79 million over five years. Danida was a relatively important contributor funding 32% of the budget in 2006/2007, which fell

to 8% in the following year after World Bank funding increased. Due to a slow start-up of the programme, Danish support was only provided for little over three years.

Local Investment Climate under BPS IV was implemented in Kigoma and Dodoma regions between January 2014 and February 2020. Out of the five BPS IV engagement partners, LIC is the only one that had the local level business environment as its main focus, addressing critical constraints to business development and economic growth at regional and district levels in the two regions. The programme invested in Public-Private Dialogue (PPD), in public, private partnership, and private business facilitating infrastructures including One-Stop-Business Centres (OSBCs), business hubs, markets, fish landing sites, irrigation infrastructure, slaughterhouses and food processing facilities. To maximise integration of learning and good practices in existing networks, the President's Office – Regional Administration and Local Governments (PO-RALG), the Regional Secretariats in Kigoma and Dodoma, Local Government Authorities (LGAs), Tanzania National Business Council (TNBC), Tanzania Private Sector Foundation (TPSF), Tanzania Chamber of Commerce, Industry and Agriculture (TCCIA) and the Association of Local Authorities in Tanzania (ALAT) were engaged in implementation.

3.1 Relevance

Addressing key needs of the private sector

The BEST programme addressed a wide range of issues in the public sector related to the business environment, including business registration, land administration, commercial disputes and the Tanzania Investment Centre. Business environment reform was a relatively new national agenda at the time when the BEST programme was formulated. The thematic areas were implemented by different ministries, departments and agencies with the overall aim to improve Tanzania's business environment and encourage private investments. The BEST programme constituted the reform agenda of GoT and the issues included were considered relevant for the private sector. However, the programme was not elaborated in consultation with the private sector and identifying the right solutions would have benefitted from further private sector engagement. The BEST programme was limited to the business environment, but issues related to the broader investment climate, such as infrastructure, finance and education were seen as the biggest constraints by business leaders.⁹

With its emphasis on business environment reform, the BEST programme is also considered relevant in relation to the Danish government's priorities for Development Cooperation for the period 2008-2012. The Danish government and the Minister for Development Cooperation¹⁰ emphasised the fight against inequality, including inequality based on gender, and consistently prioritised business development and economic growth in developing countries. From 2007, business sector programmes were part of the development cooperation in five programme countries. Funding of BEST from Danida and other bilateral donors ended in 2009. Danida had funds set aside for a second phase of BEST under BPS III, but the process of establishing a second phase of BEST was prolonged. The Government Roadmap on Improvement of the Investment Climate in Tanzania (the Roadmap) was subsequently elaborated. The Roadmap focused on improving the areas under the Ease of Doing Business indicators. The programme was considered narrow, but still relevant by the development partners in a joint appraisal in May 2011. However, a new joint funding mechanism was not established.

⁹ As indicated by surveys undertaken by Global Competitiveness Report 2008/2009 and the Longitudinal Impact Assessment of BEST-AC.

¹⁰ The Minister for Development Cooperation 2005-2010 was Ulla Tørnæs.

The Local Investment Climate programme was initiated more than 10 years after the BEST programme when the business environment reform agenda at national level had evolved. Local Government Authorities (LGAs) have a substantial impact on the local business environment because (i) they interpret, implement and enforce central government policies and regulations (ii) they manage and deliver a wide range of services including health, education, cleaning, land survey and titling, construction permits, business licensing, extension services, irrigation schemes, etc. and (ii) they have powers and reasons to establish their own bylaws and fees, some of which can be substantive.

However, although the Public-Private Dialogue at national level (Tanzania National Business Council) has been replicated at regional and district level (Regional and District Business Councils) to enable the local level public sector to engage the private sector in addressing issues, it was clear that dialogue at local level was not happening regularly and effectively. This is mainly due to low awareness of the value of and skills in engaging in dialogue of both sides, slowly changing attitudes of the public sector towards the private sector and a disorganised private sector.

There was therefore a clear justification to design and implement interventions that create conditions for actors at the local level to dialogue and collaborate to address issues that are within the powers of LGAs and to escalate those which require high level decision making to the appropriate bodies. The Local Investment Climate programme was set up as a pilot to generate lessons and build a model that could be scaled up to the rest of the country.

Quality of the design and cross-cutting issues

The BEST programme document includes detailed analysis of the constraints, and the issues to address in order to overcome these constraints, but the design was less strong in indicating the expected achievements of the programme at outcome level i.e., in terms of changed behaviour of the public sector and effects on the private sector. The other main challenge for the design and the implementation was the division of responsibilities and coordination between the large number of ministries, departments and agencies involved.

The Theory of Change for the LIC programme implied in the log frame was that simultaneously supporting development of PPD awareness and skills, dialogue, joint identification and resolution of constraints for business development and investing in agreed solutions would contribute to change in the mindset of LGA officials as well as the private sector. This would increase trust, appreciation of the value of dialogue and collaboration which would improve the investment climate and the business environment and eventually contribute to increased incomes and reduction of poverty. The log frame was well developed, although the expected results were over-ambitious for the duration of the project given the history of the country.

3.2 Effectiveness and impact

As indicated in the reconstructed Theory of Change (see Annex 2), the outputs in the form of capacity building and changes in the business environment (legislation or practice) are expected to lead to private sector benefits at outcome-level, such as reduced cost and risk, which would eventually increase the level of investments, private sector growth and employment. This was also the understanding under BEST, but the anticipated outcomes were not specified further and not reported on.

Outputs and intermediary outcomes

Table 3.1 below summarises the main outputs identified by the Evaluation on the basis of progress reports, supplemented by interviews. There are no completion reports available for these two programmes.

Table 3.1 Outputs and intermediary outcomes of BER support Tanzania, 2003-2019

Support period	Support title	Realised outputs/intermediary outcomes	Comments
2003-2008	Business Environment Strengthening for Tanzania, BSPS II	Progress in the simplification, digitisation and decentralisation of business registration Legal framework for land administration revised. Land surveying zero points established. 12 Land and Housing Tribunals out of app. 150 established Strengthened labour market institutions (see Chapter 5)	Little progress reported on output level in relation to commercial dispute resolution and strengthening of the Tanzania Investment Centre
2014-2020	Local Investment Climate, BSPS IV	Public-private dialogue strengthened at regional and district level One-stop business centres established in each of the 13 districts in Kigoma and Dodoma regions Public infrastructure constructed National guidelines for local public-private dialogue established	Not all relevant public agencies represented in all of the one-stop business centres

Sources: Progress reports and interviews.

The BEST programme strengthened government capacity and modernised a number of services important for the private sector within the focus areas of the programme: business regulation, land administration, commercial dispute resolution¹¹ and strengthening of Tanzania Investment Centre.

Business registration and licensing represents a burden and a cost for businesses, which may discourage the transition from informality. The Business Registration and Licensing Agency (BRELA) was established in December 1999 within the Ministry of Industry and Trade. Business registration with BRELA involves registration of the name and obtaining a business license that should be renewed every year. Other institutions are also involved, including the Tanzania Revenue Authority (TRA) for obtaining a tax number and the national identification agency, for linking personal ID-information. For small companies operating within one region, registration is undertaken with the municipality.

Redesigning the business registration, refurbishing the office and digitising BRELA records were among the important outputs supported by BEST. BRELA did not have local offices, but part of the registration process became decentralised under BEST by engaging the local offices of Tanzania Chamber of Commerce, Industry and Agriculture (TCCIA) in the task of supporting the registration and collecting papers for company registration. Furthermore, funding and advice under the BEST programme contributed to the design of a digital business registration, but the on-line registration could not be introduced at the time.

Business registration has evolved considerably since the end of BEST, but challenges remain especially in connection with the licenses of smaller companies at municipal level, which continues to be analogue. At

¹¹ Danida had previously provided support for the establishment of the commercial court in Tanzania.

BRELA, there is a backlog of registration from before digitisation, which is currently being addressed and funded by the European Union.

Outputs in relation to the **land administration** components of the BEST programme up to 2009, included: Establishment of legal framework for land administration through the preparation and enactment of four laws; establishing country-wide “zero points” as the first step towards surveying, five zonal offices established for Ministry of Land, pilot implementation of the village land act by initiating surveying in a number of villages. One of the main issues was the establishment and functioning of a localised system for settling land disputes, which was an important prerequisite for private infrastructure investments and investments in forestry and agriculture and 12 Land and Housing Tribunals were renovated under BEST. In total, 42 District Land and Housing Tribunals were established of which 39 were functional as of 2013 leaving 109 urban authorities without a land tribunal.¹²

Back in 1999, Danida provided financial support for the establishment of the **Commercial Court**, including the refurbishment of a building and training of staff. The support to the Commercial Courts was continued under the BEST programme. This included establishing commercial courts in Mwanza, Arusha and Mbeya and initiating preparations for an electronic case-handling system. Progress under this component was slower than expected and only a few of the initiatives were finalised during BEST.

Support to the establishment and strengthening of **labour market institutions** was included as a component in BEST from 2006 (with the additional World Bank funding). As indicated below under the labour market thematic area, there was good progress in relation to these institutions in this period.

Tanzania Investment Centre (TIC) was established in 1997 and was a relatively small institution when BEST was initiated. It was established with the aim to strengthen the efforts to attract foreign investments into Tanzania. Core support to TIC constituted a large share of the budget under BEST, but little is reported in terms of results and when visited by the Evaluation Team, there was no knowledge of the support provided under BEST. Reporting indicates that among the outputs were a new strategy, promotion materials a website and staff capacity strengthened.

The Local Investment Climate Programme increased the frequency of **Public-Private Dialogue** and its effectiveness. In 2014 no PPD was taking place in Kigoma and Dodoma regions. In 2018, all DBCs in Dodoma and Kigoma managed to hold two to four of the planned meetings. More importantly, the relationships between the public and private sectors improved significantly – from blaming and fighting each other to being ready to sit together around the same table to iron out issues amicably. Representation improved with both RBCs and DBCs including representation from key sectors as well as women. Both private and public sector respondents to the interviews during the Evaluation acknowledged that the quality of preparation, dialogue and monitoring of PPD had improved as a result of the capacities developed by LIC and the trust between the two sides was growing. Some of the reforms accepted include the reduction of crop cess on groundnuts (Kongwa District) from TSh. 3,000 to TSh. 1,500 per bag of 100kg (Kongwa District); stoppage of closure of lodges as a mechanism to enforce payment of hotel levies (Kondoa District); and suspension of penalty (TSh. 50,000) for people putting up structures without a building permit (Mpwapwa District).

Development of joint Local Business Environment Reform (LBER) plans. Local Business Environment Reform Plans were jointly developed and endorsed by councillors for all Dodoma and

¹² Adjudication of land cases in Tanzania: A bird eye overview of the district land and housing tribunal. G.E. Massey, 2013.

Kigoma region districts and the LBER plans were set as permanent agendas for DBCs to be jointly reviewed and updated every year.

Establishment of one-stop business centres (OSBCs). By September 2019 each of the 13 districts in Kigoma and Dodoma had established OSBC, providing business licensing and renewal services and guiding entrepreneurs on how to register with BRELA (a voluntary procedure). Between January and September 2019, a total of 4,425 new business licenses were issued through OSBCs in Dodoma region compared to 700 in the same period in 2018. The increase would have been higher had the government not introduced an alternative to business licenses (micro-enterprises identity cards). Nevertheless, the OSBCs did not house all actors in the licensing process under one roof as initially expected. Only in Kakonko District (Kigoma) did the Tanzania Revenue Authority (TRA) place an officer at the OSBC. In some LGAs, the TRA and the LGA health offices were so close to the OSBC that there was no need to relocate an officer. In most cases, the tax authority and the LGA health departments said they did not have enough staff to place in the OSBC. In some districts, the number of license applicants was so small that the officials would not be busy enough.

Improved public infrastructure. SIFF was a pilot Small Industrial Facility Fund to incentivise public sector investments in support of business development identified by DBCs, hence the broader investment climate. SIFF funded the construction or improvement of food processing facilities (cassava, palm, mango, milk, rice, etc.), a night market, an irrigation scheme, markets (grain, livestock, fish) business complex, etc. which benefitted 19,896 operators (of which 12,310 women) and irrigation schemes in Kasulu, Bahi, Kondo, Uvinza na Chamwino Districts which benefitted 9,266 farmers.

Linkages to BER issues at the national level. LIC incorporated national-level actors (e.g. National Business Council, the association of local governments, the ministry responsible for local government and the Tanzania Private Sector Foundation) in order to embed learning and good practice and to facilitate the escalation of issues that could not be addressed at the local level to relevant national level structures. This arrangement led to the establishment of a LIC/sub-regional PPD focal person at the President’s Office – Regional Administration and Local Government, development of sub-national PPD dialogue guidelines by TNBC and the escalation of some policy issues to national-level structures. Some of these issues were successfully resolved, including removal of the export ban for cassava, tax relief in the salt sector to attract new investments, freeze of excise duty for locally manufactured fruit beverages and a reduction of service levy for local bank branches. LIC also supported PO-RALG to develop a Local Government Revenue Management Guide, which integrates lessons from LIC including the use of point-of-sales machines that record collections of taxes, levies and other fees electronically.

Outcomes and impact

Table 3.2 below summarises the outcomes identified by the Evaluation Team in terms of direct benefits for the private sector.

Table 3.2 Outcomes of BER support Tanzania, 2003-2019

Support period	Support title	Realised outcomes	Comments
2003-2008	Business Environment Strengthening for Tanzania, BSPS II	Time for registering a business reduced	Overall ranking in WB doing business improved from 140 to 131

Support period	Support title	Realised outcomes	Comments
2014-2020	Local Investment Climate, BSPS IV	Time for processing a business license reduced Increased production and incomes from investments in public infrastructure	

Sources: World Bank Ease of Doing Business, 2005 and 2010, interviews, LIC progress reports.

As indicated in the reconstructed Theory of Change, the outcomes include the effects of the improved business environment on the private sector, including reduced time and cost of procedures, reduced risk or access to markets. The intermediate impact includes increased private sector growth and investments, and the intended impact is green and inclusive growth.

Reduction in the processing time of administrative and regulatory services provided by GoT institutions was one of the outcome indicators of BPS II. Before the BEST programme, businesses would have to spend time and money on travelling to Dar es Salaam for registration when starting a business and annually when renewing their license. This was somewhat improved under BEST, but significant challenges remained in the business registration. WB Doing Business indicators indicate an average business registration of 29 days in 2010, compared to 35 days in 2005¹³. Registration time in BRELA was reportedly about three to five days for a company registration and two to three days for business name registration in 2010. Overall, Tanzania improved its ranking slightly in the World Bank Ease of Doing Business from 140 to 131 over the period 2005-2010.

In relation to land administration, the programme contributed to early steps in digitisation, surveying and dispute settlement, but most of these did not reach a point where they could improve services. The implementation of a land information system in the Ministry of Lands led to some improvement in the registry of titles starting with an increase in the number of new titles, land transfers and mortgages that are held within the system. However, the evidence on performance was mixed. The number of days to register or transfer a Certificate of Right of Occupancy was not significantly reduced from 2005 to 2008 as envisaged.

For the LIC programme, the one-stop business centres resulted in a significant reduction in the time spent in processing a business license from one-three weeks to between one and two days. The documentation furthermore indicates that the rate of business registration increased significantly during the programme in the Kigoma region. The easier and faster business registration that gradually came into place (at the national level and in Kigoma and Dodoma regions) is likely to

LIC case: Paddy Value Chain in Bahi District (Dodoma)

- The investment included an irrigation scheme, training of farmers and access to improved seeds.
- Paddy field productivity doubled from an average of 15 bags of rice/0.5 ha to an average of 30 bags of rice/0.5 ha.
- More than 6,000 casual workers were attracted during three to four months of production.
- The quality of produce has improved resulting in an increase in the selling price from 30,000 TSh. to 50,000 TSh. per bag (of 85kg) during harvest time and 70,000 TSh. per bag three months after the harvest.
- The LIC investment has resulted in attraction of other investments such as six new warehouses and five new processing facilities.

¹³ World Bank (2009) Ease of Doing Business in 2010 and World Bank (2004) Doing Business in 2005.

have had an impact in terms of more businesses being registered and therefore more private investments in the formal sector and contributing to the overall economic growth, but the magnitude of this is difficult to assess.

The direct funding of projects related to the broader investment climate had a number of positive outcomes for the beneficiaries. One example is the investment in the paddy value chain in the Bahi district (see box), which was subject to an impact study undertaken by LIC.

Where these examples provide some documentation of the achievement of intermediary outcomes and outcomes, there is no evidence available to assess whether the interventions have contributed to the intermediary impact (private sector growth, investments and jobs) or overall economic growth and poverty reduction at impact level.

3.3 Sustainability

The BEST programme contributed to strengthening a number of institutions and policy areas in Tanzania. As indicated above, very little has been recorded in terms of outcomes from these interventions and the sustainability of the results can therefore not be assessed. The Evaluation Team gained some insights into institutional sustainability and further development from the two BEST-supported institutions visited as part of the country visit.

BRELA has sustained the achievements made under BEST and seems to have continued the positive trajectory. An online business name registration system was established in 2014 followed by the business license system in 2017. The Tanzania National Business Portal was launched in 2016. Trademark, patent and industrial license registrations came online in 2018. These changes were made possible by the introduction of a government online payment system. There is now a requirement that BRELA validation of online registrations should be completed within 24 hours. BRELA is mainly funded by its own generated revenue.

The Tanzania Investment Centre now has a one-stop centre for foreign investors. Staff from 10 different relevant agencies are present within the TIC to guide foreign investors. The TIC and the policies directing foreign investments are still predominantly geared towards larger investments involving infrastructure, whereas SMEs may find the requirements too comprehensive.

If the harmonisation and alignment agenda of Development Partners was sustained, it was not demonstrated in their support to business environment reforms after BEST. There seems to have been a gap in DP-GoT cooperation around framework conditions until the establishment of the Blueprint Action Plan nested in the Ministry of Industry and Trade in 2019. Like the BEST Programme, the Blueprint includes a wide range of activities within many ministries, departments and agencies¹⁴. The Blueprint has only to a limited extent attracted funding from development partners (Canada and the EU). Another important factor is that the Blueprint is not, as the BEST programme initially was, coordinated by higher levels of the government, but by the Ministry of Industry of Trade.

Public-private dialogue at the local level

For the most part, PPD at the local level has been reduced significantly after the expiry of the LIC project. The situation appears to be worse in Dodoma. Between July 2019 and March 2022, the Dodoma

¹⁴ Blueprint for Regulatory Reforms to Improve the Business Environment – Action Plan and Implementation Framework, Ministry of Industry and Trade, United Republic of Tanzania, 2019.

RBC met once (and was scheduled to meet in April 2022). The same applies to most of the DBCs in the region. An interesting exception is Kongwa District, whose District Commissioner was transferred to Dodoma District. Kongwa continued to hold DBC meetings regularly and Dodoma District has continued to do so (though at a much less frequency). When the District Commissioner was transferred to Dodoma in 2021, he found that the DBC had not met for a long time, and he initiated the process of re-establishing it. He used the sub-national PPD guide developed with LIC support and requested the former TPSF focal person to help with orienting the new Council members. Kigoma region has been holding at least one RBC each year, but DBCs have not been meeting regularly. The leadership of PSOs does not appear to be as strong as during the LIC project. Some private sector actors attribute the weakened PSOs to the atmosphere created by the 5th administration which discouraged some entrepreneurs from taking a prominent role in public affairs, preferring instead to keep a low profile. But TPSF and TCCIA did not manage to maintain the positions paid for by LIC.

Reasons for PPD not being sustained include the fact that there are no consequences for not engaging in PPD. Neither TNBC nor PO-RALG can compel regional or district leadership to engage in PPD, therefore it depends on the awareness, interest and style of the regional or district commissioner. Frequent changes of the district and regional leaders due to transfers, retirement and dismissal (Dodoma district has had four DCs in five years; while Dodoma Region had three RCs in the period) make matters worse. The anchor of sub-national PPD who would be expected to support new leaders to conduct PPD is the trade officer, who also happens to have many priorities (foremost revenue collection).

Linkages to BER issues at the national level

LIC included Dodoma and Kigoma Regional Secretariat, TNBC, TPSF, ALAT, TCCIA and PO-RALG in order to promote learning and good practices at all levels. During the Evaluation, it was found that TNBC and TPSF continue to work with regional and district dialogue platforms (with the support of AMDT and Trademark East Africa) to promote good dialogue practices and to escalate national-level issues in pulses, maize and sunflower value chains and agendas promoted by TMEA (logistics, food standards and safety). However, it is unlikely this can continue in the absence of projects which pay for the cost of TNBC and TPSF involvement. The results which have been sustained through the involvement of national actors are i) sub-national PPD guidelines, which continue to be used, ii) The local investment climate/PPD focal office at PO-RALG which has been elevated to a directorate (iii) the Local Government Revenue Management Guide which incorporates the use of POS. The extent to which PO-RALG Investments Directorate is engaged in monitoring local-level PPD and local investment climate issues is not clear (if this was being done effectively, we would see more PPD happening).

Local government revenue

Between 2016 and 2018, LIC supported LGAs to acquire Point of Sales (POS) devices (between 10 and 15 per LGA) for revenue collection. Following improvement in revenue collection, in 2018, the LGAs procured (389) POS (between five and 154 per LGA with only two adding less than 35 POS). The LGA officials interviewed indicated that they have been increasing the number of POS every year and the revenue has kept on increasing. However, they have not provided the figures. Following the sudden decision by the President to transfer the central government to Dodoma and elevate the status of the municipality to a city, demand for surveyed land shot up. Using the experience from the LIC project, the City Council quickly surveyed 298,000 plots, generating considerable revenue in the process.

Business infrastructure

SIFF Invested in a large number of projects. Almost all have been sustained, though not fully completed and not operating at the initially envisaged level. Most of these were constructed just before the project ended, and the creation of envisaged efficient governance and management structures in the form of SPVs was not realised. LGAs do not have the organisational and managerial resources (staff and skills) to manage these projects to achieve the envisaged level of efficiency. The LGA staff are already engaged in very basic roles, and even when there is an economic rationale, they do not have the power to hire more staff. In some cases, the economic base of the location is too small to generate enough resources to sustain the project operations and maintenance.

3.4 Explanatory factors and lessons

The joint BEST programme was an ambitious attempt to address a wide range of themes related to the business environment in Tanzania. At the time, there were still many remnants of Tanzania's socialist path and competing factions within the ruling party had different views on the role of the private sector. The legal framework and the institutions constituting the framework for the private sector were relatively new, or not yet established, and the complexity of the issues was considerable. Although expectations may have been too high, the BEST programme did not manage to demonstrate convincingly that a broad, sector-wide, approach was more effective than smaller projects with individual donors. The implementation period was too short for such a complex programme.

The joint BEST programme did not continue in a second phase and several factors played a role in this:

- Not all ministries saw the joint implementation modality as an advantage compared to smaller, more specific projects
- there was no strong mobilisation of the demand side for reforms, the private sector
- the perception of the first phase as not being effective enough for the reasons indicated above
- development partners were not convinced about the genuine national ownership of the reform agenda
- the proposal for a second phase was not considered to have the necessary quality.

Furthermore, the general budget support collaboration between the government and the donors was in a crisis due to the fraud scandal in the Bank of Tanzania. The year 2007 was regarded as a turning point where trust in government was lost and cooperation with DPs became more difficult¹⁵.

The BEST programme did not actively engage the Private Sector Organisations (PSOs). Interviewees have explained that the PSOs were not substantially engaged in the formulation of the programme and there are no accounts of PSOs demanding a continuation of the programme. As indicated elsewhere, the PSOs were mobilised on a different scale under the preparation of the current BER programme, the Blueprint.

An evaluation of the country programmes of the United Kingdom and Ireland from 2010¹⁶ (and hence closer to the events) confirms these reasons provided by the UK at the time and also indicates the lack of clout in seniority with the programme management in the Better Regulations Unit to secure the

¹⁵ Joint Evaluation of Budget Support to Tanzania, ATE, ITAD and Cowi, 2013.

¹⁶ Joint Irish Aid and DFID Country Programme Evaluation Tanzania 2004/05-2009/10, ITAD December 2010.

engagement of high-level officials in other ministries. The evaluation also considers that “donor expectations were excessive and, in some areas, misplaced”.

The LIC programme was intended as a pilot project but due to the Danish decision to exit Tanzania, this was not followed up. The approach of addressing the broader investment climate at the local level seems to have potential. Although there were also challenges in LIC, good progress was achieved by combining local-level investments in public infrastructure with public-private dialogue and improved public service delivery. An important aspect of the programme was that it could support both the private sector, the public sector, and the investment climate, which allowed it to address issues from different sides.

A publication of a wide range of lessons learned from LIC was elaborated in 2020¹⁷. Among the issues emphasised was the importance of focusing the intervention on aspects related to trust and understanding between the public and private sectors as well as the general understanding of the public sector’s role in a market economy. In the assessment of the Evaluation Team, LIC was influenced negatively by the view on the private sector under the 5th phase of Tanzanian government. Even though the programme worked with decentralised units, the political climate influenced the appetite to try new initiatives of the public sector and the private sector’s willingness to step forward and point out challenges in the framework.

¹⁷ Local Investment Climate: Lessons Learnt, Local Investment Climate Project 2020.

4 Business Advocacy

In this chapter, the relevance, effectiveness, and sustainability of Danish support to business advocacy in Tanzania are assessed in line with the evaluation matrix (see Annex 3) followed by some explanatory factors. In Chapter 6, coherence, efficiency and impact are assessed for all three FC themes.

Main findings regarding Danish contribution to business advocacy in Tanzania:

- BEST-AC and BEST-Dialogue supported 354 advocacy projects at central and local level and reported 116 specific changes in policies, regulations, taxes and levies, some of which potentially had a significant impact on the cost of doing business. It is estimated that approximately one third of the advocacy projects reached their stated objective.
- As a consequence of the demand-driven nature of BEST-AC and BEST-D, with only a very soft priority given to the agriculture sector in BEST-D, the objectives in relation to the policy and regulatory changes were very broad.
- BEST-AC and BEST-D did not alter the systemic challenges of over-regulation and overcharging, and the policy changes achieved were to some extent over-shadowed by a general deterioration of the relationship between government and the private sector in the last phase of the programme.
- BEST-AC and BEST-D strengthened the advocacy capacity of the PSOs, but except for a few of the larger organisations they are not able to continue the level of advocacy without external funding.
- A number of policy proposals developed with support from BEST-AC and BEST-D have been adopted in the government's recent reform programme as a result of bigger engagement between government and PSOs in policy formulation. BEST-AC and BEST-D are likely to have contributed this.
- The public-private dialogue platforms introduced during the programme did in general not continue their foreseen role and activity level, but PSOs continue to some extent to participate in government budget cycle meetings.
- The twinning project between the Confederation of Tanzania Industries (CTI) and the Confederation of Danish Industries (DI) strengthened the capacity of CTI and introduced energy efficiency audits in private companies, which led to energy cost savings. The system for energy audits has not been sustained.
- Although the number and income from members have not increased as much as expected, CTI has to a large extent managed to sustain the activity level in terms of advocacy capacity.

The thematic evaluation area comprises three phases of support to business advocacy through BEST-AC and BEST-Dialogue and the twinning arrangement between the Confederation of Tanzania Industries and Danish Industry under BSPS IV (see Table 4.1).

The first phase of BEST-AC was funded via the joint BEST basket fund. From the total budget of USD 11.4 million for BEST (2003-2008), USD 2.6 million was allocated to BEST-AC.

BEST-AC and BEST-Dialogue were challenge funds providing grants based on applications primarily from Private Sector Organisations for capacity building and advocacy. In addition to this, BEST-AC and BEST-D had a media component and a component providing support to universities and other service providers of advocacy research. The programme was managed from an office in Tanzania Private Sector Foundation, a leading private sector organisation in Tanzania. The implementation was outsourced to an international consulting company (COWI).

Table 4.1 Danida support to business advocacy in Tanzania, 2004-2019

Component	DK commitment (mio DKK)	Total budget (mio USD)	Period	Phase	Co-funders
BEST-AC	15.8	3.1 from other donors	2004-2007	BSPS II	Denmark, Sweden, Netherlands, UK (and WB from 2006)
BEST-AC II	32.9	12.5 9.3 other donors	2008-2014	BSPS III	Denmark, UK, Sweden
Best-Dialogue	92	N.A.	2014-2019	BSPS IV	Denmark
Confederation of Tanzania Industries	10	N.A.	2014-2017	BSPS IV	Denmark

Sources: BEST-AC I PCR and BEST-AC 2 PCR.

* First phase of BEST-AC was a basket fund including the BEST programme and the Danish contribution was not earmarked for BEST or BEST-AC.

The justification for including an advocacy component in the programme was that the private sector needed support to present their proposals for reform based on well-researched evidence. This was the demand side of a Business Environment Reform Programme.¹⁸

BEST-AC was in its first phase initially focused on single issues in relation to government reforms. In the second phase of BEST-AC more focus was put on the capacity building of PSOs, and support to media training and universities was included. With BEST-dialogue, the emphasis was on establishing dialogue mechanisms and preparing PSOs and their apex organisations to engage in these, while still funding capacity building and single-issue advocacy. The last phase also included core support to PSO apex-organisations. For single-issue projects, BEST-AC and BEST-D would typically fund a piece of research on the issue in question and in some cases subsequent workshops with the relevant authorities.

The twinning arrangement between the Confederation of Tanzania Industries and Danish Industry (DI) was implemented as a separate sub-component. The aim was to strengthen CTI in its role as a representative for the industry in Tanzania. The project funded technical assistance from DI to CTI and capacity building in CTI in relation to strategy development, policy training, development of communication strategy and implementation of project activities, which focused on energy efficiency and integration of Tanzania in the EAC. A resident adviser from DI was working half-time with CTI for the first 2½ years of the project.

4.1 Relevance

The first and second phases of BEST-AC were seen as complementing the government Business Environment Reform Programme as formulated in the Business Environment Strengthening Tanzania (the “larger BEST programme”). Their overall objective of improving the business environment was shared and it was a clear part of the justification for BEST-AC I and BEST-AC II that there was funded a government programme, which could ensure the implementation of issues that were the object of

¹⁸ BEST Programme Document, July 2003

advocacy projects. The “larger BEST” programme was only active under the first phase of BEST-AC and until 2009 (see chapter on Business Environment Reform). The link between the demand side supported through BEST-AC and the supply side of business environment changes was therefore lost during most of BEST-AC (Phase 2) and BEST-D. This led to a reformulation of the programme objective (and name) in its last phase focusing more on establishing dialogue structures. However, some of this demand-side effect came later, when the Blueprint for Regulatory Reforms was developed in 2017 and many policy recommendations developed with the support of BEST-D reportedly were included in the reform programme¹⁹.

The CTI-DI collaboration pursued the same overall goals as BEST-Dialogue. CTI is the leading private sector organisation for the industry in Tanzania. The need for strengthening CTI in its advocacy work for the Tanzanian industry was well justified, but it was less clear why a separate project engaging Danish Industry was established. The focus on inclusive growth in the rest of BSPS IV is not reflected in the sub-component description. This relatively small project could be considered an opportunity to test a twinning approach to capacity strengthening as opposed to the challenge fund approach.

Addressing key needs of the private sector

The Evaluation Team has categorised the 55 projects of BEST-D that led to policy changes based on their titles, which indicates:

- 26 out of 55 policy changes were related to agriculture, horticulture and forestry
- 15 policy changes were general and not sector-specific
- 23 policy changes aimed directly at saving cost for companies, e.g. VAT exemption, reduced taxes and levies

A couple of policy changes support the green agenda, including the removal of VAT on solar water pumps and the exemption for environmental impact assessment for small solar installations.

The project distribution indicates that a considerable number of projects targeted the agriculture sector. The programme completion report of BEST-AC indicates that 51% of projects were granted in the agriculture sector, so this weight on agriculture seems to have been consistent at least over the last two phases of the programme.

According to Tanzania Private Sector Foundation, the single most important issue on which PSOs lobby is taxation and many projects aimed at reducing taxes and license fees for the private sector. In addition to the advocacy projects indicated above, BEST-D has reported that 54 fees and levies were abolished with the Finance Bill 2019 following BEST-D-funded PSO participation in the budgeting process. It is well-documented that the time and cost spent on licenses and procedures are considered a constraint for the private sector, not least in relation to food production where environmental and health authorities are also engaged. It is government policy – and stated as a principle by the government – that business fees and levies should only be raised to incentivise behaviour and cover the direct cost, not as a means for raising revenue²⁰. This is, however, far from reality. Tanzania Horticulture Association (TAHA) claims for example that a commercial farmer in Tanzania must pay fees to as many as 28 regulatory bodies, plus

¹⁹ BEST-D undertook an analysis of the reform proposals in the Blueprint determining approximately one third of the proposal were related to policy proposals previously put forward as a result of a project funded by BEST-AC or BEST-D.

²⁰ Blueprint for Regulatory Reforms to Improve the Business Environment – Action Plan and Implementation Framework, Ministry of Industry and Trade, United Republic of Tanzania, 2019.

seven levies and fees to the local government and seven taxes to Tanzania Revenue Authority, a total of 42 taxes, fees and levies.

Local governments impose a produce cess (a tax), transit fees, health inspection fees, environmental fees, parking fees, hotel levies, service levy and annual business licenses, while the tax authorities impose VAT on packaging materials, excise duty, vehicle inspection fees, various import levies, PAYE, fuel levy, income tax, and Skills Development Levy. It has been documented that in some cases a reduced tax can lead to higher compliance and overall government revenue (see box).

In relation to the relevance of the programme's support to strengthening the capacity of Private Sector Organisations, it should be considered that these organisations are an important part of the enabling ecosystem for economic development. They play an indispensable role in coordinating the private sector, provision of services and advocacy and dialogue with the government. Business associations in Tanzania have a long history, starting in 1919 with the establishment of the Dar es Salaam Chamber of Commerce²¹. There is a large number of PSOs in Tanzania today, most of which organise the formal sector. Many of them have few or no staff employed in a secretariat and are dependent on the efforts put in by their elected leadership. Their legitimacy depends on the number of members, their competencies, and their activity level. There are also some apex organisations uniting PSOs within a sector, which have received support from BEST-AC and -D. For efficiency reasons, the government is generally more interested in engaging in dialogue with the apex organisations instead of engaging with many different organisations from the same sector.

Strengthening the PSOs is considered relevant for their members but also for the public sector. Public authorities interviewed by the Evaluation Team indicate that the private sector is considered an important stakeholder, and since BEST-D stopped they don't see the same level of active participation based on well-documented evidence from the PSOs.

The twinning arrangement between the Confederation of Danish Industry and the Confederation of Tanzania Industry focused on an advocacy project aiming to get a VAT refund and the introduction of energy efficiency audits. Although relevant in terms of the overall climate agenda, the latter was less demanded by companies and saw limited uptake, mainly because of the absence of a legal framework requiring companies to do this.

Quality of the design

Although there was no explicit Theory of Change, the design of the second phase of the DI-CTI twinning, BEST-AC and BEST-D was sound. There were some design issues in the first phase of BEST-AC, which were addressed after a mid-term review. Good progress reports and completion reports have

Increasing revenue by reducing the fee

The Ministry of Agriculture significantly reduced the number of registration certificates, licenses and permits to improve business environment in the agricultural sector. The revenues of the Ministry significantly increased beyond the expectation of the Ministry. For instance, before reforms i.e. 2016/17, the Ministry expected to collect TSh. 4.0 billion and actual revenue collection was TSh. 3.3 billion which was equivalent to 82.5%. In 2017/18, after reforms, the Ministry expected to collect TSh. 18.5 billion and the actual collection was TSh. 33.9 billion which was equivalent to 182% of the expected revenue collection.

Source: Stocktaking Blueprint Implementation, TNBC, September 2019.

²¹ The Historical Development of Business Membership Organisations in Tanzania, Shimwela and Olomi, March 2019.

been submitted and the BEST-AC, Phase 2 was furthermore subject to a longitudinal impact study over five years, which has contributed to the documentation of results.

4.2 Effectiveness and impact

BEST-AC and BEST-D aimed at improving the business environment through more inclusive and effective public-private dialogue. According to the reconstructed Theory of Change (see Annex 2), BEST-AC and BEST-D should deliver outputs in the form of capacity strengthening of PSOs, established public-private dialogue platforms, media coverage and a strengthened knowledge platform. The intermediary outcomes are strengthened public-private dialogue and a changed perception in the government of PSOs as a dialogue partner and subsequently policy reforms, i.e. changes in legislation, regulations, etc. This would lead to the private sector benefitting by having reduced risks or costs or better access to markets (outcomes), which subsequently would increase private sector investments and strengthen private sector growth and poverty reduction (impact).

Outputs and intermediary outcomes

The table below indicates the outputs and intermediary outcomes in line with the Theory of Change. It is based on reported achievements in relation to output indicators and reporting in programme completion reports. There is no reporting available from the first phase of BEST-AC. The table indicates that output targets (that were in some cases more activity targets) were in most cases achieved or surpassed.

Table 4.2 Realisation of outputs for business advocacy, Tanzania

Support period	Support title	Expected outputs and intermediate outcomes	Actual outputs and intermediate outcomes	Gross achievement rate
2004-08	BEST-AC	Number of advocacy projects	30	
		Number of PSOs supported	25	
2008-2014	BEST-AC	PSO Advocacy capacity (no target)	386 staff of 57 organisations trained	N.A.
		10 consultants able to deliver training to PSOs	Not reported	N.A.
		On average 20 PSOs engage in network events	Not reported	N.A.
		Projects (BEST II)	163	
		PSOs w projects	58	
		Policy changes	62	(LIA)
2014-2019	BEST-Dialogue	60 PSO/Gov dialogues national level	107 national level	178%
		40 PSO/Gov dialogues at local level	54 at local level	135%
		35 PSOs engaged	62 PSOs engaged	177%
		35 proposals for business environment reform submitted	107 proposals for business environment reform submitted	305%
		25 PSO reform proposals discussed with Parliamentary Committees	27 PSO reform proposals discussed with Parliamentary Committees	108%
		50 reporters trained	81 reporters trained	162%

Support period	Support title	Expected outputs and intermediate outcomes	Actual outputs and intermediate outcomes	Gross achievement rate
		160 participants in 30 PSOs on advocacy training	160 participants trained from 63 PSOs	100%
		10 research papers on TZ business advocacy published in international journals	Nine published, One under review	90%
		30 policy reform accepted by government	55 policy reforms accepted by government	183%
		3 PPD platforms sustained	Four-seven PPD platforms sustained at national level	133%
		400 print articles on supported PSOs advocacy issues	625 print articles	156%
2014-2017	DI-CTI twinning	New CTI strategy developed	Strategy developed	100%
		CTI in-house elaboration of policy papers	Two-three policy papers prepared in-house	100%
		CTI members increased awareness of AEC market	Not quantified	N.A.
		20 energy audits prepared Later adjusted to 45 audits	43 audits prepared	96%

Sources: Programme completion reports of BEST-Dialogue and of CTI-DI Project.

Capacity strengthening of partner PSOs in undertaking advocacy was achieved to a certain level. 62 PSOs received support from BEST-D and 38 PSOs under BEST-AC. The Longitudinal Impact Assessment²² documents to which extent PSOs improved their competences in four dimensions: Organisational development, relationships, advocacy, results or outcomes: On average, the organisations increased their advocacy competences in the first year of support after which it seemed to plateau. In terms of their relationships, competences continued to increase throughout the programme period. The area of general organisational development (staff and financial resources) saw on average the least progress during the programme period.

It was confirmed through interviews under the field visit that many PSOs increased their advocacy skills and capacity during the BEST-AC and BEST-D. PSOs have strengthened their relationships, skills and other aspects of their capacity and they have produced content, e.g. toolkits and media contents, which is a potential resource for future advocacy²³. Government authorities interviewed considered the strengthened voice an advantage for the overall development of the private sector in Tanzania and noted a marked improvement during the programme period. A good demonstration of this is the consistent statements that the private sector was extensively included in developing the Government Blueprint for Business Environment Reform in 2017-2019, whereas the Business Environment Strengthening of Tanzania (BEST) in 2003 had been prepared with only little PSO engagement.

The Longitudinal Impact Assessment also indicated that members were increasingly satisfied with their PSO, from 65% being satisfied in 2010 to 90% being satisfied in 2015. However, the absolute number of members was low and did not increase much during BEST-AC. The Longitudinal Impact Assessment

²² BEST-AC Longitudinal Impact Assessment, Fifth annual report, Coffey, 2015. BEST-AC was accompanied by an externally managed longitudinal impact assessment, which produced five annual reports based on surveys and qualitative interviews with PSOs and individual businesses. The surveys included around 500 businesses from eight PSOs, of which about 350 were surveyed each year.

²³ Ibid.

assessed that the quality of policy papers and advocacy research reports increased during the programme period, but the quality varied greatly. Quality of research continued to be an issue.

There is also evidence indicating that PSOs were more active in public-private dialogue supported under the programme and relationships with authorities improved under the programme. During BEST-D, PSOs became increasingly engaged in the national budget preparation process, which is where decisions are made on a number of taxes and levies. The block grant support provided to PSO apex organisations through TPSF enabled them to establish offices at the decentralised level and for instance, the Agriculture Council of Tanzania (ACT) participated increasingly in budget discussions at district level. The public-private dialogue platforms at the central level were less active during most of BEST-D and did not meet regularly. Interviewees indicated that the higher levels of government did not use the existing dialogue platforms but rather called for their own selected private sector representatives when opinions were sought.

The university collaboration funded under BEST-AC and BEST-D contributed to the establishment of business advocacy as a teaching and research field, including the training of 300 young researchers.²⁴ This collaboration should be seen on the background of the substantial Danish funding provided through BSPS III (2008-13), which included the construction of a building for the Business School at the University of Dar es Salaam.

Under the twinning arrangement with the Confederation of Danish Industry, CTI strengthened the capacity to undertake advocacy work based on collected data, analysed by in-house staff and strengthened capacity in other areas. Initial steps were taken introducing energy audits to CTI member companies, which led to concrete energy and cost savings. CTI did not significantly increase its membership base or its revenue base from fees and member services during the project.²⁵

According to the Longitudinal Impact Study for BEST-AC and the project completion report for BEST-D, 62 policy changes under BEST-AC and 55 policy changes under BEST-D were accepted by the government as a result of the advocacy actions undertaken with BEST advocacy support. The Longitudinal Impact Assessment estimated that in half of the 62 policy changes, the BEST-AC supported advocacy had played an important role. Tanzania Private Sector Foundation (TPSF), CTI (manufacturing), TAHA (horticulture) and TCT (tourism) were among the PSOs with the highest rate of achievement. As indicated above, many of the changes approved were in relation to a reduction in direct fees and taxes for the companies and about 50% were in the agriculture sector. The programme reporting includes many examples and cases of these changes in regulations, fees, etc. and in some cases also the direct effects it could have had for the private sector (see box below). For some, the effects on private sector costs and the level of production were evident, but other policy changes may not have been implemented fully by the public authorities.

Outcomes and impact

As indicated above, there is evidence to support the claim that the BEST advocacy programmes contributed to a number of changes in policies, regulations, taxes, levies, licenses, etc. However, it is very difficult to assess whether BEST contributed to positive effects for the private sector in terms of reduced costs, reduced risks or better incomes.

²⁴ BEST-Dialogue, Project Completion Report and Final Results Report, 2019.

²⁵ CTI-DI Twinning, Project Completion Report, 2017.

Table 4.3 Outcomes for business advocacy, Tanzania, 2008-2017

Support period	Support title	Realised outcomes	Comments
2008-2014	BEST-AC	No data available	
2014-2019	BEST-Dialogue	Cases demonstrating private sector growth of business environment reforms advocated for by BEST-Dialogue	See examples in box below
		Total value of non-traditional exports decreased slightly from 2016 to 2018	An increase of 20% was aimed for
		Growth and employment in PSO-member businesses in agriculture and tourism	Marginal growth for industry
2014-2017	CTI-DI twinning	Businesses saved energy cost as a result of increased energy efficiency	

Sources: PCR of BEST-Dialogue and of CTI-DI Project. No data available from the first phase of support of BEST-AC.

The Longitudinal Impact Assessment 2010-2015 reports on some evidence of private sector effects for members of PSOs supported by BEST-AC: Net profit margins grew from around 20% in 2011 to around 40% in 2015 and employment increased considerably each year for businesses in the agriculture and for businesses in tourism, but only grew marginally for companies in the industry. The contribution of the advocacy changes to these growth rates is not established. The Impact Assessment also did an econometric analysis of the data collected (2,164 data points) but was in most cases not able to show a significant correlation between policy changes and business output. There is no evidence of broader outcomes beyond members of directly involved PSOs. The PCR reports also include a list of 116 so-called success stories, but no further case descriptions are provided so it has not been possible to assess the evidence base for this.

The Longitudinal Impact Assessment estimated that the advocacy project was the most important contributing factor in around half of the cases under BEST-AC. It is even more difficult to establish the contribution of business advocacy support on investments, private sector growth and poverty reduction (i.e. intermediary and overall impact level).

Despite overall economic growth and poverty reduction, Tanzania did not see a significant improvement in the World Bank Ease of Doing Business index²⁶ in the evaluation period. Tanzania improved its ranking slightly from 140 to 131 over the period 2005-2010, but in 2019 Tanzania was back to rank 144. This overall trend is confirmed by the Global Competitiveness Index. It is important to note that these rankings are expressions of Tanzania's relative position compared to other countries. Documentation consulted as well as interviewees reported many improvements in the business environment, including the time and cost it takes to register a business, get a business license, get electricity, register property, trade across borders and pay taxes.

The Longitudinal Impact Assessment stated in 2015 based on their own surveys that "although there are piecemeal improvements in the regulatory framework, there is no overall or consistent improvement in the wider business environment. This is partly the nature of public policy advocacy. However, some 60%

²⁶The Doing Business index has been discontinued and questions have been raised regarding its reliability.

of firms who are members of BEST-AC supported PSOs felt the ease of doing business had improved over the period of BEST-AC.”

As stated by Tanzania Private Sector Foundation (TPSF): “Ad hoc lobbying does not go to the heart of taxation and regulation issues. Counter-productive state-business relations must be addressed as a top-order public policy issue. Extortionate tax policies and hyper-regulation discourage entrepreneurship and help perpetuate the ‘missing middle’”.

Examples of outcomes of BEST-D supported advocacy projects

- Agricultural Council of Tanzania and the Tanzania Chamber of Commerce advocated for reduced crop cess, which was achieved when government decided to reduce the cess across the country from 5% to 3% for cash crops and 2% for food crops. This represents 2-3% savings for producers. The associations were acknowledged for their influence by the Minister for Finance and Economic Affairs in the budget speech 2017/18.
- After advocacy from the Chamber of Commerce, the Fire and Rescue Force reviewed the fire regulations, which will reduce the fees for some companies with 50%
- Government agreed to establish standard for tomatoes, onions and cabbage as a result of advocacy from Tanzania Horticulture Association, which will contribute to increase exports up to USD 1 billion in 2020 (from USD 450 million) benefitting more than 50,000 small-scale horticulture farmers.
- In 2015, the Cashew Board of Tanzania agreed to remove shrinkage costs and a number of levies in the cashew value chain. The estimated benefit was a cost reduction of TSh. 13.2 billion for producers.

Source: Integrating research into policy sphere: evidence from Tanzania, Charles Goodluck, 2021 and BEST-Dialogue PCR.

TPSF has annually undertaken business leader perception surveys regarding the investment climate funded by BEST-AC and BEST-D. The last report was published in 2018. Interestingly, the perception of the government effort to improve the business environment was more positive in 2010 and in 2018 than in 2015. Furthermore, the cost of red tape and licenses were estimated by respondents as being 14% of all costs in 2010, 20% in 2015 and then 17% in 2018.²⁷ The biggest reduction in cost was in the construction sector. These data suggest that 2015 represents a low point in terms of the business environment.

A focus-group discussion with business leaders during the field visit provided several interesting views. Although specific initiatives and improvements in the business environment were recognised as important, this was seen as being overruled by a more dominant policy discouraging the private sector as expressed in government rhetoric and through a number of clampdowns on businesses in the period 2016-2021. For instance, in relation to penalties which seemed exorbitant and claimed in an inflexible manner. There were also examples of rules and regulations being introduced without proper consultation with the private sector. The risk of doing business were definitely seen as increased, although actual costs may have gone down. The initial signals from the new

President give reason for cautious optimism in the business community.

Although the programme may not have changed much in the overall business environment, several informants referred to the legacy of the business advocacy fund in terms of the perception of the role of the private sector in policy making. This is expressed both from PSOs that have seen how they can

²⁷ Business Leaders’ Survey, Tanzania, TPSF, 2018.

influence specific policy agendas and from technical levels of government that used to consider the private sector as only looking after themselves, to understanding that the PSOs can bring technical insight to the table that improves policy and legislation. A specific example which served as an eye-opener has been mentioned to the Evaluation Team in the case of the Business Activity Registration Act, which was enacted by Parliament in 2007. Subsequent analysis of the law, funded by BEST-AC, indicated a series of flaws and imperfections, which would have had a damaging effect on the businesses. The regulations of the law were subsequently never elaborated, and the law was not implemented.

Apart from increasing the overall strategic orientation and advocacy capacity of the Confederation of Tanzania Industry, the twinning arrangement with the Confederation of Danish Industry aimed at increasing Tanzanian businesses' integration in the East African market and improving their energy efficiency. Although the programme contributed to the removal of certain non-tariff barriers, the overall EAC integration did not advance much for the private sector during this period²⁸. In relation to energy efficiency, the energy audits undertaken led to savings and reduced greenhouse gas emissions for the companies supported. The regulatory framework, and to some extent the necessary service providers, were not in place to incentivise the adoption of energy audits more widely²⁹.

4.3 Sustainability

The sustainability will primarily be assessed in terms of the extent to which the increased PSO capacity for undertaking advocacy has remained and whether public-private dialogue mechanisms continue to exist and be active.

Longitudinal impact assessment data from BEST-AC suggests that PSOs' advocacy activities decreased when BEST-AC support lapsed, both in terms of stand-alone advocacy efforts and participation in the public-private dialogue fora. For example, the TPSF's groups set up to mirror the Road Map Task Forces stopped meeting once BEST-AC stopped funding TPSF to facilitate them.

Information collected during the visit points in the same direction. Interviewees from the public sector and PSOs state that PSOs are no longer capable of researching the evidence needed for presenting their case, for instance in connection with the implementation of the government's agenda for business environment reform (the Blueprint). The University of Dar es Salaam also emphasised that they were no longer requested to prepare research evidence for PSOs to the extent they did under the BEST-Dialogue programme. Commissioning high-quality research is expensive and only within reach of the best-endowed PSOs.

On the positive side, the Evaluation Team met with several PSOs that had maintained staff previously funded by the programme. ACT and ATE were examples of organisations that continued to benefit from the staff resources funded by the programme. ATE was also supported directly under BSPS II and experienced a dip, shortly after the end of Danish support but has since then, with support from other donors, developed into a significant organisation with 1500 members and 30 staff on its own payroll. For most apex organisations, financial sustainability is still an issue. TCT (tourism) initially counted three people in the secretariat, which increased to six under BEST-D and is now back to three, partly due to lower income in the industry due to Covid-19.

²⁸ CII-DI Project Completion Report, 2017.

²⁹ Ibid.

The positions established in CTI for strengthening the in-house capacity to do policy analysis and advocacy also remained in place and funded by CTI at the time of the evaluation field work. The collaboration between CTI and DI continued with other funding, but the partners moved on to other focus areas of the collaboration and the sustainability of the efforts within EAC integration and energy audits is questionable. The subsequent collaboration between DI-CTI resulted in the payment of considerable amounts of VAT refunds for Tanzanian companies.

The Business School at the University of Dar es Salaam was an important partner in both BEST-AC and BEST-D. The school continues to work on business advocacy both in teaching, where it has become part of the curriculum and in research.

The number of active Public-Private Dialogue platforms at the local level (regions and districts) increased under BEST-D. Various private sector organisations participate through local-level offices, including the Tanzania Chamber of Commerce and of the Agricultural Council of Tanzania. TNBC has issued guidelines for Regional and District Business Councils, but they are not meeting as frequently as they should and, in some districts, and regions, they don't meet at all.³⁰

The fragile and sporadic nature of dialogue processes is persistent, which was described in the BEST-D programme document, and the overall policy climate during the course of the programme has not contributed positively to its further development. Some of the stronger PSOs that could have made a difference were allegedly subject to political interference and management changes. It seems though that the basic framework and capability for public-private dialogue is still in place, and three PPD meetings at the national level have been organised in 2022.³¹ The PPD forums could be revived if there is a political will to do so. This was attested to by AMDT management, TPSF and TNBC (collaborating with AMDT and Trademark East Africa to support local-level dialogue) which reported during interviews that the sub-national PSOs were far more prepared to engage in dialogue with the government in districts and regions where BEST-D had supported projects. At lower levels of government, there is now an expectation that the private sector has a qualified opinion about proposed issues and is able to speak with one voice. Although it was not permanent, the programme partners have demonstrated that this is achievable.

In terms of the sustainability of policy changes, the focus-group discussion brought to the fore that many gains in terms of reductions of levies and licences, VAT exemptions, etc. were temporary in nature. Not only could they easily be counterweighed by increases in other government taxes, but they could also easily be reintroduced with the following year's finance bill.

4.4 Explanatory factors and lessons

BEST-AC and BEST-D contributed to 116 policy changes, but the advocacy project has only been a decisive factor in some of these. In the assessment of the Evaluation Team, this is still a relatively high number of policy changes although it should be taken into account that some of these are minor changes, for instance in a license fee and some would be comments to proposed legislation.

The justification and role of the advocacy activities were clear in the overall design of the Danish business sector support, especially at the beginning of the period. When the government programme on

³⁰ AMDT Baseline Study, IMED, October 2019.

³¹ According to information provided by the Royal Danish embassy.

business environment reform was discontinued during BEST-AC, Phase 2, the latter had to reinvent itself and turn towards capacity strengthening of PSOs and engagement by media and research.

With the exception of a few apex organisations, the PSOs supported under BEST-Dialogue did not achieve a level of sustainability that would allow them to continue their advocacy activities. Most of the PSOs are fully depending on membership fees as their revenue. This raises questions regarding the programme's goal to support the sustainability of the organisations.

BEST-AC and BEST-Dialogue likely influenced civil servants' perception of the private sector's role in policymaking, although the overall political environment to some extent prevented a closer and constructive collaboration at some levels (see further below under political economy analysis).

The demand-driven approach taken by the programme prevented it from pro-actively pursuing specific policy areas and there was no specific analysis undertaken of the consequences of the policy proposals for other groups than the PSO members behind the application, and the funding decisions do not seem to have been guided by analysis, including political economy aspects. Nevertheless, a relatively high proportion of the proposals were adopted by the government. It may well be that the fund manager adopted a pragmatic approach and deliberately avoided policy issues that could be contentious, and the fund avoided challenging the political level.

5 Labour Market Institutions

In this chapter, the relevance, effectiveness, and sustainability of Danish support to business advocacy in Tanzania are assessed in line with the evaluation matrix (see Annex 3) followed by some explanatory factors. In Chapter 6, coherence, efficiency and impact are assessed for all three FC-themes.

Main findings regarding Danish contribution to labour market institutions in Tanzania:

- The support to labour market institutions can be considered a niche within private sector development that Danida developed and pursued in Tanzania in the period 1998 to 2013, almost as the only bilateral development partner.
- The development of the public institutions saw good progress supported by Danida at the beginning of the evaluation period, especially, the newly established Commission for Mediation and Arbitration (CMA), but also Occupational Safety and Health Authority (OSHA) and the Ministry of Labour.
- CMA seems to have had a considerable effect on resolving labour disputes out of court and continues to maintain a high level of activity despite a lack of staff.
- The level of engagement between the Association of Tanzania Employers (ATE) and the Trade Union Congress of Tanzania (TUCTA) increased considerably during the implementation period, and it is likely to have had a positive effect on social dialogue and labour conflict resolution in the workplace as well as with the CMA.
- Support to public labour market institutions was discontinued under BSPS III, because the second phase of the BEST programme was not implemented. The good momentum of support was therefore not maintained.
- Support to ATE and TUCTA continued under BSPS III with a changed focus from labour market conditions to general capacity building without well-defined outcomes in relation to the labour market.
- Despite a significant increase in members, TUCTA and ATE continue to struggle with low payment of membership fees. ATE has maintained a high level of donor support and has expanded significantly in both mandate and capacity.

The thematic evaluation area comprises support provided to a range of labour market institutions under BSPS II and BSPS III. Danida provided support to labour market institutions from the first phase of the Business Sector Programme Support (BSPS) in 1998 and TUCTA received Danish support from 2001. The support to public sector labour market institutions was later included in the joint programme Business Environment Strengthening Tanzania, BEST, but when the second phase of BEST did not materialise, only the Danish cooperation with Association of Tanzania Employers (ATE) and Trade Union Congress of Tanzania (TUCTA) was continued under BSPS III.

In terms of coherence and relevance, the Evaluation Team has furthermore included the following interventions, which will be included in the discussion in Chapter 6:

- ILO, Decent Work Country Programme, 2003-2010 and 2008-2016
- Labour Market Consortium (Confederation of Danish Industry, Danish Trade Union Development Agency and United Federation of Workers in Denmark) cooperation with ATE and TUCTA funded under the Strategic Partnership Agreement, 2018-2022
- Research project: Informal worker organisation and social protection, 2016-2021

Table 5.1 Danida support to labour market institutions Tanzania, 2003-2013

Component	DK budget (mio DKK)	Period	Phase	Institutions supported
Improved Labour Market	58	2003-2008	BSPS II	Ministry of Labour Association of Tanzania Employers Trade Union Congress of Tanzania Labour Court Occupational Safety and Health Agency
Enhanced capacity of private labour market organisations	52	2008-2014	BSPS III	Association of Tanzania Employers Trade Union Congress of Tanzania

Sources: Programme documentation.

5.1 Relevance

Addressing key needs of the private sector

When support to labour market institutions was initiated, it was generally acknowledged that the labour legislation, which largely dated back to the 1960s, and the mechanisms for regulation of the labour market constituted a constraint for developing a market economy. When preparing for BSPS II, the work on the new labour legislation was well advanced and substantial support to labour market institutions under BSPS II was formulated around the new legislation and the roles that these institutions would have, going forward. This was indicated as a priority by GoT, but apart from some collaboration with the ILO, there was no other major donor support to most of these institutions. While the approach of supporting the future expected institutions was extremely relevant, it was also risky. For instance, the Commission for Mediation and Arbitration, CMA (under the Ministry of Labour) was only operational towards the end of BSPS II and the envisaged support could therefore only partially be provided.

The justification for Danida support is primarily based on the aspects regarding the new labour law as indicated above. There were significant decent work deficits in Tanzania in terms of lack of social protection, weak enforcement of labour rights and standards and issues in relation to occupational health and safety. From the stance of the private sector, employers in Tanzania were subjected to labour laws that made it difficult to discharge or terminate the service of an employee, even in cases of dishonesty. From this perspective, the interventions are relevant.

However, from the perspective of business leaders, labour regulation is not considered among the most binding constraints. The Global Competitiveness Report indicates that, based on surveys with business leaders, the issue of restrictive labour regulations is ranked as number 10 out of 15 issues in 2008 and as number 15 out of 16 issues in 2013.³²

In terms of relevance, it should also be considered that only 8% of the labour force was employed in the formal private sector in 2014³³ where collective bargaining agreements are relevant. Government salaries and working conditions are set by law. Unless issues of the informal sector are addressed, the target population will therefore remain relatively limited.

³² Global Competitiveness Report, World Economic Forum 2008/09 and 2013/14.

³³ Integrated Labour Force Survey, 2014. Government of Tanzania, Bureau of Statistics.

Even though labour market relations may not be considered a binding constraint for private investments, building and improving labour market institutions and the social dialogue constitute an important element of a well-functioning private sector and an important contribution to decent jobs.

Quality of the design

The intermediate objective of the Improved Labour Market component was formulated as *Improved framework for social dialogue and labour market regulation leading to socially balanced economic growth in Tanzania.*

The Theory of Change was not formulated at the time, but it was clear that the programme aimed to achieve its objective by improving the performance of public and private labour market institutions in relation to their mandate and role in the new labour legislation.

The component descriptions reflect good insight into the issues and recent developments related to the labour market and the previous cooperation. While the overall rationale for the support to labour market institutions was clear, the programme description and the reporting were focused on the specific outputs in terms of training and operations of the institutions supported. The Theory of Change and its effects for the private sector and employees were in general not well articulated or reported upon. Under BSPS II there was a clear focus on supporting the implementation of the new labour law, but in BSPS III the support to ATE and TUCTA was considerably broader than just around labour market issues. Although there were still dedicated outputs related to social dialogue and the labour market, the purpose of the support was primarily to strengthen the institutions in general to increase the number of members and their satisfaction with assistance and services provided. This change away from the focus on social dialogue under BSPS III was made even stronger by the fact that the public sector support to labour market institutions through BEST did not materialise.

5.2 Effectiveness and impact

According to the reconstructed Theory of Change indicated above, with the support provided by Danida, labour market institutions would strengthen their capacity, provide better services and improve the social dialogue, which would in turn improve the labour market and eventually induce businesses to formalise and grow. Capacity building and service delivery are treated below under outputs and intermediary outcomes, whereas the effects on the social dialogue, the labour market and the private sector are treated under the section on outcomes and impact.

Outputs and intermediary outcomes

The table below indicates the outputs achieved under the support of labour market institutions under BSPS II. The PCRs for the support to ATE and TUCTA under BSPS III do not quantify the outputs achieved compared to targets.

The public labour market institutions supported under BSPS II until 2008 include the Labour Court and the Ministry of Labour (MOLYD), including the new Commission for Mediation and Arbitration (CMA) and the Occupational Safety and Health Agency (OSHA). Danida supported the establishment of the Labour, Economic and Social Council (LESCO), a tripartite institution that deals with labour market policies and is included in hearings on new legislation. LESCO did become operational, although the meeting frequency and the general activity level were lower than envisaged. Although the dialogue could lead to recommendations, these were often not acted upon by the government in practice.³⁴ The Commission for Mediation and Arbitration was only established in 2007. Once established, the CMA

³⁴ Tanzania and Zanzibar Labour Market Profile, Danish Trade Union Development Agency, 2022.

handled 7,000 cases in its first year and had reportedly a tremendous effect on dispute resolution within the labour market by avoiding cases being taken to court.³⁵ OSHA was strengthened with an increased capacity to undertake inspections and three zonal offices were established. Changing the Industrial Court to the Labour Court, recruiting judges and establishing new premises were achieved, but considerably delayed. OSHA increased its capacity to do labour inspections through staff training and the establishment of three zonal offices.

Table 5.2 Realisation of outputs and intermediary outcomes of support to labour market institutions, Tanzania, 2003-2008

Support period	Support title	Expected outputs and intermediate outcomes	Actual outputs and intermediate outcomes	Gross achievement rate
2003-2008	BSPS II, Component 3: Improved Labour Market	33 Department of Labour staff trained	59	179%
		3 Local area offices (MOLYD)	3	100%
		45 CMA mediators recruited	26	58%
		30 CMA mediators trained	96	320%
		1,650 ATE members trained in labour law	2,547	154%
		3 ATE zonal offices	1	33%
		65% of ATE members with gender policies	40%	62%
		52 union officials trained	421	810%
		50 cases brought to CMA with union representative	1,317	2,634%
		40 cases outside Dar es Salaam	15	37%
		300 cases in labour court	835	278%
		8,000 enterprises visited by OSHA	10,460	131%
		472,468 TUCTA membership (up from 315,155 in 2003)	432,625	92%

Sources: Sub-component and component project completion reports.

Private labour market institutions were supported under BSPS II and BSPS III up to 2014. During the last phase of support, the association of Tanzania Employers (ATE) was provided with core support to the implementation of its strategy, but the achievements in general fell short of ATE's strategic targets. Progress was made in relation to participation in tripartite boards and committees, including LESCO, OSH Board, social security board, and wage board, and guidance, training and legal advice to members on labour and HR issues. With ATE's capacity to negotiate via LESCO, for the first time in 2013, there were sectoral minimum wage boards. One of the planned three zonal offices was established, and an annual Employer of the Year award based on the HR performance of members was instigated. ATE also extended its capacity to provide legal advice to employers in relation to labour dispute resolution and the CMA. From 530 members in 2003, ATE reached 782 by mid-2008 and 1128 by the end of the support in 2014, but only 45% of members had paid their membership fee for the year, which is not unusual for private sector organisations in Tanzania.³⁶

³⁵ Project Completion Report, Improved Labour Market Component, 2009.

³⁶ ATE, Project Completion Report, 2015.

The support to the Trade Union Congress of Tanzania (TUCTA) included the refurbishment of the headquarters building in Dar es Salaam, the TUCTA training centre in Mbeya and equipment and staff training in headquarters and in 21 regional committees as well as technical assistance. TUCTA increased its participation in tripartite institutions established under the new labour law. Affiliated member unions were also supported by the programme. TUCTA and many affiliated member unions have few secretariat staff and are primarily driven by elected leaders who change regularly, so there is a constant need for training. Gender equality and HIV/AIDS were important issues in the collaboration with TUCTA and resulted in capacity building and mainstreaming of gender issues in affiliated unions, a gender policy, including a target of 50% of women in all decision-making bodies at all levels. TUCTA increased its membership by 37% during BSPS II and in 2014, TUCTA had 550,000 affiliated members.³⁷ This increase partly comes from public sector employees (Teachers' union) so the effect on the private labour market is not known.

Outcomes and impact

The programme documentation includes very scarce information on the achievement of outcomes. A few documented or likely effects are included in the table below.

Table 5.3 Outcomes and impact of support to labour market institutions, Tanzania, 2003-2014

Support period	Support title	Realised outcomes	Comments
2003-2008	MOLYDS (CMA, OSHA)	Establishment of CMA enabled alternative labour dispute resolution, whereby workers and employers could resolve conflicts with less cost and time OSHA local presence and highly increased number of inspections likely to improve working conditions	No data on outcomes. It seems reasonable to assume that these benefits were realised to some extent by the private sector
	ATE	Legal support to members' labour disputes is likely to have reduced the time spent in court	
	TUCTA	Legal support to members' labour disputes is likely to have reduced the time spent in court	
	Labour Court	No information on the effects of the increased number of cases handled by the labour court	
2008-2014	ATE	No information available	More members benefitted from services, but the effects on members not documented
	TUCTA	Increase in minimum salary reported as a result of TUCTA negotiations	

Sources: Project Completion Reports.

For both ATE and TUCTA, the progress during the first phase of support seems to have been most important in terms of contributing to an improved labour market within the framework of the new labour law. The number of members of ATE and TUCTA increased during BSPS III when the support

³⁷ Project Completion Report, Sub-Component Support to TUCTA, 2015.

aimed at strengthening their sustainability, but the outcomes, i.e. the results in terms of the labour market are not evident.

Collective Bargaining Agreements (CBA) can be considered an important outcome of the social dialogue and the available data suggest that these have increased considerably during and after the programme. In 2008 there were 159 CBAs in Tanzania³⁸ and in 2018, the number was 444 covering more than 135,000 workers.³⁹ The labour union TUICO indicates that 70% of its members are under CBAs. However, the target for CBAs for ATE was 70% of members, but by 31 December 2013 only 40% of members had CBAs, perhaps because the industry is under-represented among ATE's members.

A concrete example of the unions' strengthened capacity is the negotiations about the minimum salary for public workers. It was originally settled at TSh. 85,000 a month but was after negotiations increased to TSh. 100,000.

5.3 Sustainability

There are strong indications that institutions supported under the labour market component have continued, and in some cases, further developed their activities whereby their contribution to social dialogue and decent working conditions in Tanzania has been sustained. As most of these institutions have received funding from other development partners after the Danish support, other factors have influenced this development, besides the contribution from Danida.

The Commission for Mediation and Arbitration continue as an important institution. The Evaluation Team was informed that in 2020/21, CMA mediated in 15,151 disputes and undertook arbitration in 9,598 cases, of which 74% were completed. During Covid-19 there have been many cases. Currently, a third of the posts in CMA are not filled due to the public sector recruitment freeze, which is alarming.

Danish support to ATE in the second phase (BSPS III) was provided as core support to the implementation of its strategy. Consequently, ATE's financial management system was significantly improved at the time, allowing them to attract other donor funding. ATE had some problems shortly after the Danish support but has since grown with its own funding and with donor funding. Today the organisation has 31 staff and three zonal offices and 1500 members. ATE has turned some of the funded activities, like the employer of the year award (an award of good human resource practice), into an income-generating activity through sponsors. ATE has since the end of the programme been motivated by striving to provide a broader array of services to members and has taken a more general advocacy role rather than just focusing on human resources and the labour market.

TUCTA maintains a considerable level of activity with a relatively small secretariat and is still in the buildings refurbished under the Danida programme and seemingly well maintained. Some of the building is rented out to affiliated members as an income-generating activity. They rely on member associations' fees, which is challenging. Affiliated member unions' membership fee to TUCTA is set as 5% of their revenue from memberships, but often not paid in full, although this improved during the implementation period. It has been mentioned that Danida's financial support to TUCTA could have been a disincentive for affiliated member unions to contribute to TUCTA, but even today the situation is not much different. A threat to TUCTA's continued growth and its sustainability is that old members sometimes oppose the

³⁸ Tanzania and Zanzibar Labour Market Profile, Danish Trade Union Development Agency, 2012.

³⁹ Tanzania and Zanzibar Labour Market Profile, Danish Trade Union Development Agency, 2021.

adoption of new labour unions applying for affiliation, because these new organisations often have split out from the old labour unions.

The Tanzania Union for Industrial and Commercial Workers (TUICO) is one of the affiliated unions supported under the programme, which was visited by the Evaluation Team. Today, TUICO remains one of the stronger Tanzanian labour unions with more than 100,000 members and 165 employed staff in the organisation. The labour law is generally not well known and TUICO plays an important role in resolving labour disputes and claims that approximately 60% of all disputes are settled at the workplace and only 40% go to CMA.

TUICO is aware of the challenges regarding organising informal workers and has as one of the few labour unions include groups of informal workers. TUICO also has a memorandum of understanding with Vibindo society that organises self-employed in the informal sector. TUICO is engaged in a number of international cooperation projects, also with Danish partners, currently mostly on work conditions and skills development.

5.4 Explanatory factors and lessons

There was a change of strategy in the support to ATE and TUCTA from BSPS II to BSPS III. From a focus on the organisations' functions in relation to the labour market, to support with a broader aim of strengthening the organisations' member base and sustainability. Although this emphasis is understandable from a sustainability perspective, strengthening the capacity of the organisations without well-specified outcomes related to their services and role made the purpose and the results at the outcome level less clear. The effects in terms of the labour market were not monitored.

The good progress seen in the new labour market institutions, especially CMA and OSHA, were the fruits of a long cooperation with labour market reforms since 1998. The support to these public sector labour market institutions ended at the end of BSPS II at a time when there was good momentum. Danida's intention was to continue the cooperation under BSPS III but as indicated above this did not happen as a consequence of donors and GoT not being able to reach an agreement on the second phase of BEST. This possibility seems not to have been considered a risk in the BSPS III programme document or during the appraisal. Contingency for BSPS III plans could have avoided this unintended cessation of support.

Although there were no direct linkages with the support provided under BSPS II and III, the support to labour market institutions implemented by ILO and the collaboration with ATE and TUCTA under the Labour Market Consortium came to constitute a continuation of the support provided under the bilateral sector programme after the Danish funding to labour market institutions ended. This could have been a deliberate exit strategy, but that does not seem to be the case. Taking interventions through other channels of support into account when exiting would provide an opportunity for greater coherence.

6 Findings across Framework Condition Themes

In this chapter, the remaining evaluation questions and sub-questions regarding coherence (internal and external coherence) and efficiency (efficiency challenges in relation to aid modalities, organisational efficiency and quality of M&E) will be answered with findings that cut across the three main FC themes, while also two main underlying assumptions of the ToC regarding cross-cutting issues and the use of political economy analysis will be dealt with.

Main findings regarding coherence, efficiency, cross-cutting issues and monitoring:

- Despite opportunities for internal coherence and synergy in the design of BSPS II and BSPS III (2003-2013), the realisation of this during implementation proved challenging. With the 2014 Country Strategy and BSPS IV coherence and synergies were much more systematically pursued between a number of components.
- Denmark was an active partner in promoting aid effectiveness in the early part of the evaluation period and made use of the available opportunities for harmonisation and alignment with other development partners.
- Danida was among few bilateral donors that provided support to labour market institutions but there were important interventions from multilateral initiatives, including from the ILO. There does not seem to have been direct linkages between the Danish funded multilateral support and the country programme.
- The multi-donor support to business environment reform suffered from lack of efficiency due to the large scope of the programme.
- With the exception of the support to labour market institutions, there was little attention to gender issues during programme implementation.
- The private sector saw many gains achieved through dialogue and reforms followed by policy reversals. Factors related to the political economy are likely to have played a role in this.
- Monitoring and reporting were primarily focused on activities and outputs with little assessment of the outcomes and the overall business environment and the private sector.

6.1 Coherence

Internal coherence, PSD support

The components under BSPS II were to a large extent designed as individual programmes and there was no emphasis on coordination among them. There was considerable potential for coherence between BEST and the advocacy component, BEST-AC, which was initially designed as a component of the overall BEST programme supporting the demand side of reforms, but it was only realised to a limited extent.

Concurrently with BSPS II, Danida supported several programmes which potentially could improve the broader investment climate. Danida provided general budget support and funded investments in road infrastructure up to 2010, and earlier Danida also provided extensive support to strengthening the vocational and technical education nationwide. Danida was also engaged in tax reform and public sector reform. Since Danida was part of the Joint Assistance Strategy there was no separate Danida country strategy describing the internal coherence of the country programme, and the BSPS programme documents did not explain the linkages to other sector programmes, so these possible linkages are

generally not well documented. Ensuring harmonisation and division of labour with other development partners was considered more important than demonstrating internal coherence in the Danida country programme.

The Danida PSD programme components focused on financial services (CRDB Bank, Financial Services Development Trust (FSDT) and the Private Agriculture Sector Support, PASS) all had substantial activities in rural areas and in relation to primary production on a nationwide scale. These programmes did not actively pursue advocacy issues but were on occasion involved in commenting on new policy proposals, especially FSDT. PASS has on occasion raised issues in relation to access to finance in the agriculture sector towards the Central Bank and to Tanzania Private Sector Foundation. There must have been issues related to policy and regulatory aspects that these programmes became aware of, but there does not seem to have been input from these programmes to the BEST-AC and BEST-D advocacy issues supported, and due to the demand-driven nature of the business advocacy fund, it was not possible to create clear linkages. This seems to be a missed opportunity.

The country strategy from 2014 framed the sector and thematic cooperation programmes within joint overall objectives but did not emphasise the coherence between the focus areas. Nevertheless, the components within BSPS IV were designed in a coherent way to support each other, and LIC for example could benefit from training on advocacy and dialogue undertaken by BEST-AC and BEST-Dialogue in Kigoma and Dodoma regions. There were relatively close linkages between Local Investment Climate (LIC) and BEST-D, for instance in relation to establishing local public-private dialogue platforms. BEST-Dialogue provided grants to the Kigoma Regional Chamber of Commerce (TCCIA) and supported dialogue around market rates. The Agriculture Market Development Trust, AMDT (designed as part of BSPS IV and still under implementation) has a focus on stimulating systemic changes in sunflower, maize, and pulses value chains to develop inclusive markets for the productive poor targeting selected regions, including Dodoma. In supporting local-level PPD, LIC has built on the curricula capacities (trainers, consultants) developed by BEST-Dialogue, while AMDT has built on the capacity and systems (PPD guidelines) developed with the support of LIC. AMDT used the best PPD-performing District Commissioner as a guest speaker in its PPD training to share his experience. PASS was engaged to support a group that had been financed by LIC to develop an irrigation scheme to be ready for financing. BSPS III funded the Informal Economy Support Initiative in Dar es Salaam, which sought to improve access to business premises for the informal sector. The lessons from this programme, including the close involvement of beneficiaries in design and construction to ensure that infrastructure is fit for purpose, were shared and used by LIC. Despite the above-mentioned good examples, the time it took AMDT to become operational was much longer than anticipated, which partly prevented the envisaged synergies.

The Danish embassy engaged in policy dialogue with the government as part of the general budget support and the private sector was also on the agenda, but it has not been possible to obtain confirmation on the extent to which information from BEST-AC or BEST-D fed into these higher-level discussions.

There were only a few direct linkages between the labour market interventions and the other components of the BSPS.

When the World Bank initiated funding of the BEST programme, the scope of the programme was expanded to also include public labour market institutions. Because the second phase of the BEST programme with support to public labour market institutions did not materialise, the support to ATE

and TUCTA under BSPS III became separate from the rest of the interventions under BSPS III. Linkages only seem to have been used in relation to ATE, which also received advocacy support to strengthen its advocacy work from BEST-AC.

Labour market institutions in Tanzania were also supported by ILO through its Decent Work Country Programme in Tanzania from 2006-2010 and from 2013-2016. Denmark funded the 2013-2016 programme in Tanzania with USD 4.2 million, which constituted 24% of the budget for Tanzania and in the MFA's annual policy discussions with ILO, there was special emphasis on Tanzania (as well as Mali and Morocco). ILO considered the Decent Work Country Programme a framework for the national decent work agenda in Tanzania, but the 2013-2016 programme was never signed by GoT. It included cooperation regarding social protection, employment promotion, labour standards and social dialogue. Among the results areas directly relevant to the Danish programme, ILO supported the GoT in convening the tripartite counsel, capacity strengthening in ATE, TUCTA and the Commissions for Mediation and Arbitration and labour inspectors under the Department of Labour⁴⁰. This funding through ILO Decent Work Country Programme came mostly after the Danish bilateral support to labour market institutions under BSPS III had ended in 2013, so there is no direct coherence, but rather a linkage in the form of a continuation of support after Denmark phased out.

Denmark has also been active in cooperation with Labour Market Institutions through Danish civil society. The Confederation of Danish Industry, Danish Trade Union Development Agency and United Federation of Workers in Denmark formed the Labour Market Consortium and received DKK 260 million from Danida for a programme in 27 countries, including Tanzania, in the period 2018-2022. The programme's objectives cover strengthening labour market institutions, social dialogue, advocacy for improved business environment and labour rights and responsible business conduct. Under this programme, cooperation with ATE, CII, TUCTA and its affiliated members has been continued. This cooperation came later than the support to labour market institutions under BSPS and could be considered a continuation of the support when BSPS exited, but through other channels.

The Confederation of Danish Industry and the Danish Trade Union Development Agency were previously jointly implementing the programme Social Dialogue in Colombia and East Africa funded under the Danida Better Labour Markets Facility. This programme aimed at building a collaboration directly between workers' and employers' organisations at the regional level (in the East Africa Community) and on the national level. ATE and TUCTA were supported separately under the BSPS. The Social Dialogue project attempted to go a step further and build collaboration and trust between the social partners through joint projects.

In the period 2003-2012, the United Federation of Workers in Denmark cooperated with various partners in Tanzania, including TUICO, with the aim of strengthening occupational health and safety committees at the workplace. Under this programme, more than 600 occupational health and safety committees were established and TUICO's capacity to work within this area was strengthened, thereby contributing to the same objective as the work with OSHA under BSPS.

There have been very few Danida development research projects on the labour market. Informal worker organisation and social protection, 2016-2021, is the only project relevant for the broader sample of the Evaluation. The project looked at the organisation of informal workers in Kenya and Tanzania, and

⁴⁰ Independent high-level evaluation of the ILO's programme of work in four selected member countries of the Southern African Development Community (SADC) (Lesotho, Madagascar, South Africa and the United Republic of Tanzania) 2014-18 / International Labour Office, Evaluation Office – Geneva: ILO, 2019.

especially the discussions within the trade unions on different strategies for organising the informal sector, where self-employment is dominant. This issue is extremely important for the effectiveness and sustainability of the trade unions and involves questions such as which services should be offered, member fee structure and representation. Although the issue has been on the agenda for many years, little progress has been made in East Africa. The research project had cooperation with the Danish trade union and its partners in Tanzania, but no direct linkages to the embassy or BSPS.

External coherence

During BEST and BSPS II, there were extensive harmonisation and alignment efforts among development partners. Supporting a joint, government-owned programme for the sector and funding it through a basket-funding arrangement was an important positive factor in establishing coherence and synergy. This aim was to ensure national ownership and coherence, which was considered more difficult with a number of donor-funded projects in different ministries.

Denmark co-funded the BEST-AC programme with UK and Sweden and in the last phase (BEST-D), Denmark funded the programme alone, although Sweden originally intended to fund the third phase. BEST-AC/BEST-D management and the embassy were very conscient of the fact that there were similar programmes in other countries funded by Danida (Ghana, Tanzania and Mozambique) and by DFID (Nigeria). Tools and methodologies were shared between the programmes and they were to some extent using the same consultants and the same MFA technical advisers. In 2012, there was a joint seminar on business advocacy in Tanzania with the participation of these other programmes.⁴¹

Denmark was initially the only donor providing extensive support to labour market institutions, but when the support was included in the BEST programme, this topic became part of the private sector donor group discussions and the dialogue with the government. This enabled coherence between the Danish direct support and the support through BEST. The Danish cooperation on labour market institutions should be considered within the context of the Decent Work Agenda. At the Africa Union Extraordinary Summit on Employment and Poverty Alleviation (Ouagadougou, September 2004), African leaders endorsed the Decent Work Agenda and adopted a plan of action, which committed member States to place employment at the centre of economic and social policies.⁴² ILO's Decent Work Agenda has therefore been an important reference point also in Tanzania.

The aid effectiveness agenda also saw its expression in the Joint Assistance Strategy and the mechanisms for General Budget Support. As part of the DP-GoT dialogue in relation to General Budget Support, sector dialogue groups between DPs and GoT was established. Denmark was an active player in this cooperation and was at one point also heading the private sector donor group. The issues discussed in relation to the general budget support dialogue evolved around very specific sector indicators at the outcome/impact level, which should be met for DPs to disburse their budget support. The scope for linking these discussions to the progress in the implementation of BEST was, however, limited, because the gap was too wide between the high-level indicators and the very operational discussions regarding BEST implementation.

While the aid effectiveness agenda was strong under BSPS II, at the time of LIC and BSPS IV (2014-2019), it was much less pronounced in the donor community. LIC did, however, have linkages to other donor programmes. The World Bank-funded Tanzania Strategic Cities Project supported Dodoma and

⁴¹ Personal communication.

⁴² The Decent Work Agenda in Africa 2007-2015, ILO 2007.

Kigoma municipalities to develop a geographical information service platform, training and studies on local land management revenue generation. The programme also supported studies in the other LIC urban locations in Kigoma and Dodoma. UN Capital Development Fund (UNCDF) was commissioned to prepare a study on financing local public facilities and infrastructure projects in the Dodoma and Kigoma regions which provided recommendations for packaging of investment and funding proposals and the engagement of private finance providers. *Mkurabita*, the Property and Business Formalization Programme developed a simplified form of the title – Certificate of Customary Right of Occupancy – and LIC supported many of its beneficiaries in the agriculture sector to acquire these.

The Southern Agricultural Growth Corridor of Tanzania (SAGCOT) was an important programme during the evaluation period supported by the World Bank and a range of other Development Partners. SAGCOT was established in 2011 as a public-private partnership aiming to promote sustainable agricultural growth in the region and engage smallholder farmers in relevant policy dialogues. SAGCOT covered a number of regions in Southern Tanzania and included advocacy aspects in relation to public-private partnerships. The World Bank provided funding for business environment reform throughout the evaluation period and maintained its support to the public reform agenda when the bilateral donors exited from BEST in 2009. Most recently the World Bank strategy (2017-2022) includes an emphasis on (i) Industrial zones; (ii) Agriculture corridors; and (iii) Tourism circuits in addition to complementary investments in improving the business environment. There were no deliberate efforts to seek coherence between BEST-AC and SAGCOT or other World Bank programmes.

6.2 Efficiency

Efficiency challenges

The implementation speed of the BEST programme was lower than anticipated. The implementation and coordination involving multiple ministries, departments and agencies were one of the reasons. When the coordination was moved from the Ministry of Industry and Trade to a new unit called the Better Regulation Unit at the Prime Minister's Office, the hierarchical structure became better aligned with the normal government system, which should have facilitated the implementation. In some cases, the ministries could not mobilise the counterpart funding, which also delayed implementation.

When World Bank joined there were changes in procurement rules, which also caused some delays. Public procurement was an important part of the programme. For instance, it is indicated that within one component alone, as of March 2009, there were 40 ongoing consultancies, four completed consultancies and 60 ongoing activities on procurements for goods under the programme.

The slow progress and low disbursement rate of the BEST programme, and the fact that the programme was not continued in a second phase, may have played a role for the embassy when it decided not to seek further cooperation with central-level public institutions under BSPS IV, but instead directed support to the local level. Had the programme continued for a second phase, some – but not all – of these initial implementation issues would have been resolved. A period of only three years of support for a national sector programme can be considered less satisfactory from an efficiency point of view.

LIC management adopted some specific measures to maximise efficiency, such as starting to deliver interventions in the easiest LGAs to have a demonstration effect on others and to build on lessons learned. LIC gradually reduced its contribution to PPD expenses and re-directed investments from projects whose feasibility was not established to fund feasibility studies that would establish the business case for the investment, through which other actors could be incentivised to invest.

The management consultancy company appointed to manage LIC was the secretariat for the Project Steering Committee and custodian of all project funds. The company appointed all subcomponent staff and consultants and disbursed funds to support activities within PMO-RALG, TPSF and ALAT. This arrangement is considered cost-effective because it eased coordination and reduced administrative bureaucracy and reporting complexity since only one entity was required to report to the embassy.

BEST-AC and BEST-Dialogue were implemented by COWI on a contract with the MFA in all three phases. Apart from some initial challenges, the implementation has been effective in the sense that the grant mechanism has functioned well. There is also evidence to suggest that the management not only implemented what was planned but also in collaboration with funding partners took initiative to consider new approaches and mechanisms for achieving the outcomes. For instance, in BEST-D increased emphasis was put on media collaboration and multi-actor initiatives which involved a constellation of stakeholders and not just single PSOs.

The embassy did not seem to play a very active role in the fund which was managed relatively independently by the fund manager. This may, to some extent, have worked against linkages to the embassy's policy dialogue.

Support to labour market institutions was first designed as a separate Danida programme under BSPS II (as a continuation of earlier Danish support) and later included in the BEST programme. This meant that when the second phase of BEST was not implemented, the support to public sector labour market institutions was discontinued. It meant that for a number of years, the previously supported institutions did not know whether they would continue to receive Danish support. The technical review (2010) therefore recommended that if the BEST-BRU programme would not materialise soon, then Danida should consider resuming bilateral support to MOLYDS and its subsidiaries CMA and OSHA for the remaining part of the BSPS III but this did not happen. It seems a missed opportunity that the support in this way was unintentionally discontinued.

For most of the implementation period, progress was slower than anticipated in both public and private labour market institutions. Nevertheless, the allocated DKK 106 million over the two phases were spent.

Technical assistance was attached to the programme, in the first phase as long-term advisers and the second phase as a series of short-term visits by an adviser to TUCTA and as a company contract to ATE.

Organisational efficiency

The BEST programme was prepared and implemented by the government and the development partners aligned their support by funding through a basket fund in accordance with the aid effectiveness agenda. As a consequence, all of Danida's support to public sector institutions under BSPS II went through the joint funding arrangement.

The implementation of LIC was contracted out, which proved efficient in terms of implementation, but the resulting sustainability challenges were not fully resolved when the programme ended after just one phase. Apart from some delays in starting some activities in the first year, the project was largely implemented as planned. LIC Project Steering Committee is constituted of key stakeholders and met regularly to review progress and provide directives for improvements. Quarterly and Annual progress reports were prepared, presented and discussed. The embassy provided oversight in the form of monitoring visits, feedback and recommendations for improvements. A consultant was commissioned to document lessons learnt. All these ensured that problems and issues were identified, and corrective action

was taken. Surprisingly, no reference was made to the changed project context after the coming of the 5th administration under President Magufuli and hence implications to the project activities and results. Also, no project completion report was prepared, leaving a huge information gap in terms of documentation of results.

As indicated above, the support to labour market institutions was initially provided as direct project support, but in 2007 towards the end of BSPS II, the support to public sector institutions was continued through the joint BEST Programme. Denmark was the only development partner that took a specific interest in labour market institutions and became the lead on this issue among the BEST donors. Including the component in the BEST programme changed the role of the embassy and made implementation slower, because planning and reporting had to be centrally coordinated for the BEST programme and formally prevented direct follow-up. Although these changes should result in lower transaction costs for the embassy, the implementation was considered less efficient.

Quality of M&E

In general, the reporting on outputs was satisfactory but there was little assessment or reporting of outcomes achieved.

As a joint programme, BEST had its reporting and review systems, which were not integrated with Danida's reporting systems. The available BEST programme reporting is focused on activities, budget execution and procurement.

LIC was implemented by a consulting company and annual reporting on progress against output targets and outcome indicators was prepared. LIC was also subject to a technical review in 2016, which mainly focused on the challenges in relation to implementation.

The quality of reporting from BEST-AC improved over time and was mostly focused on outputs. Assessment of achievements in relation to outcomes was made in progress reports and completion reports, but generally without specific findings. The Longitudinal Impact Assessment, which ran for five years under BEST-AC, was a valuable contribution to the documentation of results, especially in terms of outputs and intermediary outcomes. The study also included data on the growth of businesses, and members of the PSOs supported, but it was not possible to ascertain the extent to which the advocacy changes supported by the programme contributed to this private sector growth.

The outcomes in relation to the labour market, businesses and workers were not well defined and as a consequence, there was very little focus on assessing achievements in relation to the outcomes of the labour market interventions.

6.3 Underlying assumptions

Political economy analysis

It is assumed in the ToC that programming of FC support is based on good political economy analysis, which informs the design and implementation of framework conditions support.

Interviewees have referred to political economy analysis in relation to programme choices, but this has not been included in the programme documentation. Interviews during the field visit indicated clearly that vested interests were considered an important contributing factor in relation to the slow pace of some reforms. There are many aspects of this and some of the most important are:

- The ruling party's interest to build alliances and political settlements that can keep them in power has influenced political agendas and reform initiatives, and private investors have influenced the agricultural policy and especially its implementation at the local level, for instance in relation to land issues⁴³. Informants refer to examples of private sector influence which benefits individual investors, sometimes at the detriment of other private sector players, instead of benefitting the whole sector.
- Shifting presidents influence political priorities and the public perception of the private sector. A change in tone from the highest level could have important repercussions in the administrative system. President Magufuli is a recent example of this, and the resignation of the pro-private sector Prime Minister Lowassa in 2008 is an older example. Several informants have referred to a more undefined political climate or a certain "tone" set by the head of state, influencing the administration's cooperation with the private sector.
- Furthermore, Tanzania's socialist past had significant influence on the view of the private sector and some resistance to see the private sector as contributing positively to economic development. This resistance to private sector is also about control of resources, where natural resources and state-owned enterprises were considered important for securing the power base⁴⁴.

Research from the early part of the evaluation period suggests that rent-seeking in Tanzania remained largely decentralised and unpredictable with detrimental effects for the investment climate⁴⁵.

In relation to LIC, the fact that the country was still transitioning from a command economy was recognised and it was expected that public-private dialogue and collaborative projects would help to build mutual trust and clarity of roles of public and private sector actors. It must be acknowledged that the extent to which this mistrust became a problem during the 5th president's reign (from 2015) could not have been anticipated. Collaboration and partnership between the public and the private sector were not politically opportune and civil servants followed suit. This must have contributed to the foot-dragging response to the formation of formal public-private partnerships and Special Purpose Vehicles to manage infrastructure projects envisaged under LIC.

By supporting PSOs in their advocacy efforts towards the government, the political economy played an important role for the achievement of outcomes of business advocacy. BEST-Dialogue has also funded research documenting some aspects of the power and economic interests in relation to key productive sectors. It indicates that some sectors, especially the traditional export sectors, are more prone to interference than others. This underlines the importance of considering who stands to win and who may lose when assessing whether to fund an advocacy proposal.

The BEST-AC and BEST-D fund was demand-driven and there was no formal procedure for undertaking stakeholder or political-economy analysis of proposals before they were funded. The management of BEST-AC and BEST-Dialogue developed with experience their own understanding of when it was possible to push issues forward. Often, project proposals took a long time to mature before they were presented to the Board for funding, during which the secretariat informally assessed the feasibility of the proposal. Interviews suggested that the secretariat had taken some aspects of political-

⁴³ Tanzania: A Political-Economy Analysis. Stein Sundstøl Eriksen, Norwegian Institute of International affairs, 2018.

⁴⁴ Pedersen, Rasmus Hundsbæk and Jacob, Thabit and Bofin, Peter, Resource Nationalism: Enabler or Spoiler of Pockets of Effectiveness in 'New Oil' Tanzania's Petroleum Sector? ESID Working Paper No 144. Manchester: Effective States and Inclusive Development Research Centre, The University of Manchester, 2020.

⁴⁵ The political economy of the investment climate in Tanzania Brian Cooksey and Tim Kelsall, 2011.

economy analysis into consideration, but it would not be documented. The general understanding presented to the Evaluation Team during the field trip was that if advocacy issues were well-researched and documented, it would be difficult to resist the arguments at the political level. Hence the emphasis is devoted to documenting the issues as part of the advocacy projects. Furthermore, support was often mobilised in the media to overcome resistance, supported by BEST-AC and BEST-D. Informants indicate that some sectors were easier to work with than others, for instance, the horticulture sector.

Private sector representatives expressed the feeling that many gains achieved through dialogue and reforms have been followed by policy reversals. A senior official who had been involved extensively in the business environment reform programmes, including the Roadmap and Blueprint, characterised their establishment in government as “ectopic” in the attitudes, and the character of government was such that there was no willingness to fully embrace the programmes.

Cross-cutting issues including green growth, gender and youth

The BEST programme emphasised the business environment not only for larger enterprises but also for small business, as they have the most direct impact on employment and poverty reduction. Business constraints related to women and youth were also mentioned in the initial design, but the comprehensive BEST Programme Document does not include much analysis of gender or youth.

LIC was designed to ensure that interventions were gender and youth responsible as well as pro-poor and not just aiming at stimulating growth. Specific interventions targeting youth in agriculture were implemented, and one of the achievements of LIC was to successfully convince RBC and DBCs to ensure adequate representation of women, a condition which is now part of the sub-national PPD guidelines.

To a large extent, LIC maintained a pro-poor stance in the choice of interventions as well as in making specific investments. A large proportion of value chain support and investments under LIC’s Small Industrial Facility Fund (value addition, irrigation, markets, cold storage, etc.) were directed to value chains such as sunflower, maize, paddy, fish, palm oil, that a large proportion of the rural population relies on.

Cross-cutting issues on gender and youth were not very prominent in BEST-AC and BEST-D. In terms of addressing poverty reduction, BEST-Dialogue was very active in the agriculture sector both at central and local levels, which is well aligned with the enhanced emphasis on the agriculture sector in Danida’s country policy from 2014. However, there were no established sector criteria for project selection in BEST-D and the share of projects in the agriculture sector in BEST-AC was approximately at the same level. Except for the emphasis on the agriculture sector, the strong emphasis on inclusive growth and the greening of growth from the country policy was not strongly represented in the BEST-D programme documentation. The rights-based approach adopted by Danida in 2012 and expressed in the country policy from 2014 was also reflected in the programme documentation of BEST-Dialogue but did not have any operational implications.

Gender equality was considered in the formulation of support to labour market institutions, especially in relation to the role of ATE in providing services for women business leaders. Reporting on gender-related aspects is less consistent and the envisaged activities of ATE did not materialise according to the PCR. Although economic growth and job creation was included in the objectives of these interventions, the effects on inclusiveness or poverty reduction are generally considered very indirect and not well documented.

7 Conclusions, lessons and recommendations

In this chapter, based on the findings presented in the previous chapters, overarching conclusions are formulated that have been the basis for the formulation of lessons learned and a recommendation. Preliminary findings and conclusions have been discussed in a debriefing meeting with the embassy.⁴⁶

7.1 Conclusions

- 1. While the BEST programme addressed issues relevant to the private sector, the sector-wide approach to business environment reform was not effective in Tanzania.**

The BEST programme adopted a sector-wide approach (although an atypical sector-wide approach because the private sector is not a sector as such) funded through a joint basket fund. Although the programme showed progress in relation to some areas of reform, the effectiveness and efficiency were relatively low due to the many ministries, departments and agencies involved in the implementation and the short implementation period. The national ownership, which is considered an important advantage with a sector-wide approach, seems not to have been assured, and the programme was to some extent a victim of the deteriorating relations between government and development partners. Also today, the Blueprint for business environment reform only has limited donor funding.

- 2. The challenges with the sector-wide approach led Danida to direct support to framework conditions at decentral level and directly to the private sector, which was considered more effective.**

Direct support from Danida to public institutions was predominant in the early part of the evaluation period and was also included in the LIC programme. Working directly with public partners provided in some cases effective and sustained changes in broader regulatory issues and the capacity of the public sector to implement these changes. When the continuation of the BEST programme did not materialise, despite available funding under BSPS III, Danida abandoned all public sector support at the central level. There was no contingency in BSPS III for this situation. The question is whether Danida instead of disengaging with the public sector could have gone back to cooperation with single public institutions with more focused support to the business environment at the central level.

- 3. Supporting business advocacy in Tanzania has especially been effective in addressing issues related to local or very specific sub-sector issues and less effective in terms of moving the overall reform agenda.**

BEST-AC and BEST-Dialogue contributed to changes in specific policies, taxes or regulations. Under BEST-Dialogue, almost half of the policy reforms suggested to the government were later adopted and in total, approximately a third of the advocacy projects reached their stated objectives. These changes were industry-specific and in some cases only applied to a specific geographic area and even though they were numerous, the contribution to changes in the overall business environment is likely to have been minor, compared to other factors in relation to framework conditions, the overall policy, infrastructure investments, etc.

The consequence of a demand-driven strategy of the business advocacy fund was that efforts were not, or only very loosely, directed towards specific sectors, themes or issues. The broad scope made the

⁴⁶ A remote debriefing was undertaken with the embassy 6 April discussing primarily the thematic area of business environment reform.

potential outcomes more diluted and to some extent prevented coherence with other Danish interventions.

4. The business advocacy fund is likely to have influenced private sector and government perceptions about the role of the private sector in policymaking. It did generally not play the role of supporting the demand side to specific government reforms.

Despite the overall negative attitude of the government towards the private sector, there has been an increased perception that the private sector has some insights that can be useful when the government is addressing private sector constraints. The PSOs are also more aware of their role in the possible influence they can have if advocacy is well prepared. As an example, when the government's recent Blueprint for Business Environment Reforms was elaborated, the private sector was much more involved than when the BEST programme was prepared and many policy proposals advocated by BEST-AC and BEST-Dialogue were included.

BEST-AC was originally designed as a private-sector component of the government-led business environment reform programme (BEST). When the BEST programme was not continued there were no attempts to link the agenda of BEST-AC to other thematic areas being addressed by the government. The role that the programme could play in relation to the government's policy priorities and reform agenda was not clarified, which seems to be a missed opportunity.

5. While initial support to labour market institutions provided some good results, the support provided to trade unions and employers' organisations in the subsequent phase was less effective.

The support to the newly established public institutions supported under BSPS II saw good progress, especially the newly established Commission for Mediation and Arbitration, which seems to have had a considerable effect on resolving labour disputes out of court, and continues to maintain a high level of activity despite lack of staff. The support to the Association of Tanzania Employers (ATE) and Trade Union Congress of Tanzania (TUCTA) contributed to their increased capacity and engagement with a likely positive effect on social dialogue and labour conflict resolution in the workplace. However, under BSPS III the support to ATE and TUCTA changed to general capacity building without well-defined outcomes in relation to the labour market.

6. The possibilities for synergy and internal coherence between Danish-funded programmes were generally not sufficiently exploited.

The components of the first BPS phases had little coherence and interaction. BPS IV was designed with a clear intention of coherence, which was also realised, especially in relation to LIC and AMDT. BEST-AC and BEST-Dialogue did only to a limited extent include advocacy projects directly related to activities of other BPS components. The challenge fund approach did not incorporate specific considerations of regions or topics where other components were working. Most of the advocacy projects funded by BEST-D were in the agriculture sector which was the focus of BPS IV.

Danish-funded support through the Labour Market Consortium and the ILO addressed some of the same issues and worked with the same partners as the support to labour market institutions under BPS but mostly in the years after the BPS support to labour market institutions had ended. Direct cooperation with the BPS and embassy involvement seems to have been limited, but actually, the

Danish-funded cooperation with labour market institutions was continued through other channels when the support from BSPS was phased out.

- 7. Insufficient attention was given to documenting outcomes, primarily because the outcomes defined in the log frames were in most cases outputs. Cross-cutting issues were in general not reported on.**

For most of the programme period, data is not available to provide the basis for assessing the outcomes of the programmes, except single cases. The specific effects of changes in the business environment on the private sector, let alone the private sector's contribution to inclusive growth was rarely addressed and also beyond the envisaged M&E frameworks for the programmes. Only in a few cases where studies were undertaken that could provide the necessary documentation. Even when outcomes were identified, their linkages back to the programme outputs and the relative contribution of the programmes to these outputs have been difficult to ascertain. In some cases, however, it has been found there is good reason to assume “beyond reasonable doubt” that the outputs have contributed to the changes at the outcome level. Programme documents often mention the attention to youth and gender aspects, but very little has been included in reporting, except for the cooperation with TUCTA.

7.2 Lessons

- 1. The experience from the BEST Programme in Tanzania suggests that the advantages of engaging in a broad government-led business environment reform programme include considerable risks.**

Addressing a broad reform agenda includes the risk of programme interruptions and slow progress. Due to the many ministries and agencies involved, such a programme requires strong support from the highest levels of government. Such a programme would inevitably span over several election cycles, which would also entail considerable risk of changing priorities. The advantages of increased ownership through a government programme were not evident from the BEST programme. From Danida, such an engagement requires patience and a long-term commitment.

- 2. The approach of addressing the broader investment climate at local level seems to have potential.**

Although there were challenges in LIC, good preliminary results were achieved by combining local level investments in public infrastructure with public-private dialogue and improved public service delivery. An important aspect of the programme was that it could mix support modalities and support both the private sector, the public sector and the investment climate, which allowed it to address issues from many sides. The involvement of national-level private and public sector institutions for learning and sustainability requires longer engagement than the case with LIC, and a gradual phase-out of support to private sector institutions to realise results and continuity.

- 3. Collecting and analysing outcome-level data is essential for assessing programme achievements during or after a programme intervention. This is not included in programme reporting and requires a dedicated M&E effort.**

If programmes should be adaptive as the Doing Development Differently agenda prescribes, output monitoring is insufficient. The Longitudinal Impact Assessment under BEST-AC was able to collate and analyse information at the level of businesses through surveys over five years, but even this

comprehensive exercise was not able to conclude much about the effects on the private sector. A systematic collection and methodologically well-founded analysis of cases seem to be a good option for outcome monitoring of future business advocacy efforts.

4. Donor support to member-based associations with the aim that they become financially sustainable should be approached with caution.

Strengthening member-based associations to increase their capacity and membership was attempted in the business advocacy fund. With a few exceptions, it has not been sustainable. Governance and leadership capacity is the most important sustainability factors, yet this cannot be directly changed through donor funding. Donor support can be more effective if focused or conditioned on upgrading these capabilities, rather than financing expansion of staffing and activity level.

5. When the support modality is changed from direct support to a joint programme between two phases, there should be a contingency plan in case the joint programme is discontinued.

Danida provided support to labour market institutions from 1998, the labour law was adopted in 2004 and the last institutions were in place in 2007. When BSPS II ended there was good progress in the supported institutions. The Danish support to labour market institutions was intended to be continued under the second phase of the BEST programme from 2008. However, when the BEST programme was not continued, Denmark did not identify other ways to continue the collaboration with public labour market institutions and this meant an unintended stop for the cooperation. If this risk had been anticipated, an alternative funding mechanism could have been approved within the programme as an alternative in case the BEST programme did not continue.

7.3 Tanzania-specific recommendation

The bilateral programme in Tanzania is being phased out by the end of 2023, so there is limited room for relevant recommendations. Based on the above conclusions and lessons learned, one recommendation can be made for the embassy's exit strategy.

1. When preparing an exit for the bilateral programme, Danish-funded support provided through other channels, such as UN organisations, civil society or global programmes, should be considered as a possible channel for continuing the support to the organisations or thematic areas and used actively to plan an exit that takes into account the sustainability of the results.

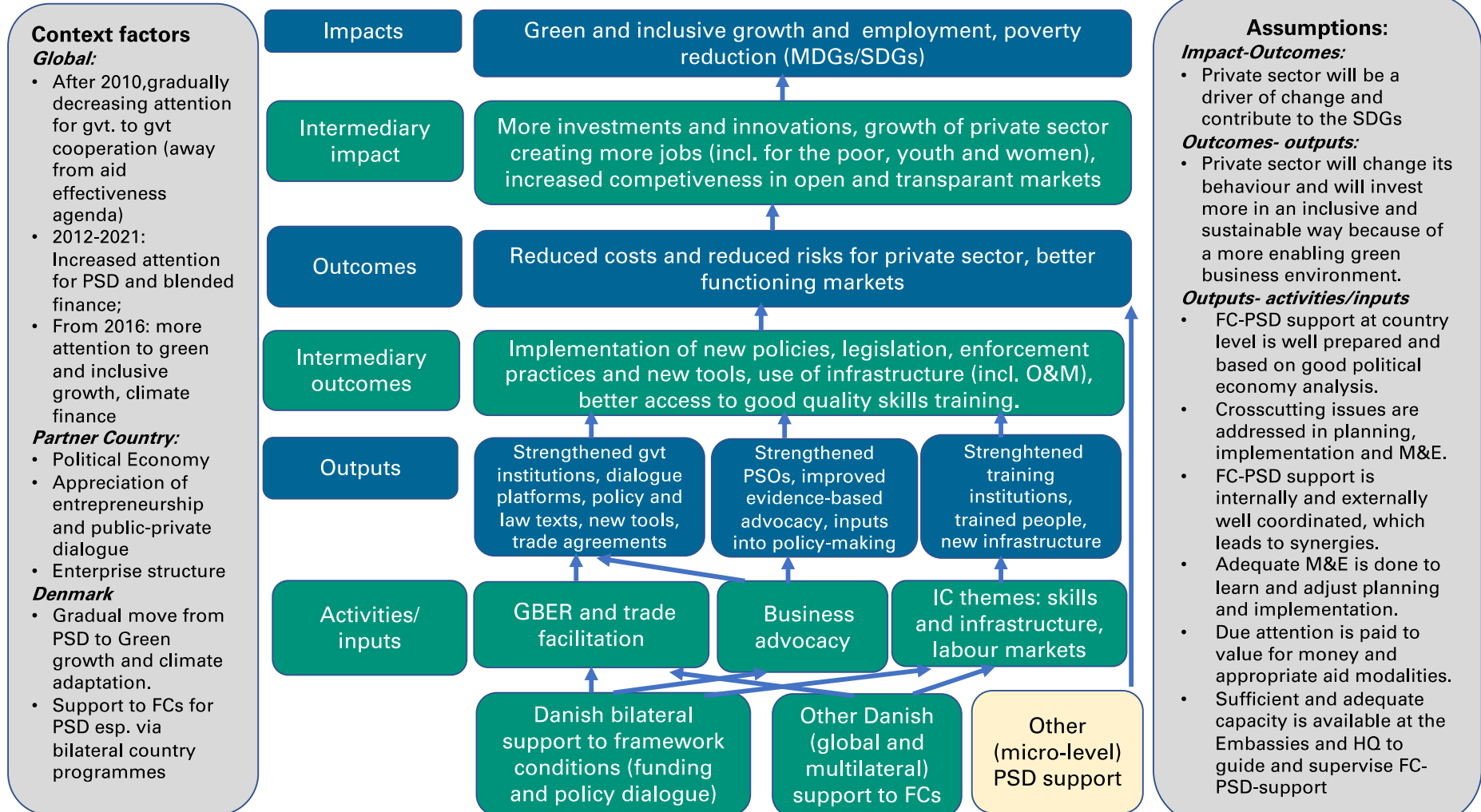
In relation to partners where sustainability is at risk, there may be a possibility for taking other channels of support into account for a limited period of time to secure an orderly exit.

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In addition to country strategy and programme documents for the core and broad sample, the following documents have been consulted:

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Annex 2 Theory of Change



Annex 3 Evaluation Matrix

No	Evaluation questions	Indicators	Methods	Sources
1	Relevance: To what extent has Danish support to framework conditions for PSD responded to the evolving needs and challenges private sector is facing in partner countries?			
1.1	Has the support been focused on specific challenges and needs of governments and private sector in partner countries regarding framework conditions?	<ul style="list-style-type: none"> • Main BER challenges private sector has been facing in the four countries during the period 2008-2021 • Main IC challenges private sector has been facing in the four countries, 2008-2021 • Main BER and IC priorities defined by governments in four partner countries, 2008-2021 • Contextual factors affecting priority-setting regarding BER and IC in four partner countries 	<p>Document review at all three levels of analysis:</p> <ul style="list-style-type: none"> • Overall strategic level • Country level • Thematic level <p>Interviews at three levels</p> <p>Workshops country level</p>	<p>Strategic docs Programme docs International literature</p> <p>MFA staff HQ and embassies Staff global programmes Implementors programmes Gvt partner countries BMOs Experts</p> <p>BMOs</p>
1.2	Have clear objectives been defined (making use of log frames or ToCs) for the Danish support to framework conditions for PSD in line with Danish strategic priorities and has the design been adequate?	<ul style="list-style-type: none"> • Clarity of objectives at different levels • Alignment of objectives with Danish strategic priorities • Use of log frames or ToCs • Quality of log frames/ToCs/design 	Document review	Strategic and programme docs
1.3	How have specific challenges in the area of green growth been addressed?	<ul style="list-style-type: none"> • Extent to which specific framework conditions for green growth have been defined • Alignment of support to green growth with global climate change priorities 	<p>Document review at all three levels of analysis:</p> <ul style="list-style-type: none"> • Overall strategic level • Country level 	Strategic docs Programme docs International literature

		<ul style="list-style-type: none"> Innovative adjustment of definitions on framework conditions to green growth requirements 	<ul style="list-style-type: none"> Thematic level 	
1.4	To what extent has political economy analysis contributed to the design and implementation of the support to framework conditions for PSD?	<ul style="list-style-type: none"> References made to political economy analysis in overall (country and global programme) planning documents References made to political economy analysis in specific project documents Depth of PE analysis in terms of analysis of structure, institutions and actors Evidence of actual use of political economy analysis to adapt programming 	<p>Interviews at three levels</p> <p>Workshops country level</p>	<p>MFA staff HQ and embassies Staff global programmes Implementors programmes Gvt partner countries BMOs Experts</p> <p>BMOs</p>
1.5	How well has the Danish support integrated inclusiveness and attention to cross-cutting issues, specifically human rights, gender equality and youth?	<p>Extent to which attention is paid in programming and implementation to:</p> <ul style="list-style-type: none"> Inclusive business Gender equality Youth Human Rights based approaches 		
2	Coherence: To what extent have there been complementarities and synergies between the various types of Danish support to framework conditions for PSD on the one hand and PSD support by other actors on the other?			
2.1	Internal coherence: To what extent have there been complementarities and synergies within the bilateral country programmes and between the bilateral programmes and other channels of Danish support to framework conditions for PSD?	<p>Complementarities and synergies between:</p> <ul style="list-style-type: none"> Bilateral core support focused on FCs for PSD and other bilateral PSD support Bilateral core support focused on FCs for PSD and other bilateral support (GBS, governance, sector support) Bilateral core support focused on FCs for PSD and policy dialogue Bilateral core support focused on FCs for PSD and global or regional PSD programme support Bilateral core support focused on FCs for PSD and multilateral support (core, soft-earmarked) focused on FCs for PSD 	<p>Document review</p> <p>Interviews</p> <p>Workshops country level</p>	<p>Strategic docs Programme docs International literature</p> <p>MFA staff HQ and embassies Staff global programmes Implementors programmes</p>

		<ul style="list-style-type: none"> • Bilateral core support focused on FCs for PSD and NGO, or research focused on FCs for PSD and bilateral PSD support • Mechanisms for improving internal coherence 		
2.2	External coherence: To what extent is the Danish support to framework conditions for PSD in line with the global evolving norms and standards and is it well-coordinated and complementary to support of other development actors in this area?	<ul style="list-style-type: none"> • Extent to which the Danish support to FCs for PSD has been adjusted in line with international norms and standards • Evidence of lessons learned from international experience with PSD FC support • Extent to which at global, regional and country level comparative advantages of different actors are taken into account for the Danish support and duplication is avoided • Coordination mechanisms at country level for the support to FCs for PSD with specific attention for the role of Denmark and the partner country government <ul style="list-style-type: none"> ○ Perceptions of the role of Denmark in the support to FCs for PSD at regional and national level 	Document review Interviews Workshops country level	DCED guidelines International literature Docs from other donors Docs regarding PSD coordination in partner countries MFA staff HQ and embassies Other donors Partner country representatives
3	Effectiveness: What are the results of the Danish support to framework conditions for PSD and what are the main factors affecting the results?			
3.1	What have been the outputs and (intermediary) outcomes of Danish support to framework conditions for PSD?	Improvements in BER frameworks (and the way these frameworks address issues of inclusiveness, gender equality, human rights and climate change): <ul style="list-style-type: none"> • Business administration and licensing procedures • Tax policies and administration • Labour laws and administration • Land titles, land registry and land market administration • Commercial justice/courts and dispute resolution • Public-private dialogue (incl. informal operators and women) and business advocacy incl. capacity building and effective lobbying • Access to market information 	Document review at all three levels of analysis: <ul style="list-style-type: none"> • Overall strategic level • Country level • Thematic level Interviews at three levels Workshops country level	Strategic docs Programme docs International literature MFA staff HQ and embassies Staff global programmes Implementors programmes Govt partner countries BMOs Experts

		<ul style="list-style-type: none"> • Access to finance with BER focus • Quality of regulatory governance and compliance enforcement • Competition policy, accounting, auditing and business transparency (incl. integrity/ anti-corruption) • Norms and standards (technical, social/labour, environmental) • Trade policies, laws, regulations (<i>trade regimes</i>) <p>Improvements in investment climate (incl how issues of inclusiveness, gender equality, human rights and climate change have been taken into account):</p> <ul style="list-style-type: none"> • Infrastructure development • Value chain and market systems development • Technological development, R&D, innovation • Skills development • Labour market development • Financial market reform • Trade facilitation <p>Evidence that private sector has benefitted from BER and IC improvements:</p> <ul style="list-style-type: none"> • Reduced costs • Reduced business risks • Improved market access • Evidence that private sector is adhering to new targets, norms and standards regarding climate change (no-deforestation, reduced CO2 emissions, etc. 		BMOs
3.2	What have been the main external and internal factors contributing to effectiveness? What are specific explanatory factors	<p>External factors:</p> <ul style="list-style-type: none"> • Income status • Governance situation • Fragility 	<p>Document review at all three levels of analysis:</p> <ul style="list-style-type: none"> • Overall strategic level • Country level • Thematic level 	See above

	in fragile and other country contexts?	Internal factors: <ul style="list-style-type: none"> • Role of embassies (see EQ 4.2) • Targeting of PC PSD support • Internal and external coherence of Danish support (see EQ 2) • Quality of programme design 	Interviews at three levels Workshops country level	
4	Efficiency: What have been main efficiency challenges of the Danish support to framework conditions for PSD and how have these challenges been addressed?			
4.1	What have been main efficiency challenges (including value for money)?	<ul style="list-style-type: none"> • Timeliness of planning and delivery of support • Evidence of support provided in economic way (minimizing costs) • Evidence of support provided in an efficient way (good outputs against reasonable cost) 	Document review at all three levels of analysis: <ul style="list-style-type: none"> • Overall strategic level • Country level • Thematic level 	See above: focus on Danish docs and interviewees
4.2	What are the main factors affecting organizational efficiency with specific attention for the role of the Danish embassies, including changes due to the introduction of DDD?	<ul style="list-style-type: none"> • Formal role of the Danish embassies in coordinating global and national FC PSD support, 2008-2021 • Coordination between embassies and central level in relation to different channels of PSD-FC support • Extent to which embassies are informed on PSD support • Capacity of the embassy (FTEs and profiles), 2008-2021 • Perceptions on the changing role of the embassies in view of DDD, 2008-2021 • Perceptions of other stakeholders (partner country stakeholders and other donors) on Danish FC PSD support 	Interviews at three levels Workshops country level	
4.3	To what extent are the MEAL systems a useful basis for assessing the performance and do they lead to learning and/or changes in programming (adaptive programming)?	<ul style="list-style-type: none"> • Quality of monitoring as reflected in progress and completion reports • Frequency and quality of MTRs, (external) evaluations and impact studies 		

5	To what extent has Danish support to framework conditions for PSD been sustainable?			
5.1	To what extent are the results of Danish support to framework conditions for PSD sustainable?	<ul style="list-style-type: none"> • Evidence that results (outputs and outcomes) are sustained without external support • The supported organisations continue to deliver services of the same quality to their members after the withdrawal of support 	Document review at all three levels of analysis: <ul style="list-style-type: none"> • Overall strategic level • Country level • Thematic level Interviews at three levels Workshops country level	See above
6	Is there evidence on (intended or unintended, positive or negative) intermediary impact and overall impact of the Danish support to framework conditions for PSD?			
6.1	Is there evidence on (intended or unintended, positive or negative) intermediary impact and overall impact of the Danish support to framework conditions for PSD?	<ul style="list-style-type: none"> • Increase in investments • Job creation • Economic growth 	Triangulation of all methods and sources	