

THE UNITED REPUBLIC OF TANZANIA

MINISTRY OF FINANCE



**A SYNOPSIS REPORT ON MCC WASHINGTON DUE-DILIGENCE MISSION TO
TANZANIA: 8TH TO 22ND NOVEMBER, 2006 AND WAY FORWARD**

**DAR ES SALAAM
NOVEMBER, 2006**

1. INTRODUCTION

Following the Pre-Due Diligence consultations with the Tanzania Government representatives held from 24th September to 8th October 2006, the MCC Board of Directors authorized a November 2007 Due-Diligence Mission to look into the country's capacity to manage procurement and fiscal accountability issues. The Mission's assessment will eventually determine whether MCC will have to engage independent Procurement and Fiscal Agents or use existing Government systems in steering Compact implementation. In general, the Mission's visit aimed at moving fast the consultative process by preparing in advance prerequisite supplementary documents as part of the Compact process before the signing ceremony which is expected sometimes in 2007.

The November 2006 Due-Diligence Mission was composed of Mr. Lucas Black-Associate Country Director; Mr. Alan Pearson-Lead Fiscal accountability expert; Mathew Kavanagh-Program Officer; and Ms. Deb Shigenaga-Procurement Expert.

1.1 Specific Objectives of the Mission:

The main objective and thrust of the November Mission was to assess Tanzania's governance capacity with special emphasis on **Procurement** and **Fiscal set-ups**. Specifically, the Mission aimed at:

- i. Reviewing critically existing country's capacity to implement the Compact;
- ii. Reviewing the MCA-T organization structure or implementation machinery; and
- iii. Agree on a way forward.

Therefore, the November 2006 Mission consultations underscored the following specific issues:

- i. Procurement capability;
- ii. Fiscal management capability; and

- iii. MCA-T organization structure to steer the implementation of the Compact i.e. the establishment of an independent **Accountable Entity**.

1.2 Main stakeholders who participated in the November 2006 consultation process with the Due-Diligence Mission were:-

- i. Ministry of Finance officials from both Mainland and Zanzibar: Accountant Generals;
- ii. Bank of Tanzania Officials;
- iii. Public Procurement and Regulatory Authority Officials;
- iv. Sectoral Public Procurement Heads of MDAs;
- v. National Audit Office Officials;
- vi. Ministry of Energy and Minerals;
- vii. Ministry of Infrastructure Development;
- viii. Ministry of Water;
- ix. Sectoral Donors including the World Bank AfDB;
- x. Zanzibar Electricity Corporation (ZECO);
- xi. Zanzibar Water Authority (ZAWA);
- xii. Zanzibar Department of Sewerage, Drainage and Solid Waste Disposal;
- xiii. TANROADS;
- xiv. TANESCO;
- xv. Zanzibar ZECO and ZAWA Procurements;
- xvi. Zanzibar Ministry of Communication and Transport Procurement; and
- xvii. DAWASA;

2. PRESENTATION AND DISCUSSIONS:

With respect to procurement, it became evident that MCC will have to rationalize its procurement guidelines with the Tanzanian established procurement system which is a decentralized one, delegating procurement activities to the players. Key issues discussed were:

- i. The need to have a single Procurement Agent (centralized) VS Several Procurement Agents (decentralized). MCC's thinking and tradition is to use a Single Procurement Agent;
- ii. An Accountable Entity whose form is yet to be finalized given the needed coordination mechanism with Procurement Agents placed in various centers of activities; and
- iii. TOR's for the Procurement Agents.

During the consultative process, it was observed that the MCC Mission had considered using the existing Government Financial Management system using the existing Government structure as a special treatment model due to the existence of a robust legal system in Tanzania compared to other MCC countries currently implementing Compacts. The norm is for MCC to outsource both Fiscal and Procurement Agents to steer implementation of Compacts. As such, this area will be a subject for more internal discussions in Washington taking into account the Tanzanian situation and the performance reforms in place or under implementation.

2.1 Procurement:

During consultations, the Government representatives demonstrated that the country had the capacity and desire to undertake the Procurement task for the Tanzania Compact using the Public Procurement Act 2004 which also allows the use of other internationally recognized documents such as those of the World Bank when it came to international competitive bidding in the recruitment of both **procurement** and **consulting** services. It further became clear that all sectoral procurement units had acceptable inbuilt capacities to procure goods and services with the exception of few institutions specifically at the local government level.

Key areas agreed upon between the Tanzania Government representatives and the MCC Due Diligence Team were as follows:

- i. The Public Procurement and Regulatory Authority (PPRA) in collaboration with Sectoral Procurement Heads and in close consultation with MCC-Washington, will coordinate preparation of the Compact procurement plan and relevant procurement guidelines;
- ii. Regarding procurement arrangement in Zanzibar the Mainland Procurement Act 2004 will be used as the Zanzibar Procurement Act 2005 is flexible and it permits Zanzibar to use the Mainland Procurement Act. The MCC would like to use only one procurement law for the compact.
- iii. PPRA will work jointly with its Zanzibar counterpart in drafting needed procurement guidelines.

2.2. Fiscal Management

Key issues discussed were:

- i. The need to have an effective Fiscal Management network with the view to ensure that the Compact is efficiently implemented and thus, achieve its intended objectives;
- ii. The need to establish a Fiscal Agent Unit to be housed in the Accountant General's Department to coordinate all financial matters in collaboration with the counterpart sectors and Bank of Tanzania;
- iii. How to design an efficient MCC disbursement and transfer system via the Fiscal Agent (**Mainland ACGEN**) to Zanzibar projects. The MCC Mission promised to respond to this issue after some internal consultations with the higher authorities but MCA-T's views are that the Office of the Vice President in Tanzania handles the matter. The idea is to consider this Office as the hub to oversee both procurements and resources by being the link between Zanzibar and the Fiscal Agent. Alongside this, upon receiving MCA assistance, the Fiscal Agent in collaboration with the Bank of Tanzania will transfer MCA funds to an Account in the Vice President's Office for the settlement of testified expenditure for Zanzibar projects. As discussed earlier, the MCC will respond to this concern in early 2007.

iv. The need to prepare other vital fiscal documents as conditions precedent to signing the Compact. These documents include **a Bank Agreement; Fiscal Accountability Plan; Fiscal Agent Agreement and a Disbursement Agreement. A Bank Agreement will include among others, a payment of interest condition on special account balances on a daily basis (Attachment A).** MCC requires that all MCC beneficiary countries pay interest on USD Special Account. MCA – Tanzania is expected to inform MCC –Washington whether the Bank of Tanzania accepts this arrangement or not. MCA-T will specify the terms and conditions, on which a Bank will receive, accept, hold, maintain and deliver funding to a Permitted Account (accrued interest). The Permitted Accounts will include a USD Special Account as well as an account in local currency. **According to the MCC-Washington, this condition is not negotiable.** If the BOT will not accept the proposal, MCC will consult commercial banks in Tanzania and invite them to bid for the offer and thus, select a competitive commercial bank to engage in this process. The US Treasury will appoint a due-diligence mission to undertake this exercise in early January 2007. Some of the key policy requirements to be reflected in the Bank Agreement in relation to the USD Special Account are:

- The account shall be a separate, interest-bearing, cash-only account, denominated in U.S. Dollars for the purpose of holding MCC Disbursements;
- The funds will not be commingled with other Government funds unless agreed otherwise by MCC;
- Interest should be calculated daily at a rate to be determined through negotiation, based on the Federal Funds Effective Rate, and credited to the Special Account daily;

- Interest accrued on the balance of the Special Accounts shall be transferred to a US Treasury account designated by MCC.
- The Bank shall transfer all interest earned on the Funds in the Permitted Accounts ("*Accrued Interest*") to a United States Government account designated in writing by MCC at the following times: (i) within ten (10) days after the last day of each calendar quarter; (ii) upon the expiration or early termination of this Agreement. With respect to Funds held in the Local Account, unless otherwise instructed in writing by MCC, all Accrued Interest earned on such Funds shall be converted into U.S. Dollars and transferred into the Special Account. In connection with each transfer required, the Bank shall provide a report to MCC, MCA-Country and the Fiscal Agent that specifies the average daily balance in each of the Permitted Accounts during the applicable period and the amount of Accrued Interest thereon.

v) The urgency of incorporating MCC Compact projects in fiscal year 2007/08 i.e. creating project codes structure into specific Medium Term Expenditure Framework (MTEF) of counterpart sectors and multi-year commitments. It was observed that the Ministries of Finance from Mainland and Zanzibar should now start prioritizing projects and thus, incorporating them in a five year horizon starting from year 2007/08. However, since the Compact has not been signed, the Government (counterpart sectors) in collaboration with MCC agreed that specific projects need not be published until when the Compact has been signed in mid 2007. This means that the Government will have to prepare a **supplementary budget** after the signing of the Compact. We are yet to be certain as to when the Compact will be signed but if all goes well it is likely that it will be signed in July/August 2007

2.3 Status following the concluded consultations with the first Due-Diligence Mission:

The MCA-T, representatives from the Bank of Tanzania and those from ACGEN's Office had extended but constructive discussions on the Bank Agreement and modalities for operating the relevant accounts for including interest payment. At the close of the Mission, the interest issue remained a non-cleared item. However, following further internal consultations at the Bank of Tanzania, **para 2.3.1** is a reproduction of what the Bank is proposing to the Government.

2.3.1. Bank Interest Payment Issue;

- a) In consideration of the importance of the projects to the country, it is recommended that the Government accept the proposed content for the Banking Agreement **(Attached A)**, which means that:
- i. The Bank will open MCC 'Permitted Accounts' whose signatory will be the Fiscal Agent i.e. the Accountant General.
 - ii. The Bank of Tanzania will pay interest on the funds that it will hold in USD while awaiting release to the final beneficiaries, based on the effective Federal Reserve Bank of New York (Fed) funds rate.
 - iii. Interest payable on the USD holdings will be negotiated once we know the relevant amounts and the likely holding period.
 - iv. Funds must not be kept idle; and local payments will be made through the Real Time Gross Settlement System (RTGSS) or Tanzania Interbank Settlement Scheme (TISS), which requires only a short notice from the Accountant General.
 - v. Notice of withdrawal/transfer instructions shall normally be provided two days before the settlement date; therefore the Tanzania Shs (TZS) account will only hold intraday funds (in transit to final beneficiaries).
 - vi. There will be no commingling of the funds with other government funds held at the Bank.
- b) In order to facilitate efficient management of the funds (that attract payment of interest), the Bank shall be furnished with information on the work programme,

procurement plans, and expected timing of the relevant payments as soon as they are determined.

- c) To facilitate efficient processing of the payments, the Bank will institute a "modus operandi" that shall include the following internal processes:
- i. A Special Account for MCC Funds denominated in USD will be opened in the Central Banking System (CBS) to hold the funds upon disbursement.
 - ii. The MCC Account denominated in TZS will be opened in the Tanzania Inter-bank Settlement System (TISS) to enable MOF to handle payment instructions in an efficient and secure manner to the beneficiary sectors (there will be no expenditure float).
 - iii. The Bank will purchase the USD MCC Funds and immediately credit the TZS equivalent to MCC Account denominated TZS in TISS.
 - iv. The MOF will be accountable for MCC Payment instructions including generation of all payment messages to beneficiary through TISS.
 - v. The Bank will provide the MOF with an online capability to monitor in real time all transactions in the MCC account.
 - vi. A statement of the MCC Account will be generated and provided to MOF electronically everyday at 5:00 pm.
 - vii. Full Audit trail and details of historical transactions will be easily available for auditing purposes.

In view of the foregoing state of affairs, the Ministry of Finance is requested to indicate concurrence to the above recommendations to enable the Bank to initiate the necessary processes.

2.3.2 MCA-T in collaboration with the Office of ACGEN, both Mainland and Zanzibar have prepared zero drafts on:

- a) Fiscal Agent Agreement as per MCC guidelines (**Attachment C**); and

b) An Interim Fiscal Accountability Plan (Attachment D)

2.3.3 A fiscal implementation timetable has been prepared and agreed upon between the MCA-T (ACGEN) and MCC-Washington so as to accomplish most of the remaining agenda items conditional to the signing of the Compact agreement. The proposed timetable includes the updating of current documents by involving other key stakeholders, drafting of Bank Agreements and the review of IT system audit requirements.

3. Governance issues

The Mission did send to us in advance a structure proposal which in turn MCA-T circulated it to Steering Committee Members and the Technical Committee. On the other hand same was discussed with the MCC Team and at the end agreed to submit our views in writing. Same is attached as **Attachment B**. This item will be a subject of more discussions in January 2007.

Among key issues discussed include the following:

- a) The need to establish an **independent accountable entity** free from government interventions to oversee Compact implementation. It is not yet decided where this accountable entity will be housed;
- b) The MCA-T management unit is proposed to operate as an independent project management unit under the accountable entity. Its staff will have to be recruited through an open competition;
- c) The need to form a Governing Board with the structure similar to the existing Steering Committee but with fewer members;
- d) In order to make sure that the general public is adequately and timely informed on progress of Compact implementation, it is proposed by MCC that a stakeholders committee be formed to replace the existing technical committee; and

- e) That both Board and Stakeholders Committee members to receive no sitting allowances but refunds on actual expenditure.

4. WAY FORWARD AND RECOMMENDATION:

4.1 The MCA-T has continued with the liaison obligation with MCC Washington with the view to accomplish all outstanding tasks prior to signing of the Compact Agreement. Issues that need to be completed by MCA-T/MCC-Washington include:

- a) The structure of the Accountable Entity, the Board/Steering, Management Unit and the Stakeholders Committee;**
- b) Finalization of the Compact Agreement as a result of the 2007 due-diligence activities and process;**
- c) Preparation of Procurement Plan and Agreement;**
- d) Preparation of Fiscal Accountability Plan;**
- e) Preparation of a Fiscal Agent Agreement; and**
- f) Preparation of a Bank Agreement.**

4.2 Specific assignments on the aforesaid outstanding tasks:

- a) In order to accomplish the remaining tasks, we need to engage (on secondment) an experienced and competent lawyer to assist the MCA-T to analyze MCC legal issues and thus, prepare legal documents;
- b) PPRA will have to continue to work closely with MDA Procurement Unit Heads with the view to prepare procurement plan for the Compact;
- c) With respect to the Fiscal Agent, ACGEN will have to finalize the remaining tasks and at the same time maintain a close liaison with MCC-Washington with the view to

accomplish the Fiscal Accountability Plan and Fiscal Agent Agreement; and the Bank agreement; and

- d) Ministry of Finance to make a formal response to MCC over the interest payment issue. This need to be done before end of December, as same will allow MCC to decide quickly on both the Procurement and Fiscal issues.

4.3 Recommendation:

This brief and its attachments have highlighted all important issues. Now we need to follow up on all pending or un-concluded issues as presented above with maximum speed. We have hardly less than two months before the project by project detailed analysis including site visits by MCC experts start. It is to our advantage to make adequate preparations before the scheduled due diligence exercise. The interest, the lawyer, the agreements, etc. are examples.

Ministry of Finance,

MCC UNIT OFFICE,

NSSF WATERFRONT HOUSE,

DAR ES SALAAM,

November 30th , 2006

ATTACHMENT A

FOLLOW ON
FISCAL AGENT ASSESSMENT
UNITED REPUBLIC OF TANZANIA



BANK AGREEMENT — PAYMENT OF INTEREST ON
SPECIAL ACCOUNT BALANCES

16 November 2006

Fiscal Agent Assessment

United Republic of Tanzania

MCC Requirement for Interest Payment on USD Special Account

For purposes of Disbursement of funds to the MCA – Tanzania and for certain re-disbursements the MCC will require the MCA – T to enter into a bank agreement, in form and substance satisfactory to MCC, specifying the terms and conditions on which a bank will receive, accept, hold, maintain and deliver funding to a Permitted Account. The Permitted Accounts will include a USD Special Account as well as an account in local currency. Some of the key policy requirements to be reflected in the bank agreement in relation to the USD Special Account are:

- The account shall be a separate, interest-bearing, cash-only account, denominated in U.S. Dollars for the purpose of holding MCC Disbursements;
- The funds should not be commingled with other Government funds unless agreed otherwise by MCC;
- Interest should be calculated daily at a rate to determined by negotiation, based on the Federal Funds Effective Rate, and credited to the Special Account daily;
- Interest accrued on the balance of the Special Accounts shall be transferred to a US Treasury account designated by MCC.
- The Account Bank shall receive any payments, fees or reimbursements for the services performed related to the USD Special Account in accordance with an agreed schedule;

The essence of these requirements can be reflected in the bank agreement in terms similar to the following:

Establishment of Permitted Accounts.

(a) The Bank shall establish, at its offices in [ADDRESS, CITY, COUNTRY], the following separate and irrevocable, interest-bearing, cash-only deposit accounts in the name of

[MCA-Country], (each, a "*Permitted Account*," and collectively, the "*Permitted Accounts*"), into which accounts the Bank shall deposit, maintain and transfer the Funds as directed from time to time by the Fiscal Agent (or by MCC in the case of and to the extent set forth in Sections 1.5(b), 1.6(a)(ii), 1.6(g), 1.7, 4.2(d) and 4.2(e)):

(b) A segregated special U.S. Dollar-denominated account (the "*Special Account*");

(c) A segregated special [LOCAL CURRENCY]-denominated account (the "*Local Account*"); and

(d) Such other segregated special accounts as MCA-Country and MCC agree upon in writing.

The Bank shall not open or hold any other account for or on behalf of MCA-Country, directly or indirectly, without the prior written approval of MCC.

(e) The Bank shall provide evidence to MCA-Country, the Fiscal Agent and MCC of the establishment of the Permitted Accounts, including their respective designated account numbers and wire transfer instructions (the "*Account Information*") as soon as such accounts are established. In the event of any changes to any Account Information, the Bank shall provide written notice of such new Account Information to MCA-Country, the Fiscal Agent and MCC immediately thereafter.

No Commingling of **Accounts**. The Bank shall hold and maintain the Funds in the Permitted Accounts, and the Permitted Accounts shall be separate and apart from any other accounts of the Bank, including accounts held on behalf of others or under any other custodial basis. Funds on deposit or credited to any Permitted Account shall be deemed to be held by the Bank in a custodial or fiduciary capacity and shall not constitute property of the Bank.

Interest Payments.

(f) The Bank shall pay interest on all Funds in the Permitted Accounts, which shall accrue and be calculated and paid on a daily basis at a rate per annum as detailed in **Schedule 1.**

(g) The Bank shall transfer all interest earned on the Funds in the Permitted Accounts ("*Accrued Interest*") to a United States Government account designated in writing by MCC at the following times: (i) within ten (10) days after the last day of each calendar quarter; (ii) upon the expiration or early termination of this Agreement; and (iii) at any other time upon the written instructions of MCC. With respect to Funds held in the Local Account, unless otherwise instructed in writing by MCC, all Accrued Interest earned on such Funds shall be converted into U.S. Dollars and transferred into the Special Account prior to any transfer made in accordance with the immediately preceding sentence. In connection with each transfer required by this Section 1.5(b), the Bank shall provide a report to MCC, MCA-Country and the Fiscal Agent that specifies the average daily balance in each of the Permitted Accounts during the applicable period and the amount of Accrued Interest thereon.

In accordance with Section 2.3 of the Compact, the Bank shall not withhold any taxes on any Accrued Interest.

Fees.

(h) The Bank's fees hereunder shall be as set forth in **Schedule 1** hereto, and MCA-Country shall be responsible for payment of such fees in the amounts and on the dates as designated therein, provided that the Bank has submitted valid invoices for such fees, which invoices are subject to the approval of MCA-Country. The Bank's fees as set forth in Schedule 1 shall be full compensation for the services to be provided by the Bank pursuant to this Agreement. Except as set forth in **Schedule 1**, the Bank shall not be entitled to any other compensation, costs, expenses or payment (including

payment or reimbursement for third-party costs and expenses) in respect of this Agreement.

(i) The Bank’s fees hereunder shall be exempt from taxes to the extent permitted and as set forth in Section 2.3(e) of the Compact. If required to pay any taxes, the Bank shall promptly pay such taxes as imposed and shall promptly notify MCA-Country (or such agent or representative designated by MCA-Country) and MCC of any taxes paid. The Bank shall cooperate with MCA-Country or its agents and representatives in seeking the prompt and proper reimbursement of such taxes. **Schedule 1**

Schedule 1

INTEREST AND FEES

Interest

Concept	Terms
I. Interest rate	
II. Payment Term and special conditions	
III. Interest Calculations	

Fees

Concept	Factor	Terms
I. Cost of admin. Services		
	Electronic Transfer	
	Transfer (Original Letter)	
	International Transfer	
	Checks	

ATTACHMENT B:
ACCOUNTABLE ENTITY AND GOVERNANCE MATTERS

**COMMENTS ON THE MCC MEMORANDUM TO MCA-TANZANIA ON
"ACCOUNTABLE ENTITY AND GOVERNANCE MATTERS"**

Preamble

The MCA Tanzania wishes to express its sincere gratitude for the advice and support MCC continues to provide to Tanzania in the process of preparing the MCA – T Compact Proposal and planning for the subsequent stages. We have noted with appreciation that the above mentioned Memorandum was prepared to provide more specific guidance on matters related to the establishment and function of the Accountable Entity. It took note of the proposed structure in the Country Proposal and raised concerns and also provided some recommendations as part of the due diligence. The following are our comments on the Memorandum:

General comments:

1. The Memorandum recommends a structure of the "Accountable Entity" which is related to the suggested structure in the Country Proposal. However, there are some fundamental differences which need to be reconciled.
2. The Government recognizes its primary responsibility for oversight and management of the Program and the need to establish an entity (which will manage the program on its behalf and report back to the government) with the necessary autonomy to enable the Government and MCC to hold it accountable. The government therefore, agrees with some of the recommendations in the Memorandum but also has some concerns on some of the recommendations.
3. The government agrees with the proposed structure in the Memo (which is similar to the one proposed in the Country Proposal) with a "Governance Board" (or "Steering Committee"), a "Management Unit" and a "Stakeholders' Committee". While there is a general agreement on the roles and functions of the Steering Committee and the Management Unit, there are differences on the recommended roles and functions of the stakeholders' committee given the size of Tanzania and the big spread of the enabling projects selected by the Government. This is an area which needs further discussion considering the merits and demerits of the different suggestions.
4. The structure suggested in the Memorandum seems not to show a clear line of accountability to the government apart from the general understanding that the Accountable Entity will be working on behalf of the Government. Experience

shows that if the line of accountability is not clearly defined there will not be a particular Ministry that will feel as having a primary responsibility and therefore become accountable in the Parliament or Cabinet.

The Governing Board has therefore to report to a Minister responsible for the Program, through the Permanent Secretary of that particular Ministry. The Minister responsible will then be accountable to the Parliament and Cabinet for the activities of the MCA -T. program.

Specific comments:

1. The Memo proposes for the creation of an independent Accountable Entity free from interventions or influence by the Minister for Finance (Ministry of Finance) while in the Country Proposal it is suggested to establish a Management Unit within the Ministry of Finance (the MCA –T Programme Unit) which will be granted autonomy in good faith just as it is the case with other Donor Funded Projects with Project Management Units, like Tanzania Social Action Fund (TASAF), Small Entrepreneurs Loan Facility (SELF) or the European Commission (EC) Program.

Project Management Units operate as administrative units, within an existing Ministry and are given enough autonomy to implement project activities without interference (by the respective ministries) but are held accountable to the government through their respective Ministries. Similarly, the MCA-T Management Unit is proposed to operate as an independent project management unit within the Ministry of Finance and can be established through a Government Notice which grants a legal status for the Unit within a Ministry. This means that the Unit will be able to sign contracts with third parties. The details of the governance structure and accountability will then be defined in the governance agreement that will be signed between the Government, MCC and the Accountable Entity.

The positioning of the Management Unit can be discussed further. If it becomes obvious that in the case of the MCC package there will be a serious conflict of interests if placed in the Ministry of Finance then a more appropriate Ministry can be jointly determined.

2. The Memorandum correctly relates the Governing Board with the Steering Committee and proposes similar responsibilities as those in the Country Proposal, except that it recommends a smaller size of the committee of between 9-11 members only. Government feels that the most important thing is to have effective and committed Board Members and at the same time one which ensures enough representation of the key stakeholders. The smaller the size of the committee the better to the Government.

3. The Memorandum emphasizes that the Management Unit will be composed of full time employees recruited through an open competitive process and subject to MCC approval. Government agrees with the open competitive process in recruiting the Management Team. However, we recommend that the Chief Executive Officer and two deputies (one in the Mainland and one for Zanzibar) be reserved for Presidential Appointment, after recommendations from the responsible Ministry. This will be consistent with the existing Government of Tanzania civil service regulation with regard to appointment of Heads of Departments, Directorates, Agencies, Units, etc.

The other strong point in this area is that, so far the compact development work has been the task of Government seconded staff. It will harm the project if after signing all the experienced people in the process are out. This will have to be sorted out much earlier as some of the key seconded people may lose emerging opportunities at respective work places including current substantive positions which may be taken over by other deserving people due to prolonged stay out of office. The objective is to have good people and also ensuring timely continuity.

4. The Country Proposal suggests that the Inter-Institutional Technical Committee should provide technical support to the Steering Committee while the Memorandum states the role of the stakeholders committee to be that of a watchdog third part; with emphasis on institutionalization of the consultative process. This is an area which needs further exploration of the merits and demerits of the different suggestions. We propose the existing Inter-institutional Technical Committee to be reconstituted with the view to broaden representation.
5. The memorandum places central oversight role on the Board in the implementation of the Compact, yet, it cogently prevents members of the Board from receiving token sitting fees as a recognition of time and effort they put on the compact implementation. If the Board is 100% Government employees this would be different. But when it draws people from the society at large, effectiveness may be a problem. We wish to note that, while appointed members would definitely value their contribution to the national development, and will be responsible people with high integrity, experience has shown that members of the boards of the proposed nature (with private sector and civil society representation) have own demanding priorities.

The Memorandum does not suggest any kind of incentive to the Board Members in the sense of reward or penalties for performance or non performance. Absence of incentives will most likely hamper the effectiveness of the Board. The argument that members will be sacked for non performance may not hold water since any appointed board member will be working under the same terms and

condition. Lastly, the Tanzanian Team which is involved in the development of the Country Proposal had discussions with the recent MCC Mission on Governance issues. We wish to note with appreciation the consensus reached that there will be sector specialists in the Management Unit who will be the link persons with the respective sector ministries. Also as agreed during our discussion we will continue to explore measures for continuity of program activities by avoiding a vacuum between Compact Signing and Entry into Force or stalling program activities before the new Management Unit is fully functional. Some of the measures to be explored further include the possibility of jointly confirming, on a case by case basis, the current Government seconded staff who are currently working on the MCA –T program.