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ANNEX 3

of the Commission Implementing Decision on the financing of the annual action plan in favour of the United Republic of Tanzania for 2021

Action Document for Digital4Tanzania – e-Governance Support Programme

ANNUAL PLAN
This document constitutes the annual work programme in the sense of Article 110(2) of the Financial Regulation, and action plan in the sense of Article 23(2) of NDICI-Global Europe Regulation.

1. SYNOPSIS

1.1 Action Summary Table

1. Title **CRIS/OPSYS business reference** **Basic Act**	Digital4Tanzania – e-Governance Support Programme CRIS number: 2021/043-414 Financed under the Neighbourhood, Development and International Cooperation Instrument (NDICI-Global Europe)
2. Team Europe Initiative	No
3. Zone benefiting from the action	The action shall be carried out in Tanzania
4. Programming document	2021-2027 Multiannual Indicative Programme for Tanzania
5. Link with relevant MIP(s) objectives/expected results	- To enhance employability and entrepreneurship through digital skills development - To foster green jobs creation through SMEs development - To support Government systems to deliver effective policy development and implementation - To render the business environment more conducive to private sector growth and increase investment and trade
PRIORITY AREAS AND SECTOR INFORMATION	
6. Priority Area(s), sectors	Priority Area 2 - Human Capital and Employment (sectors 110 and 321) and Priority Area 3 - Governance (sectors 150 and 250)
7. Sustainable Development Goals (SDGs)	Main SDG: SDG 9 - Build resilient infrastructure, promote inclusive and sustainable industrialization and foster innovation Other significant SDGs : SDG 4 - Quality Education, SDG 5 - Gender Equality, SDG 8 - Decent Work and Economic Growth, SDG 10 - Reduce Inequalities, SDG 16 – Peace, Justice and Strong Institutions.
8 a) DAC code(s) [1]	110 Education – 20 % 321 Industry, including SMEs development – 13 % 150 Government and civil society – 47 % 250 Business and other services – 20 %

[1] DAC sectors (codes and descriptions) are indicated in the first and fourth columns of the tab 'purpose codes' in the following document: http://www.oecd.org/dac/financing-sustainable-development/development-financestandards/dacandcrscodelists.htm

8 b) Main Delivery Channel @	Channel 1 – Central Government - 12001			
9. Targets[2]	☐ Migration ☐ Climate ☒ Social inclusion and Human Development ☒ Gender ☐ Biodiversity ☒ Education[3] ☒ Human Rights, Democracy and Governance[4]			
10. Markers [5] **(from DAC form)**	**General policy objective @**	**Not targeted**	**Significant objective**	**Principal objective**
	Participation development/good governance	☐	☐	☒
	Aid to environment @	☒	☐	☐
	Gender equality and women's and girl's empowerment	☐	☒	☐
	Trade development	☐	☒	☐
	Reproductive, maternal, new-born and child health	☒	☐	☐
	Disaster Risk Reduction @	☒	☐	☐
	Inclusion of persons with Disabilities @	☒	☐	☐
	Nutrition @	☒	☐	☐
	RIO Convention markers	**Not targeted**	**Significant objective**	**Principal objective**
	Biological diversity @	☒	☐	☐
	Combat desertification @	☒	☐	☐
	Climate change mitigation @	☒	☐	☐
	Climate change adaptation @	☒	☐	☐
11. Internal markers[6] **and Tags**[7]**:**	**Policy objectives**	**Not targeted**	**Significant objective**	**Principal objective**
	Digitalisation @ Tags: digital connectivity digital governance digital entrepreneurship	☐	☐ ☐ ☐ ☐	☒ ☒ ☒ ☒

[2] Actual contribution to targets will be confirmed ex-post based on a standardised methodology.
[3] This target is specific to INTPA. If the action is marked as contributing to the Education target, please make sure the target on "Social inclusion and Human Development" is also marked.
[4] Thematic target for geographic programmes (at least 15%) in delegated act.
[5] For guidance, see https://www.oecd.org/development/financing-sustainable-development/development-finance-standards/ (go to "Data collection and resources for reporters", select Addendum 2, annexes 18 (policy) and 19 (Rio) of the reporting directive).
If an action is marked in the DAC form as contributing to one of the general policy objectives or to RIO principles as a principal objective or a significant objective, then this should be reflected in the logframe matrix (in the results chain and/or indicators).
[6] The internal markers have been created to report on the implementation of the Commission's own policy priorities in areas where no DAC reporting tool is available. For the sake of consistency and comparability, the methodology is equivalent to the DAC markers, with three possible positions (main target, significant target, not targeted)
[7] Methodology for additional tagging providing granularity on internal markers is under development.

	job creation digital skills/literacy digital services		☐ ☐ ☐	☒ ☒ ☒
	Connectivity @ Tags: transport people2people energy digital connectivity	☐	☐ ☐ ☒ ☐ ☐	☒ ☐ ☐ ☐ ☒
	Migration @ (methodology for tagging under development)	☒	☐	☐
	Reduction of Inequalities (methodology for marker and tagging under development)	☐	☒	☐
	Covid-19	☐	☒	☐
BUDGET INFORMATION				
12. Amounts concerned	Budget line(s) (article, item): BGUE-B2021-14.020121-C1-INTPA Total estimated cost: EUR 35,000,000 Total amount of EU budget contribution: EUR 35,000,000 of which EUR 28,000,000 for budget support and EUR 7,000,000 for complementary support			
MANAGEMENT AND IMPLEMENTATION				
13. Type of financing[8]	**Direct management** through: - Budget Support: Sector Reform Performance Contract - Twinning grants **Indirect management** with a Member State Organisation or International Organisation to be selected in accordance with the criteria set out in section 4.4.2 Budgetary guarantee(s) as set out in section 4.4.3			

[8] Art. 27 NDICI

1.2. Summary of the Action

The Information and Communication Technologies (ICT) sector is growing fast, contributing to social and economic development in the country. Tanzania's development plan, Vision 2025, seeks to transform the country from a least developed to a semi-industrialised middle-income country with a modernised economy and high-quality human capital by 2025. The newly enacted Five Year Development Plan sets out specific objectives related to the ICT sector and confirms that the government should embrace digital technologies to accelerate industrialisation, build digital skills and leverage entrepreneurship and job creation.

The Action Digital4Tanzania aims to promote primarily Digital Economy, e-Governance and Connectivity. It has also a cross-cutting relevance for all sectors benefitting from a better governance and improved e-services (productive sectors as well as social ones - education, health – and more generally e-government). The action will focus on accelerating the transformative impact that digitalisation is already having in Tanzania to bridge the socio-geographic divide and provide more opportunities to women, youth and the population at large. In particular, it will deliver on the following key domains and objectives:

1. Digital Government: improve the digital economy and the use of e-government and e-services;
2. Inclusive Connectivity: support connectivity investments as an enabler for a more conducive environment for public and private actors – and more generally citizens – to operate, addressing the gender and geographic divide;
3. Digital Trade Support: develop the fintech sector and innovation ecosystems in the country and the region, ensuring women and youth access to job opportunities.

Policy dialogue will target key priorities and reforms such as connectivity, regulatory framework, cybersecurity and data protection, making sure that cross cutting issues are properly considered and mainstreamed. At the same time, it will specifically work on improving the country system to ensure a better M&E, accountability and an improved environment for digital trade.

Budget support and contribution agreement modalities will be used to promote EU values (e.g. on cybersecurity and data protection) and interests (e.g. promotion of EU investments in the country). To build capacity of public actors (duty-bearers) in a highly specialised sector, a twinning operation will be favoured. Guarantee operations may contribute e.g. to connectivity expansion ensuring the peoples' rights (rights-holders). Complementarities will be sought with the Team Europe Initiatives and with ongoing actions from EU Member-States interested in financing the ICT sector.

2. RATIONALE

2.1 Context

The Republic of Tanzania has a sustained political stability and a diversified economy with abundant natural resources. Tanzania achieved in 2020 the status of low middle-income country and now strives to maintain it, in spite of the socio-economic impact of the COVID-19 pandemic. The country's population is about 60 million in 2020, making it the most populous nation within the East African Community (EAC) Partner States. 63% of Tanzania's population is below 24 years old. The rapid population growth and limited employment opportunities mean that the country needs to create job for over 800,000 youth entering the job market on an annual basis. Digital technologies are seen as one of the avenues for creating jobs.

The ICT sector is growing fast, contributing to social and economic development in the country. Tanzania's Development Plan, Vision 2025, seeks to transform the country from a least developed to a semi-industrialised middle-income country with a modernised economy and high-quality human capital by 2025. The newly enacted Five Year Development Plan for the period 2021-25, "Realising Competitiveness and Industrialisation for Human Development", sets out specific objectives related to the ICT sector as enabler to strengthen industrialisation, support increased enterprise development and private sector engagement, and accelerate broad-based/inclusive economic growth through poverty reduction and social development interventions as well as targeted productive capacities for the youth, women and disadvantaged groups. These objectives confirm that the government should embrace digital and frontier technologies to accelerate industrialisation, build digital skills and leverage digital technologies for entrepreneurship and job creation for women and men.

Being a member of the EAC and the Southern African Development Community, Tanzania is well located to be a regional hub for the surrounding landlocked countries and for vast areas of the other bordering countries. Through its National ICT Broadband Backbone (NICTBB), Tanzania has established a high-speed fibre optic link to Kenya, Uganda, Rwanda, Burundi, Zambia and Malawi[9]. The NICTBB extends to over 7,500 km in regions and districts. A Fibre Consortium comprising Tanzania main mobile operators Airtel, Tigo, Vodacom and Zantel has also constructed about 400 km of metro fibre in Dar es Salaam, Dodoma, Morogoro, Mwanza and Arusha, as well as over 1,500 km of backbone fibre connecting Dar es Salaam, Dodoma, Arusha and Moshi. Tanzania has the essential backbone connecting most of its urban area, but the network is not extensive to reach the population in secondary cities and rural areas.

African economies are undergoing a steady process of digitalization. The mobile money is a paradigmatic example of a fast, inclusive revolution that has transformed jobs and trade. It has expanded financial services to traditionally excluded segments of the population and unlocked innovative opportunities to develop new business models. Notwithstanding achievements in the country, digital transformation in local government is still nascent. Due to the rapid pace of urbanisation and concurrently a still high percentage of rural population scattered in remote areas, Tanzania is not able to keep up with land digitalisation, management and enforcement. Local Government Authorities are also facing enormous challenges to leverage digital technologies to improve social services in education and health.

Indeed, progress in e-government and expansion of connectivity to rural areas are slow and, despite the considerable progress in extending access to digital technologies, Tanzania still falls behind other East African countries[10]. The Ministry of ICT (MCIT), established in December 2020[11], acknowledges the potential of ICT for the socio-economic empowerment and recognises that the extension of connectivity is facing challenges, which are mainly linked to the insufficient funding and also uncoordinated efforts between Government's Institutions, shortage of electricity and inadequate digital literacy. Yet the Government clearly stated the importance of expanding connectivity and ensuring an enabling environment for innovation and new models of entrepreneurship. Donors' support is still limited, the World Bank and the United Nations Capital Development Fund being the only significant players[12].

The Digital Financial Services sector is growing in Tanzania[13]. Beginning with mobile money, the sector is extending to other areas such as lending, finance, insurance, investment and personal finance. However access to smartphones is still low (15%) and remains unaffordable for large segments of the population, having Tanzania the second-highest cost of ownership of mobile phones in Sub-Saharan Africa. The digital divide in terms of skills and affordability remains extremely high between urban and rural areas and between women and men.

The EU promotes digital transformation to develop sustainable and inclusive Growth in partner countries.[14] The new European Consensus on Development and the European Commission's Approach to "Digital4Development (D4D) acknowledge the enabling role played by digital technologies and solutions to contribute to the implementation of the 2030 Agenda. The Tanzanian ICT policy and the connected strategies and regulations are consistent with the EU vision and represent a solid first step into a comprehensive modernization process.

There is a clear opportunity to support further the digital transformation of the country. The present action will be developed in coordination with the upcoming programmes of the same annual action plan (Team Europe Initiative on cities and action on gender), a programme on regional digital market and the newly established African Union – European Union - D4D platform, which gathers stakeholders from EU Member States, financial institutions, civil society and private sector, to contribute to digital transformation by scaling up investment and promoting a stronger and more strategic EU engagement.

2.1. Problem Analysis

Connectivity is limited especially in rural areas. The development of e-governance is promising, but still in a nascent status. The business ecosystem for fintech still needs to be properly built to allow innovative entrepreneurship to develop to its full potential. Moreover, affordability and reliability of internet connection, network linkages of public

[9] Tanzania, together with Kenya, serves as direct trade, transport gateway to much of East Africa, with the potential for a strong ICT sector for facilitating regional trade. Dar es Salaam is the port of entry and exit for two of the three major Eastern Africa transport corridors, the Central and Southern Corridors. Its regional position favours the application of digital technologies for the facilitation of cross border trade.

[10] E-Government Survey 2020Digital Government in the Decade of Action for Sustainable Development – United Nations https://publicadministration.un.org/egovkb/Portals/egovkb/Documents/un/2020-Survey/2020%20UN%20E-Government%20Survey%20(Full%20Report).pdf

[11] The MCIT has been created separating the ICT area from Ministry of Works, Transport and Communication

[12] They work on access to digital payments, fintech start-ups ecosystem enhancement and new tech entrepreneurship promotion. The EU has recently signed a Financing Agreement with the Government of Tanzania to support the innovation, increase Micro, Small and Medium Enterprises' MSMEs compliance with quality standards, enhance consumer protection and improve the ecosystem for women and youth-led MSMEs. The programme, called FUNGUO, is due to start in 2021 and will be co-financed and implemented by United Nations Development Programme.

[13] Digital Financial Services – April 2020 – World Bank - https://pubdocs.worldbank.org/en/230281588169110691/Digital-Financial-Services.pdf

[14] Communication from the Commission – Europe Alliance for Sustainable Investment and Jobs (2018)

offices, schools, health facilities, and inadequate skill development, both in the public and private sector, remain substantial limiting factors in a country, which is quickly modernizing only for the benefit of urban areas and few wealthy segments of the population. Access to basic digital services remains a challenge, yet not only in rural areas. Often, when services exist, they are not equipped with proper resources, limiting positive effect on crucial sectors such as health, education and trade. A stronger focus on the importance of digital transformation could trigger a better allocation of resources and in turn contribute to inclusive growth. This has to be accompanied by key reform to step up cybersecurity and data protection, as well as the necessary actions to ensure that digital technologies are country wide accessible with no social or spatial divide. Considering the current situation in the country, the important steps that have been taken towards improving the ICT sector, the recent establishment of the Ministry of ICT, the interventions of other DPs, the problem analysis concludes on the opportunity to support digital transformation in the following key domains: - e-Governance, which would contribute to a more efficient and accountable public administrations and the expansions of services available to the population, especially women, youth and people living in vulnerable and/or remote situations, through online affordable and reliable resources; - Connectivity, with the development of a fast, reliable and affordable connectivity country wide, ensuring that no remote districts and chronically neglected areas are left behind, thus reducing the digital divide and ensuring access to quality digital learning platforms both in the public and private sectors; - Fintech environment, with the development of an enabling ecosystem for innovative entrepreneurship to unlock the potential of a fast growing economy to create decent jobs and inclusive growth.
The **main stakeholder** is the MCIT, responsible for overall coordinating policy implementation, monitoring, evaluation, periodic review of the policy, strategies, and initiates legislation for policy implementation[15] but also: - The e-Government Agency (eGA), under the President's Office, responsible for coordinating, overseeing, promoting and enforcing e-government law, standards and legislation in public institutions. - Other institutional actors under the supervision of the MCIT, namely the Universal Communication Service Access Fund (UCSAF)[16], the Information and Communication Technologies Commission, the Tanzania Communications Regulatory Authority, and the Tanzania Telecommunication Corporation. -People (rights-holders): women, men, young girls and boys and children who will be represented by the Civil Society Organisations. The action is expected to have a positive impact and will give a special attention to the people living in the most vulnerable situations, reducing the socio-spatial divide between wealthy urban centres and unserved remote areas applying the principle of "no one left behind". The main institutional partners have a regular consultation process to identify needs and priority of the people, and issues related to gender divide, especially youth and in general inhabitant of the many remote areas of the country. The action, trough policy dialogue and complementary measures, will reinforce the use of community based participatory mechanisms to involve non-state actors and other potential actors.

2.2. Additional Areas of Assessment

2.2.1. Pre-condition on Fundamental Values

N/A

[15] Other responsibilities include awareness creation and provision of guidelines. The Ministry has the duty to promote ownership and mainstreaming of the policy to all sectors, and through the ICT Commission has to facilitate, promote and coordinate implementation of national ICT development projects within the context of social and economic development.

[16] UCSAF plays an important role in the expansion of the broadband since 2009. It is funded by service levy from Licensed Service Providers for a maximum of 1 % on gross operating revenues and provide subsidies to private operators to extend communication services in remote areas. Currently the UCSAF Regulation allows a charge of 1%, which was gradually increased from an initial 0.3% in 2015-16 to 1% in 2019-20. There is the perspective of reviewing it upwards up to a ceiling of 1.5% as provided for by the Act establishing the Fund. The UCSAF accompanies the infrastructure activity with e-skills improvement programmes in coordination with Universities, in particular the University of Dodoma.

2.2.2. Public Policy

Tanzania's National ICT Policy of 2016 aims to provide inclusive access to affordable and reliable access to internet, accelerate broadband penetration, strengthen ICT security and standardisation, enhance the management and efficient utilisation of spectrum and other scarce ICT resources, promote the business process outsourcing industry and enhance efficiency e-service and business[17]. The policy is implemented through an Implementation Strategy 2016/17-2020/21, which is currently being reviewed and updated. Other ICT sector strategies include E-Government Strategic Plan (2021/22 –2025/26)[18], National Cybersecurity Strategy (2017 –2022), and the Tanzania National Broadband Strategy (2021), recently approved.

The ICT sector's primary regulation is the Electronic and Postal Communications Regulations (2018), regulating online content. Tanzania has promulgated an Electronic Transactions Act (2015) and a Cyber Security Act (2015). A Personal Data Protection Bill has been drafted. The government has also promulgated e-government legislation in 2019 that stipulates the e-Government Authority's role, the management and operation of e-government services, e-government infrastructure and systems, and security[19].

The track record of ICT policy implementation shows remarkable achievements with more than 50 million mobile subscriptions and internet penetration at 46% in March 2021. The current efforts to extend the broadband access and improve e-governance are also commendable.

The budget allocated to the MCIT in 2021/22 for development activities is TZS 215 billion (USD 90 million), while the allocation to cover recurrent costs is TZS 4.9 billion. The development budget includes the activities related to the extension of the broadband backbone and the postal code and address system.

The UCSAF works in periodic phases since its establishment in 2009 and it has recently started (June 2020) the Rural Telecom Project phase 5. The UCSAF provides subsidies to private operators and in the first four phases of activity from 2013 to 2019 it has mobilized TZS 120 billion (USD 50 million). The level of subsidies is steadily increasing and it is expected to increase in the coming years.

The MCIT and subordinated Institutions are clearly committed to bring forward the digital agenda of the FYDP III and they are fully aware of its value to ensure inclusive growth and function as enabler in a number of activities related to cross cutting issues such as gender and climate change.

The institutional capacity has been built in the Ministry of Works and Communication since the first ICT Policy in 2003. At the end of 2020 the ICT Department has been separated to create the MCIT and reinforce sector leadership. Despite the presence of a multitude of actors involved in the broadband implementation and overall in the ICT sector, and the need of a strengthened coordination mechanism, the capacity of the MCIT has been assessed positively by the other DPs and by the recent external experts' scoping mission to assess the relevance of the sector for the EU intervention. Other key interlocutors, such as the UCSAF and TCRA have shown a very good technical capability and strong leadership in the respective areas of responsibility.

The policy documents include indicators and targets that are the basis for monitoring progress and a crucial platform for policy dialogue. The collection, processing and analysis of data is a joint effort of different services across line Ministries, including Ministry of Education, Ministry of Health, PO-RALG, TCRA and UCSAF. The ICT Policy details the Monitoring Plan, planned Reviews and Evaluations. The Monitoring Plan consists of indicators, indicators description, baseline, target values, data collection and method of analysis. Indicators are reported on an annual basis and assessed through planned milestone review and appraisal. Evaluation are conducted two times over a period of five years (mid-term and final evaluation). The Monitoring Plan includes the preparation of internal reports (technical, quarterly and annual reports) and external reports (performance, financial, annual reports) with Ministry of Finance and the Parliament as main recipients. The M&E system is in place since the first ICT Policy in 2003 and now, the newly established MCIT is planning to improve the coordination between the entities owning the data and strengthen the yearly reporting system.

In conclusion, the policy is sufficiently relevant and credible for budget support contract objectives to be largely achieved. Therefore the policy can be supported by the Commission with the proposed budget support contract.

2.2.3. Macroeconomic Policy

In 2019, before the outbreak of the Covid-19 pandemic, Tanzania's growth was on a strong trajectory, with the World Bank declaring that between 2013 –2018 Tanzania's average gross domestic product (GDP) growth was 6.5% .

[17] https://www.ega.go.tz/uploads/publications/sw-1574848612-SERA%202016.pdf
[18] https://www.ega.go.tz/uploads/publications/en-1625048198-e-Government%20Authority%20Strategic%20Plan.pdf
[19] https://www.ega.go.tz/uploads/publications/sw-1574849310-eGov%20act,%202019.pdf

Although the pandemic has pushed the global economy into a recession in 2020, Tanzania managed to keep its economy relatively afloat. During the FY 21/22 budget speech, the Government reported on positive real economic growth in 2020 at a rate of 4.8%, compared to the projected growth rate of 5.5% in 2020, and a 7.0% growth stated for 2019. Growth for 2021 is projected at 4%, with a fiscal deficit of 3.9%

This economic slowdown was mainly attributable to adversely affected export-oriented industries, especially tourism and traditional exports, and caused a drop in foreign investment. However, significant discrepancies with International Monetary Fund and World Bank GDP growth rates persist, with 2020 real GDP growth estimates of 1.0% and 2.0% respectively.

Thus far, the Tanzanian Government spent USD 8.4 million specifically related to deal with the effects of COVID-19. In addition, the government has received grants and will use contingency reserve of USD 3.2 million to fund additional health spending to mitigate the risks of the pandemic. To support the private sector, the authorities indicated that they expedited the payment of verified expenditure arrears with priority given to the affected SMEs, paying USD 376 million in March 2020. The government has also expanded social security schemes by USD 32.1 million to meet the increase in withdrawals benefits for new unemployed due to COVID-19. On May 12, the Bank of Tanzania (BoT) reduced the discount rate from 7 percent to 5 percent and reduced collateral haircuts requirements on government securities. Effective June 8, the BoT Statutory Minimum Reserves requirement is reduced from 7 percent to 6 percent. In addition, the BoT will provide regulatory flexibility to banks and other financial institutions that will carry out loan restructuring operations on a case-by-case basis.

The Government of Tanzania secured financial assistance from the IMF for USD 567 million under the Rapid Credit Facility and the Rapid Financing Instrument to tackle the health and socio-economic challenges caused by the COVID-19 pandemic. The new loans comes a little over a year after the IMF Executive Board approved debt relief equivalent to USD 14.3 million under the Catastrophe Containment and Relief Trust to help free up resources for public sector health needs and other emergency spending. The IMF loan signal a positive development in the relationship between the country and the IMF, which has faced difficulties since the Tanzanian authorities have not consented to publication of the 2019 Article IV Consultation staff report.

Notwithstanding the adverse effect the pandemic has had on important economic sectors, Tanzania seems to have maintained relative macroeconomic stability. The government has been able to manage the economy in a manner that has provided relatively low and consistent rates of inflation. In May 2021, inflation rate was recorded at 3.3%, slightly above the recorded annual inflation rate of 2020 which stood at 3.2%, but below the 2018-19 average of 3.5%. Whilst energy inflation has experienced volatility, there has been a high degree of stability in food and headline inflation in recent years.

A similar example of government control resulting in stable economic indicators is the recent trajectory of the Tanzanian Shilling (TZS). The TZS has seen relatively low degrees of volatility in recent years against key currencies. Foreign reserves remain at sufficient level to cover 5.1 months of import of goods and services, though have dropped compared to 6.1 months in the same period last year.

Tanzania's risk of debt distress increased to moderate for both external and overall public debt, with an estimated debt-to-GDP ratio of 40 percent in 2020/21. The increase in the rating is caused by Tanzania's weakened ability to absorb shocks with sensitivity to a narrowing export base and by the lower debt burden thresholds corresponding to the new medium debt carrying capacity classification. The changing debt composition may lead to liquidity risks as commercial debt has increased from just 4 percent to about 20 percent over the past 8 years, driven by the financing needs of large capital projects. In March 2021, debt service equalled 41% of domestic revenues.

Tanzania reached an important milestone in July 2020, when it formally graduated from low-income country to lower-middle-income country (LMIC) status. This reclassification reflected the country's rising gross national income per capita, which reached USD 1,080 in 2019. However, Tanzania's extreme poverty rate remains high at close to 50 % .

Domestic revenue mobilisation continues to be a priority for the Government of Tanzania to finance the FYDP III. The country's recent reclassification to LMIC is likely to reduce access to grants and concessional loans. Tanzania has considerable untapped tax revenue potential. The tax gap is estimated at 6 to 7 percent of GDP, one of the largest in the region. The tax to GDP ratio has increased marginally over time and is still relatively low at 12 % . During the implementation of the FYDP II (2015/16 – 2020/21), tax revenues increased by 56% in nominal terms. Since the start of Covid-19, nominal tax revenues have contracted by roughly 3% in 2020. Zanzibar experienced a particular large drop due to the collapse of the tourism industry. Tax revenue targets for FY2021/22 seem optimistic, predicting a 9% nominal increase while the economy is still recovering from the pandemic. On the other hand, the increase is much more conservative than the >20% increase in the first budget of the previous 5th phase government.

In conclusion, the authorities are pursuing a stability-oriented macroeconomic policy and the eligibility criterion is met.

2.2.4. Public Financial Management

The Government of Tanzania (GoT) has made progress to strengthen its Public Financial Management (PFM) systems since the latest PEFA in 2017. The 2017 Public Expenditure and Financial Accountability Assessment (PEFA[20]) concluded that Tanzania's PFM System improved in 9 out of 28 performance indicators and regressed in 10 out of 28. The PFM system is strong in the following areas: Reporting on extra-budgetary operations, fiscal risk reporting, public asset management, debt management, budget preparation, legislative scrutiny of budgets, accounting for revenue, payroll controls and legislative scrutiny of audit reports. Procurement management, internal and external audit are emerging strengths.

PEFA 2017 identified budget credibility as a weakness, with discrepancies between budgets and actual expenditures. Other weaknesses were public investment management, comprehensiveness of budget documentation, fiscal strategy, expenditure arrears, public access to fiscal information, medium term expenditure framework, in-year controls on non-salary expenditures, in-year budget reports and predictability of in-year resource allocation.

Since the PEFA in 2017, cash management has improved following the adoption of a Treasury Single Account, compliance with public procurement regulations improved as a result of the e-procurement system, GoT made progress in arrears clearance, internal availability of budget information improved due to the Central Budget Management System. The Government is also more compliant with the international Public Sector Accounting Standards9 (IPSAS) accounting standards as the 2019/20 financial statements received an unqualified opinion, has accelerated the integration of IT systems through an Enterprise Service Bus[21] and deployed an audit recommendation tracking information system to enhance the implementation of audit recommendations. Revenue and expenditure targets have shown more realism. Marginal real term annual increases, translated in improved budget credibility prior to Covid-19. It is unclear whether the economic impact of the pandemic has sufficiently been taken into account in the latest budget as targets seem on the ambitious side. Budget credibility, in-year resource allocation, commitment controls and arrears prevention remain areas to monitor throughout the implementation of the programme.

The existing PFM reforms programme in Tanzania (PFMRP) is both credible and relevant. The programme's strategic objectives are formulated to address the weaknesses identified in the PEFA assessment. PFMRP has a comprehensive action plan that identifies tasks, timeframes, resources and responsibilities. The action plan is coherent with Tanzania Development Vision 2025 and Five Year Development Plans. The PFMRP has been adequately financed by GoT and Development Partners and is implemented, with oversight from stakeholders such as the Development Partners PFM Group and the PFMRP Secretariat[22]. A results-oriented Monitoring and Evaluation Framework is in place.

Tanzania does not have a separate policy for domestic revenue mobilisation or tax revenues beyond the chapter on policy financing in the FYDP III. Tax policy changes are introduced annually through the Finance Bill. The existing policy framework is somewhat unpredictable in the eyes of investors. Some policy changes have been effective, whereas others did not have the intended impact and were reversed shortly after. The government headed by President Samia Suluhu Hassan is leaning towards a more medium term outlook with a stronger emphasis on widening the tax base, improving voluntary compliance and addressing tax evasion, as highlighted in the budget speech of June 2021. These priorities reflect the Government's commitment to a more conducive investment climate.

The Finance Bill for 2021/22 intends to promote economic recovery and balances the need to improve the business environment and increase domestic revenues. Measures include a 1% reduction of income tax for the lowest band, introduction of small income tax rate of 3% for small scale miners, a levy on mobile money transactions and sim cards, exemption for income tax on interest derived from government bonds and increased duty rates on various imported products to protect local industries.

Tanzania is implementing reforms to modernise the tax administration with the goal of increasing voluntary compliance. For example, Tanzania Revenue Authority (TRA) increased scanning capacity and launched a centralised scanner system to increase efficiency at the ports. TRA also launched an electronic filing system and in the near future it will launch complementary online modules, for example to look for refunds. In parallel, TRA is enhancing its infrastructure to accommodate the shift to a digital tax authority. Reform progress has been positive but slow, mostly due to competing priorities and weaknesses in planning, budgeting and procurement. The new leadership at TRA is more reform oriented and has started to implement changes to move away from harmful collection practices used in the past.

The Government has shown a continued commitment to PFM and Domestic Revenue Mobilisation reforms under President Samia Suluhu Hassan. The Government is currently undergoing a new PEFA assessment. The report will be publicly available in Quarter 4 of 2021. The outcomes will inform the PFM reform priorities of the GoT beyond June 2022. GoT also announced a review of its domestic revenue system including tax policy and administration,

[20] 2017 PEFA Assessment report

[21] Enterprise Service Bus is a communication system between interacting software. It improves systems integration.

[22] Public Financial Management Reform Program- Joint Supervision Mission Report-2019

revenue forecasting, debt management functions, management of loans, grants and guarantees and inter-governmental transfers. The review will also assess opportunities to improve the budget process to allow for more inclusive and productive consultations between government, private sector and civil society on proposed tax policy changes. The Government's is expected to maintain its current open and cooperative attitude towards private sector and CSOs in the review process. Both processes confirm the GoT's openness and commitment to evidence-based PFM and DRM reforms.

In conclusion, the public finance management reform strategy is sufficiently relevant and credible, including on domestic revenue mobilisation, and the eligibility criterion is met.

2.2.5. Transparency and Oversight of the Budget

While Budget Transparency in Tanzania has been inconsistent, the overall trend and latest developments are positive (2017-2021).

Tanzania has a well-structured budget process with a sound legal base. The GoT follows the provisions of the Budget Act 2015 in a satisfactory manner. Since 2019, the GoT has consistently published budget guidelines, which provide the framework for the budget preparation process. The executive scrutinizes the budget before submission to parliament. The GoT does not publish the Executive's Proposal online. After presenting the Executive's budget proposal to parliament, parliamentary sessions take place between April and June before the start of the fiscal year on 1st July. After parliamentary approval, GoT publishes the Enacted Budget and a Citizen version on the website of the Ministry of Finance and Planning. In recent years, all volumes are made available within weeks from its enactment. In previous years, timely online publication has been a challenge. This year, the Enacted Budget for FY 2021/22 was published timely.

During budget implementation, the Budget Act prescribes the need to publish Budget Execution Reports (BERs) within 30 days after the end of every quarter. In reality, the reports are often delayed. While internal information systems have made the production of these reports more efficient, lengthy internal approval processes stood in the way of timely publication. The BER for Q2 serves as a mid-year report. Its quality can be improved by reporting on budget re-allocations. The most recent in-year reports for FY2020/21 are all available online. Financial Statements are published after release of the general audit reports, which are published annually in April. The Financial statements from 2017 up to 2020 are all available online.

Budget comprehensiveness has improved, as the budget currently shows both the actual budget and fiscal forecasts for outer years. Data necessary to improve the comprehensiveness of the information presented in the Budget documentation is readily available. For example, the Integrated Financial Management System (IFMIS) produces regular reports based on the revised budget allocations for different Votes. Also, expenditure can be compared against budget on IFMIS regularly.

Tanzania's Open Budget Survey score increased to 17 in 2019 from 10 in 2017, suggesting a small positive trend. At the same time, budget Transparency remains low, with according to OBS scant availability of information. Tanzania loses most points by not making the Executive's Budget Proposal available online before the budget is enacted every year in June. Tanzania's mid-year report is not considered sufficient as an update on budget execution, and in-year budget execution reports have been published with a delay. The Tanzania Budget Act 2015 instructs GoT to publish the audited financial statements. Since the audit is released every year in April, GoT does not meet the OBS deadline of publication within 4 months after the end of the FY.

The Open Budget Survey 2019 reports that the legislature and the audit office provided weak oversight during budgeting process. Tanzania scored 31out of 100 on legislative oversight. While oversight is regarded as weak, both National Audit office and Legislature are continuously strengthening their respective institutions.

With regards to parliamentary oversight, the parliamentary budget office continues to provide support to the parliament. An information centre has been set up to assist parliamentarians to access information related to budget and guide has been prepared to assist the National Assembly in scrutinizing the national budget.

National Audit Office Tanzania (NAOT) is part of the budget control process. NAOT does not have a significant role in the budget preparation process but does participate during budget execution by scrutinizing approved estimates and actuals. General Audit reports are published in April, in compliance with the Audit Act and the quality is sound. The scope of the General Audit reports has broadened over the years to include Information Systems audits and NAOT is rolling out comprehensive audit across the organization. The independence of NAOT, as per the current legal framework, requires monitoring as well as the implementation of audit recommendations, which is in need of more active follow-up from management.

In conclusion, the relevant budget documentation has been published and the eligibility criterion is met.

3. DESCRIPTION OF THE ACTION

3.1. Objectives and Expected Outputs

The Overall Objective (Impact) of this action is to contribute to the digitalisation transformative impact on Tanzania's inclusive economic growth and citizens' wellbeing.

The Specific Objectives (Outcomes) of this action are to:

1 Digital Government: improve the digital economy and the use of e-government and e-services;
2 Inclusive Connectivity: increase accessible and equitable connectivity services in rural and peri-urban areas, in particular for social services;
3 Digital Trade Support: develop the fintech sector and innovation ecosystems in the country and the region.

The Induced Outputs to be delivered by this action contributing to the corresponding Specific Objectives (SO) are:

SO 1 – Digital Government

1.1 The legal and regulatory framework, including data protection, cybersecurity and digital trade support, is developed and modernized;
1.2 Public e-services are deployed, in particular in rural areas and for trade purposes;
1.3 Digital business environment and ecosystems are more conducive.

SO 2 – Inclusive Connectivity

2.1 Communication investments promoted and facilitated;
2.2 E-skills, including data protection and cybersecurity, especially in rural areas and with a particular focus on women and youth, are stepped up.

SO 3 – Digital Trade Support

3.1 Inclusive fintech support (e-payment, e-commerce) is developed, with a specific focus on rural and women dimensions.

The Direct Outputs are:
DO1. External assistance is channelled through the national budget;
DO2. Policy dialogue strengthened in support of the implementation of ICT strategies;
DO3. Improved capacities for e-Government, connectivity and digital trade *(Complementary support).*

3.2. Indicative Activities

Budget support and technical assistance (twinning or service contract) will support **policy dialogue with Ministry of Communication Information and Technology (MCIT)** (and possibly Universal Communications Service Access Fund (UCSAF) and e-Government Agency (e-GA)). The development of a specific Performance Assessment Framework and performance indicators will contribute to guide the policy dialogue and monitor the ICT sector progress. The dialogue will aim at ensuring necessary reforms, country ownership and commitment, sufficient resources allocation and planning.

The following indicative activities, under each output, consist in a dialogue on:

Direct outputs:

- Joint monitoring of implementation of ICT policy and strategies;
- Joint review of general conditions for Budget Support operations;
- Joint definition and regular review of Variable Tranches indicators;
- Joint review, improvement and application of a comprehensive policy and regulatory framework through the main *fora* in the sector and *ad hoc* initiatives.

Induced outputs:
SO 1 – Digital Government and SO 2 – Inclusive Connectivity

- Joint review and deployment of a legal and regulatory framework, including cybersecurity and data protection, and related training initiatives in coordination with UCSAF and PORALG;
- Development of e-governance and deployment of e-services;
- Improvement and harmonization of sector reforms and performances, mainstreaming ICT in all ministries, including the activities supporting the decentralization process under the supervision of the PORALG[23];

[23] In coordination with the work that will take place under the Team Europe Initiative on Cities.

- Development of a conducive regulatory environment for innovative entrepreneurship. In particular the development of E-government tools, such as Government Electronic Payment Gateway, Bank of Tanzania Digital Programming Interfaces, E-Trade Taxation, Anti-Fraud Systems;
- Budget allocation and financing of broadband expansion and fibre optic deployment;
- Deployment of broadband backbone and connection to the public offices, schools and health facilities;
- Trainings to improve e-skills, including data protection and cybersecurity, in particular in rural areas and for women and youth.
- Support a human capital programme for decent jobs in the sector, including adequate training for technicians, and attention to the working conditions in companies emerging on this platform.

SO 3 – Digital Trade Support

The following indicative activities, under output 3.1, consist in:

- Development of e-payments and e-commerce also in rural areas and for women;
- Integration of Tanzania Instant Payments System, including the enablement and harmonisation of EAC trade framework; and develop Innovation Hubs and Fintech Observatory.

Technical assistance (common to all 3 SO):

The following indicative activities, under outputs 1.3 consist in:

- Technical cooperation in the domains of e-government, connectivity, e-gender digital divide/gap and digital trade support;
- Coordination with existing and upcoming initiatives by the Government and other DPs (e.g. EU-UNDP-funded Innovation programme[24], World Bank, UNCDF).

3.3. Mainstreaming

Environmental Protection & Climate Change

Environmental Assessment - The targeted sector is not considered environmentally sensitive and therefore a Strategic Environmental Assessment (SEA) is not required[25]. Environmental Impact - The action can be classified as Category B (not requiring an EIA, but for which environment aspects will be addressed during design). Climate Risk – The action is no or low risk (no need for further assessment). However during design the climate change implications will be assessed along with the environment aspects.

Gender equality and empowerment of women and girls

As per OECD Gender DAC codes identified in section 1.1, this action is labelled as G1. A budget support indicator (e.g. on skills development) may specifically address the gender divide. See also § 3.4 on lessons learnt on the natural positive discrimination of digitalisation in terms of gender. The present action will be developed simultaneously with the one on gender, equally part of the annual action plan 2021, considering, in particular, the sixth priority of the European Gender Action Plan 2021-25 on green recovery and digital transformation.

Human Rights

Tanzania is a party to the most important international conventions on human rights and has a national legislation providing for the protection of human rights. Despite the letter of the law, in the last years, respect for human rights and fundamental freedoms faced restrictions. The situation has improved after the accession to power of the incumbent President who has given clear instructions to leave more space to freedom of expression and to respect for human rights. As for the way this action will contribute to consolidating human rights see also the paragraph below on Democracy. Expansion of connectivity, improved e-services and digital skills/awareness, will contribute to reduce the digital divide across societal categories and geographic dimensions, providing new tools for inclusive and equitable growth and overall improvement of human rights, including for women, youth and people with disabilities. The Action will respect the 5 working principles of the Human Right based approach: i) respect of all rights, ii) participation, iii) transparency, iv) accountability and v) non-discrimination.

Disability

As per OECD Disability DAC codes identified in section 1.1, this action is labelled as D1. This implies that the action is relevant to improve the rights of people with disability (see above human rights section).

[24] https://info.undp.org/docs/pdc/Documents/TZA/Funguo%20ProDoc_submitted%20to%20Program%20Board%20Jan%202021.pdf

[25] https://europa.eu/capacity4dev/public-environment-climate/documents/new-guidelines-integrating-environment-and-climate-change-eu-international-cooperation-0

Democracy The Constitution of Tanzania affirms the principle of democracy and all the institutions of a democratic system are in place. The challenges faced by the country in the last years, which contributed to criticism of different international partners, appeared more evident during the elections, highlighting the absence of a rigorous separation of powers providing for the independence of certain bodies like the judiciary and key agencies such as the electoral commissions. Accordingly, the Head of State has very extended powers and the good functioning of the democratic system relies on his/her policy decisions. In this context, inclusion and consultation of the citizens in the policy decisions is all the more important. This action will contribute to consolidate the practice of consultations of the stakeholders in the policy and administrative decisions to be taken for the management of cities. It will also strengthen the position of the local administrations providing them with more tools to exercise their role. The downside related to data collection and cybersecurity is an important concern that will be one of the key priorities of policy dialogue and possibly addressed in the budget support operation.
Conflict sensitivity, peace and resilience Given its attention to connectivity and Geographical Information Systems (GIS) improvement, this action is expected to have a positive impact on peace and security, resilience and will contribute to a better prevention, management and mitigation or environmental/economic shocks.
Disaster Risk Reduction The improvement of internet coverage and the development of digital capacity in the public and private sector are important steps towards a better and comprehensive use of tools such as GIS. GIS and data can play crucial role in improving land management and contributing to disaster risk reduction, e.g. with satellite data supplied by the European Union' Earth observation programme Copernicus[26].

3.4. Risks and Lessons Learnt

Category	Risks	Likelihood (High/ Medium/ Low)	Impact (High/ Medium/ Low)	Mitigating measures
2	Insufficient financial and human resources allocation	**Medium**	**High**	Policy dialogue and specific Twinning/TA activities will work on this dimension and mitigate this risk. Periodic assessment of needs and related allocation of funds.
3	Limited capacities of the MCIT, the e-GA and UCSAF	**High**	**Medium**	BS complementary assistance will closely work with key institutions
3	Unclear areas of responsibilities in projects implementation and M&E systems	**Low**	**Low**	Building on the momentum that the creation of a new Ministry is bringing to the sector a new coordination mechanism Government-DPs will be developed along with support to the improvement of the M&E system.
4	Reduced commitment to ensuring that the digital strategy adheres to human rights commitments and standards[27], in particular, the right to privacy, data protection and limits on digital surveillance.	**Medium**	**Medium**	Although the current presidency is promoting a digital discourse, a rights-based digital strategy needs to be promoted that protects the right to privacy, data protection and limits on digital surveillance, in line with international standards, particularly the EU's GDPR and international human rights norms. Policy dialogue and the strong values of European DFIs involved in the sector will contribute to assess the situation and mitigate the risk. An explicit commitment for all private sector actors to abide by the UN Guiding Principles on Business and Human Rights.

Lessons Learnt:
The Government of Tanzania recognizes the transformative power of the digital infrastructure in the public and private sectors, considering it a "supporting condition" to build an economy that is inclusive, competitive and integrated, underpinned by industrialisation and services and driven by modern science, technology, and innovation (FYDP III). This has been done in the last 15 years[28] developing policy tools, extending fibre and broadband connectivity, and through the operations since 2008 of the UCSAF to bridge the gaps rural areas.

[26] Copernicus offers to African countries full, open and free-of-charge access to data and information that can be used to tackle challenges and support inclusive growth.
[27] https://www.lefigaro.fr/flash-actu/tanzanie-des-ong-denoncent-le-recul-des-libertes-fondamentales-sous-magufuli-20191028
[28] World Bank, Tanzania Country Diagnostic, http://documents1.worldbank.org/curated/en/510681488823616126/pdf/TZ-SCD-Final-Approved-by-AFRVP-03012017.pdf

Despite the unprecedented progress, those who benefit are still a limited portion of the society. The spatial divide, the e-skills gap and affordability, remain important elements of the digital transformation and produce inequalities in access to services and labour markets. Access to basic services is limited, especially in rural areas. Where services exist, they often lack resources, leading to unsatisfactory outcomes (health, education, economic development) and limited access to basic infrastructure. This area is one of the main socioeconomic challenges of Tanzania. Spending on digitisation is expected to translate into inclusive growth. However, while digital technologies increase many benefits for citizens and consumers, they also come with new risks, such as possible exclusion and inequality as well as the misuse of digital data. There is a need to ensure that the benefits of digital technologies are accessible to all and that it is rights-based, excluding a possible digital divide.

Recent researches[29] show a positive relationship between the digital transformation index and economic development, labour productivity and employment. Females seem to gain more from digital transformation compared to males. On the other hand, more evidence is still needed to judge whether digital transformation will have an impact upon the vulnerable employees in the economy.

3.5. The Intervention Logic

The Action intends to contribute to the transformative impact digitalisation can bring to the socio-economic environment of Tanzania, both Mainland and Zanzibar. As a cross-cutting issue, digitalisation has the potential to boost inclusive economic growth in all sectors and increase citizens wellbeing, e.g. by reducing red tape and corruption, modernising the industry, increasing human capital or improving access to financial services and information. There is an opportunity for the EU to position itself as an alternative partners to big players such as US and China and promote EU values (e.g. on cybersecurity and data protection) and interests (e.g. promotion of EU digital investments in the country). To seize the opportunities offered by the fourth industrial revolution, EU partnership with Tanzania should focus on the yet untapped high added-value of activities such as the development of e-government and e-services, the expansion of – broadband – fibre optic to all areas of the country and the promotion of digital trade.

To achieve these goals, a meaningful dialogue, around policy reforms and ICT mainstreaming, will be made possible by a budget support operation (for Mainland), bringing the necessary leverage to promote above-mentioned EU values and interests. Dialogue is expected to bring more coordination within stakeholders, in support of e-governance and development of a more advanced regulatory framework (development of e-governance and e-services will also be supported, ideally, by the expertise of an EU Member-State administration - with a twinning operation). This will be accomplished through a strengthened consultation process and policy dialogue to accompany Budget Support operations and ensure that the sector policy remain relevant and credible, the performance is in line with reasonable and yet ambitious targets and the regulations respond to the need of private sector and the population at large. The dialogue will also support the expansion of an inclusive connectivity, to enable more businesses and citizens to have an affordable access the internet - in particular women, youth and inhabitants of rural areas. Policy dialogue is expected to trigger adequate resources allocation to connectivity (with possible support of EFSD+ guarantees to mobilize DFIs' resources) and address cybersecurity and data protection.

In addition to the budget support operation, a specific focus on the development of a more conducive environment for innovative entrepreneurship will contribute to unlock the potential of digital trade (e.g. expansion of fintech digital payment solutions), enable economic growth across key productive sectors (e.g. agriculture, tourism) and address the gender and geographic divide, ensuring women and youth access to job opportunities.

The possibility to directly support digital transformation in Zanzibar is limited due to the semi-independent status of the Zanzibar archipelago, where budget support is currently not possible. However, potential activities related to the fiber optic deployment (e.g. connectivity hubs and infrastructures) and digital trade development will include specific elements related to Zanzibar.

Synergies with Team Europe Initiatives on Cities and Blue Economy, but also the action on gender, will be sought. EU member states interest in joint actions, e.g. in guarantees operations or twinning, will be explored.

3.6. Logical Framework Matrix

BUDGET SUPPORT MODALITY as reflected by the national/sector public policy supported (4 levels of results / indicators / Baselines / Targets / Source of Data - no activities)

[29] Heidi Aly: "Digital transformation, development and productivity in developing countries: is artificial intelligence a curse or a blessing?" – Review of Economics and Political Science – ISSN 2631-3561 – 16 May 2020.

Caveat: the indicators used in the LFM refer to the budget support intervention logic. They help monitoring the implementation of the programme in view of its objectives and later evaluate its contribution to country policy's achievements. The list of indicators below should not be understood as the list of indicators informing the disbursement of variable tranches and spelled out in the relevant part of the financing agreement signed with the partner country, although some indicators may be used for both purposes and will be marked accordingly.

Indicators from the programming document (MIP) marked with '*'and indicators aligned to the EU Results Framework marked with '**'. Indicators used within variable tranches are flagged in **bold.**

Results	Results chain	Indicators [30] (max. 15)	Baselines (year)	Targets by the end of the budget support contract (y)	Sources of data (1 per indicator)
Indicative Impact of the policy	To contribute to the digitalisation transformative impact on Tanzania's inclusive economic growth and citizens wellbeing.	1 Status of SDGs **9**, 4, 5, 8, 10, 16 2 HDI 3. Global connectivity index	1 Status of SDGs 2 HDI 2021 3 77 (GCI score 2019)	1 Progress of SDGs 2 Increase of HDI 3 Improved GCI score	1 National Statistics Data, SDGs report 2 HDI UN report 3 GCI Report
Expected Outcomes of the policy	1 Improved digital economy and use of e-government and e-services 2 Increased accessible and equitable connectivity services in rural and peri-urban areas, in particular for social services 3 Developed fintech sector and innovation ecosystems in the country and the region	1.1 Number of people using e-governance systems (by sex, rural/urban, age and disability) 1.2 Districts providing e-services 2.2 Percentage of people connected 3.1 Employment rate (by sex, rural/urban, age, disability)	1.1 Number from National Statistics 1.2 Number from National Statistics 2.2 % from National Statistics 3.1 Number from National Statistics	1.1 Increase of people 1.2 Increase of districts 2.2 Increase % 3.1 Increase of employment rate	1.1 National Statistics Data (MCIT, UCSAF) 1.2 National Statistics Data (MCIT, UCSAF) 2.2 National Statistics (TCRA) 3.1 National Statistics Data (MCIT, TCRA)
Induced Outputs	1.1 The legal and regulatory framework, including data protection, cybersecurity and digital trade support, is developed and modernized; 1.2 Public e-services are deployed, in particular in rural areas and for trade purposes; 1.3 Digital business environment and ecosystems are more conducive 2.1 Communication investments promoted and facilitated 2.2 e-skills, including data protection and cybersecurity, especially in rural areas and with a particular focus on women and youth are stepped up 3.1 Inclusive fintech support (e-payment, e-commerce) is developed, with a specific focus on rural and women dimensions	1.1.1 **Reviews of acts and laws in favour of a conducive ICT sector (submission to the Parliament)** 1.2.1 **Number of Ministries, Departments, and Agencies and Local Government Authorities (MDAs/LGAs) using shared resources through GovNet** 1.2.2 **Number of subscription with access to mobile digital services by female** 1.3.1 Extent to which the EU-funded intervention supported the development of digital solutions for business administration services 2.1.1 Broadband penetration rate countrywide 2.2.1 Number of people trained 3.1.1 Number of new decent jobs created in companies benefitting from digitalization support (by sex, rural/urban, age and disability)	1.1.1 **4** 1.2.1 **190** 1.2.2 **27,844,785** 1.3.1 e-service in place 2.1.1 45% 2.2.1 Number from UCSAF Reports 3.1.1 Number from National Statistics	1.1.1 **2, 2, 2** (Reviews of acts and laws submitted to the parliament) 1.2.1 **240, 340, 440** 1.2.2 **29,500,000, +5%, +5%** 1.3.1 Increase of e-services 2.1.1 50%, 60% 2.2.1 Increase of trained people 3.1.1 Increase of employment	1.1.1 Budget Speech, MCIT reports 1.2.1 eGA Performance Report, MCIT Reports 1.2.2 TCRA Rerports, MCIT Reports 1.3.1 MCIT Reports 2.1.1 MCIT Reports 2.2.1 MCIT/UCSAF Reports 3.1.1 MCIT Reports
Direct Outputs	DO1 External assistance is channelled through the national budget DO2 Policy dialogue strengthened in support of the implementation of ICT strategies DO3 Improved capacities for e-Government, connectivity and digital trade (Complementary support)	1.1 Disbursement of tranches (amount) 1.2 Number of policy dialogue meetings (number) 1.3 Improved capacity (number of projects implemented number)	1.1 0 1.2 2 1.3 -	1.1 € 28M (7, 7, 7,7) 1.2 2 1.3 Improved capacity	1.1 Disb. Dossier 1.2 Disb. Dossier, minutes 1.3 Progress Report

[30] Indicators and related baselines, targets and source of information are under review in coordination with the MCIT and relevant stakeholders.

4. IMPLEMENTATION ARRANGEMENTS

4.1. Financing Agreement

In order to implement this action, it is envisaged to conclude a financing agreement with the partner country.

4.2. Indicative Implementation Period

The indicative operational implementation period of this action, during which the activities described in section 3 will be carried out and the corresponding contracts and agreements implemented, is 48 months from the date of entry into force of the financing agreement.
Extensions of the implementation period may be agreed by the Commission's responsible authorising officer by amending this Financing Decision and the relevant contracts and agreements.

4.3. Implementation of the Budget Support Component

4.3.1. Rationale for the Amounts Allocated to Budget Support

The amount allocated for the budget support component is EUR 28,000,000, and for complementary support is EUR 7,000,000. This amount is based on the assessment of the yearly budget of the ICT sector and lessons learned from the experience of previous budget support operations.

The budget allocated to the MCIT in 2021/22 for development activities is TZS 215 billion (USD 90 million), while the UCSAF manages an amount of subsidies to the private operators in a range of USD 8-12 million. The allocation of EUR 7 million per year through sector budget support is considered a reasonable amount to have leverage on policy dialogue and performances.

Given the recent positive developments in the country, the use of budget support seems particularly timely and relevant. There is a real opportunity to build on this political momentum to support the renewal of a close political dialogue with the country's national authorities. Moreover, Budget support is the government's preferred implementation modality. During the six years of general budget support preceding the ongoing programmes, the Government had an absorption capacity of 96% out of 300 million euros. The absorption capacity for the recently concluded economic and fiscal governance programme is 88% out of 200 million euro. Informed by this change in track-record, this action opts for a different approach: a smaller, focussed sector reform and performance contract, where budget support blends with other modalities and is highly complementary to drive a specific set of reforms that require cooperation of different government actors.

The Government has made progress in its intention to reduce aid dependency, but is still counting on a substantial aid financing of TSH 2.9 trillion (approx. EUR 1.06 billion) for its 2021/22 budget. This represents 8% of total expenditure (estimated at TSH 34.88 trillion) and 22% of development expenditures (estimated at TSH 12.9 trillion). The combined EU budget support allocation in FY2021/22 will be 56.17 million euros (approx. 151 billion TSH), and consist of EUR 7 million to be paid through the proposed cities action, 7 million EUR through the proposed gender action, 7 million EUR through the proposed digitalisation action, 20.17 for the Covid-19 tranche of the Economic and Fiscal Governance programme and the next tranche of EUR 15 million of road sector budget support. This constitutes 0.43% of the total budget, 0.58% of domestic revenues and 5.2% of the budgeted grants from development partners, and therefore does not create disproportionate aid dependency.

Besides, with 75% of the total amount linked to variable tranches, the programme is totally in line with the Commissioner's new recommendations that at least 70% of the amount of budget support operations should be linked to variable tranches, guaranteeing that performance is rewarded while strengthening our political dialogue.

4.3.2. Criteria for Disbursement of Budget Support

a) Conditions

The general conditions for disbursement of all tranches are as follows:

- Satisfactory progress in the implementation of the National Information and Communication Technology Policy and continued credibility and relevance thereof or of the subsequent policy.
- Maintenance of a credible and relevant stability-oriented macroeconomic policy or progress made towards restoring key balances.

- Satisfactory progress in the implementation of reforms to improve public financial management, including domestic revenue mobilisation, and continued relevance and credibility of the reform programme.
- Satisfactory progress with regard to the public availability of accessible, timely, comprehensive, and sound budgetary information.

b) The performance indicators for disbursement to be used for variable tranches may focus on the following policy priorities:
- Reviews of acts and laws in favour of a conducive ICT sector,
- National targets in terms of promotion of e-services,
- Percentage of the population having access to digital services, per gender and geographical area,
- Penetration rate of the internet in rural areas (inclusive connectivity).

c) Modifications

The chosen performance indicators and targets to be used for the disbursement of variable tranches will apply for the duration of the action. However, in duly justified cases, the partner country and the Commission may agree on changes to indicators or on upward/downward revisions of targets. Such changes shall be authorised in writing ex-ante, at the latest at the beginning of the period under review applicable to the indicators and targets.

In exceptional and/or duly justified cases, for instance where unexpected events, external shocks or changing circumstances have made the indicator or the target irrelevant and could not be anticipated, a variable tranche indicator may be waived. In these cases, the related amount could either be reallocated to the other indicators of the variable tranche the same year or be transferred to the next variable tranche the following year (in accordance with the original weighting of the indicators). It could also be decided to re-assess an indicator the following year against the original target, if there was a positive trend and the authorities did not reach the target because of factors beyond their control. The use of this provision shall be requested by the partner country and approved in writing by the Commission.

d) Fundamental values

In case of a significant deterioration of fundamental values, budget support disbursements may be suspended, reduced or cancelled, in accordance with the relevant provisions of the financing agreement.

4.3.3. Budget Support Details

Budget support is provided as direct untargeted budget support to the national treasury. The crediting of the euro transfers disbursed into Tanzanian Shillings will be undertaken at the appropriate exchange rates in line with the relevant provisions of the financing agreement.

The action includes both fixed and variable tranches over 4 years. The fixed component covers the first year and variable component starts in the second year and covers the last 3 years. The overall amount of variable tranches is 75% of the total. The incentive to deliver on the sector policy targets, through the variable tranches, starts from year 2. The total amount available each year is the same.

	Year 1 (2021/22)	Year 2 (2022/23)	Year 3 (2023/24)	Year 4 (2024/25)
Fixed tranche	7			
Variable tranche		7	7	7

The preliminary disbursement schedule is as follows:

- Year 1 disbursement in 2021/22 fixed tranche after signing FA
- Year 2 disbursement in 2022/23 (n) based on eligibility assessment of 2021/22 (n-1)
- Year 3 disbursement in 2023/24 (n) based on eligibility assessment of 2022/23 (n-1)
- Year 4 disbursement in 2024/25 (n) based on eligibility assessment of 2023/24 (n-1)

4.4. Implementation Modalities

The Commission will ensure that the EU appropriate rules and procedures for providing financing to third parties are respected, including review procedures, where appropriate, and compliance of the action with EU restrictive measures[31].

4.4.1. Direct Management (Twinning grants)

Twinning grants: (direct management)
(a) Purpose of the grant(s)
The purpose of grant(s), that will be twinning grant(s), will be to support e-Government reform and connectivity. Specifically, the grant will provide:
- Complementary support to budget support operation (specific objectives (SO) 1 and 2)
- Digital trade support, including technical cooperation in the domains of e-government, connectivity, e-gender digital divide/gap, coordination with existing and upcoming initiatives by the Government and other DPs. (Specific Objective 3)

(b) Type of applicants targeted
Applicants must be EU Member State administrations or their mandated bodies.

4.4.2. Indirect Management with a Member State Organization or international organisation

A part of this action may be implemented in indirect management with an entity, which will be selected by Commission's services using the following criteria:

- Extensive experience working in Tanzania in the areas under the specific objectives in reference,
- Complementarity of on-going similar activities in Tanzania,
- Operational capacity.

The implementation entails support to improved connectivity and enhanced digital trade (SO2 and SO3).

4.4.3. EFSD+ operations covered by budgetary guarantees

A part of this action may be implemented through budgetary guarantees under indirect management. The budgetary guarantees would fall within the following priority area: Human Capital and Employment (sectors 110 and 321)

This section 4.4.3 is included for information purposes only. A comprehensive action plan covering all EFSD+ budgetary guarantees and the financing decision for the entire annual commitment under the EFSD+ budget line are adopted separately.

Financing and investment operations supported by budgetary guarantees may be implemented under indirect management with the entities, called Lead Finance Institutions, identified in the appendix to this Action Document.

4.4.4. Changes from indirect to direct management mode (and vice versa) due to exceptional circumstances (one alternative second option)

N/A

4.5. Scope of geographical eligibility for procurement and grants

The geographical eligibility in terms of place of establishment for participating in procurement and grant award procedures and in terms of origin of supplies purchased as established in the basic act and set out in the relevant contractual documents shall apply, subject to the following provisions.

The Commission's authorising officer responsible may extend the geographical eligibility on the basis of urgency or of unavailability of services in the markets of the countries or territories concerned, or in other duly substantiated

[31] www.sanctionsmap.eu. Please note that the sanctions map is an IT tool for identifying the sanctions regimes. The source of the sanctions stems from legal acts published in the Official Journal (OJ). In case of discrepancy between the published legal acts and the updates on the website it is the OJ version that prevails.

cases where application of the eligibility rules would make the realisation of this action impossible or exceedingly difficult (Article 28(10) NDICI-Global Europe Regulation).

4.6. Indicative Budget

Indicative Budget components[32]	**EU contribution (amount in EUR)**
<u>Objective 1</u>: Digital Government and <u>Objective 2</u>: Inclusive Connectivity	
Budget support - cf. section 4.3 (**Outputs 1.1 to 1.3 and 2.1 to 2.2)**	**28,000,000**
Complementary modalities to budget support – Implementation modalities – cf. section 4.4	
<u>Objective 3</u>: Digital Trade Support	
Indirect management with a MS Organization or International Organization (**Output 3.1) –** cf. section 4.4.2	**4,500,000**
<u>Objectives 1, 2 and 3</u>	
Twinning Grant (direct management) - cf. section 4.4.1 (**Outputs 1.1 to 1.3, 2.1 to 2.2 and 3.1)**	**2,000,000**
Evaluation – cf. section 5.2 **Audit** – cf. section 5.3	**300,000**
Contingencies	**200,000**
Totals *Grants – total envelope under section 4.4.1: EUR 2,000,000*	**35,000,000**

4.7. Organisational Set-up and Responsibilities

The main entities involved in the governance of the intervention are the MICT, the UCSAF and the e-GA (under the President Office). The implementation of the action involves also at different level the following stakeholders: Ministry of Finance and Planning (MoFP); President's Office Regional Administration and Local Government (PORALG); Local Government Authorities (LGAs), Ministry of Education, Ministry responsible for Health and Gender, TCRA and TTC.

The ICT sector has no existing coordination mechanism yet but considering the cross cutting relevance of ICT activities and the presence of the new MICT as leading institution, the Government intends to establish an ICT Working Group, comprising the main stakeholders and DPs, with the scope to ensure alignment and coordination. The MICT will chair the meeting and a DP co-chair. The Group may meet regularly, ideally each semester, and may be the *forum* to analyse needs, propose interventions, present respective activities, discuss implementation and review results with a specific focus on budget support operations. The Group will be the main base for policy dialogue and a platform to promote inclusive inter-agency coordination and consultation with the civil society's stakeholders.

Separately or as part of the same mechanism, a structured Budget Support dialogue gathering the main interlocutors (at least MICT, MOFP and EU Delegation) will take place 2 to 4 times a year. Reporting will be coordinated by MOFP.

As part of its prerogative of budget implementation and to safeguard the financial interests of the Union, the EU will participate in the above governance structures set up for governing the implementation of the action.

[32] N.B: The final text on audit/verification depends on the outcome of ongoing discussions on pooling of funding in (one or a limited number of) Decision(s) and the subsequent financial management, i.e. for the conclusion of audit contracts and payments.

Gender equality, human rights and human rights-based approach expertise will be ensured during the implementation of the action as possible. They will also be integrated in relevant documents (i.e. ToRs, CfPs etc) as minimum requirements of expertise.

5. PERFORMANCE MEASUREMENT

5.1 Monitoring and Reporting

The day-to-day technical and financial monitoring of the implementation of this action will be a continuous process, and part of the implementing partner's responsibilities. To this aim, the implementing partner shall establish a permanent internal, technical and financial monitoring system for the action and elaborate regular progress reports (not less than annual) and final reports. Every report shall provide an accurate account of implementation of the action, difficulties encountered, changes introduced, as well as the degree of achievement of its results (Outputs and direct Outcomes) as measured by corresponding indicators disaggregated minimum by sex and age, using as reference the logframe matrix (for project modality) and the partner's strategy, policy or reform action plan list (for budget support). Monitoring and evaluation will assess the implementation of the human rights-based approach working principles (applying all human rights for all; meaningful and inclusive participation and access to decision-making; non-discrimination and equality; accountability and rule of law for all; and transparency and access to information supported by disaggregated data).

The Commission may undertake additional project monitoring visits both through its own staff and through independent consultants recruited directly by the Commission for independent monitoring reviews (or recruited by the responsible agent contracted by the Commission for implementing such reviews).

Roles and responsibilities for data collection, analysis and monitoring:

The M&E Framework is detailed in the sector policy and strategic documents. Indicators and five years targets provide the benchmark for monitoring progress. The policy describes the planned reviews, evaluations and reporting plan, mentioning the frequency, designated chairpersons and stakeholders involved. The data are collected from different sources (line Ministries and implementing agencies under the MCIT, e.g. UCSAF and TCRA), reviewed and analysed by key sector agencies, including the MCIT and then presented by the MCIT to the Parliament and published on line.

The statistical and monitoring systems as well as the quality of official data in the policy field covered have been assessed. This assessment has fed into the design of the action with variable tranche indicators focussed on areas where timely quality information is available as part of the official government budgetary documents, complemented with MCIT reports when needed.

5.2 Evaluation

Having regard to the importance of the action, a mid-term, final and ex-post evaluation(s) will be carried out for this action or its components via independent consultants contracted by the Commission.

The mid-term evaluation will be carried out for problem solving in particular with respect to the implementation of the budget support (specific objective 1), preparation of green infrastructure projects ready to be co-financed by the EFSD+ instrument. This exercise will be important to prepare a second phase of actions and new cities to be supported during the course of the budget cycle. The evaluation of this programme will preferably be carried out jointly with Member States and EDFIs participating to this programme.

The Commission shall inform the implementing partner at least one month in advance of the dates envisaged for the evaluation missions. The implementing partner shall collaborate efficiently and effectively with the evaluation experts, and inter alia provide them with all necessary information and documentation, as well as access to the project premises and activities.

The evaluation reports shall be shared with the partner country and other key stakeholders following the best practice of evaluation dissemination[33]. The implementing partner and the Commission shall analyse the conclusions and recommendations of the evaluations and, where appropriate, in agreement with the partner country, jointly decide on the follow-up actions to be taken and any adjustments necessary, including, if indicated, the reorientation of the project.

[33] See best practice of evaluation dissemination

Evaluation services may be contracted under a framework contract.

5.3 Audit and Verifications

Without prejudice to the obligations applicable to contracts concluded for the implementation of this action, the Commission may, on the basis of a risk assessment, contract independent audit or verification assignments for one or several contracts or agreements.

6. STRATEGIC COMMUNICATION AND PUBLIC DIPLOMACY

The 2021-2027 programming cycle will adopt a new approach to pooling, programming and deploying strategic communication and public diplomacy resources.

It will remain a contractual obligation for all entities implementing EU-funded external actions to inform the relevant audiences of the Union's support for their work by displaying the EU emblem and a short funding statement as appropriate on all communication materials related to the actions concerned. This obligation will continue to apply equally, regardless of whether the actions concerned are implemented by the Commission, partner countries, service providers, grant beneficiaries or entrusted or delegated entities such as UN agencies, international financial institutions and agencies of EU member states.

However, action documents for specific sector programmes are no longer required to include a provision for communication and visibility actions promoting the programmes concerned. These resources will instead be consolidated in Cooperation Facilities established by support measure action documents, allowing Delegations to plan and execute multiannual strategic communication and public diplomacy actions with sufficient critical mass to be effective on a national scale.

APPENDIX 1 REPORTING IN OPSYS

An Intervention[34] (also generally called project/programme) is the operational entity associated to a coherent set of activities and results structured in a logical framework aiming at delivering development change or progress. Interventions are the most effective (hence optimal) entities for the operational follow-up by the Commission of its external development operations. As such, Interventions constitute the base unit for managing operational implementations, assessing performance, monitoring, evaluation, internal and external communication, reporting and aggregation.
Primary Interventions are those contracts or groups of contracts bearing reportable results and respecting the following business rule: 'a given contract can only contribute to one primary intervention and not more than one'. An individual contract that does not produce direct reportable results and cannot be logically grouped with other result reportable contracts is considered a 'support entities'. The addition of all primary interventions and support entities is equivalent to the full development portfolio of the Institution.

Primary Interventions are identified during the design of each action by the responsible service (Delegation or Headquarters operational Unit).
The level of the Primary Intervention is defined in the related Action Document and it is revisable; it can be a(n) (group of) action(s) or a (group of) contract(s).

Tick in the left side column one of the three possible options for the level of definition of the Primary Intervention(s) identified in this action.
In the case of 'Group of actions' level, add references to the present action and other action concerning the same Primary Intervention.
In the case of 'Contract level', add the reference to the corresponding budgetary items in point 4.6, Indicative Budget.

Option 1: Action level		
☐	Single action	Present action: all contracts in the present action
Option 2: Group of actions level		
☐	Group of actions	Actions reference (CRIS#/OPSYS#): <Present action> <Other action>
Option 3: Contract level		
☒	Single Contract 1	Budget support - cf. section 4.3
☒	Single Contract 2	Indirect management with a MS Organization or International – cf. section 4.4.3 Contribution agreement
☒	Single Contract 3	Direct management Grant (Twinning/TAIEX) - cf. section 4.4.1 or Direct management Procurement - cf. section 4.4.4
☐	Group of contracts 1	<foreseen individual legal commitment (or contract) 1> <foreseen individual legal commitment (or contract) 2> <foreseen individual legal commitment (or contract) #>

[34] ARES (2021)4204912 - For the purpose of consistency between terms in OPSYS, DG INTPA, DG NEAR and FPI have harmonised 5 key terms, including 'action' and 'Intervention' where an 'action' is the content (or part of the content) of a Commission Financing Decision and 'Intervention' is a coherent set of activities and results which constitutes an effective level for the operational follow-up by the EC of its operations on the ground. See more on the concept of intervention.